

OLEAN URBAN RENEWAL AGENCY
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

OLEAN URBAN RENEWAL AGENCY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

Olean Urban Renewal Agency

We have audited the accompanying statements of net assets of ***Olean Urban Renewal Agency*** as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of ***Olean Urban Renewal Agency*** as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012 on our consideration of the Agency's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Managements Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

Bysiek CPA, PLLC

BYSIEK CPA, PLLC
SEPTEMBER 26, 2012
OLEAN, NY 14760

Management discussion and analysis (MD&A) is designed to assist the reader in focusing on significant financial issues provide an overview of *Olean Urban Renewal Agency's* financial activity, and to identify changes in the Agency's financial position. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which immediately follow this section.

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

Financial Highlights

- Incurred approximately \$63,000 of maintenance costs to refurbish properties held for sale
- Collected approximately \$29,000 in lease fees and rentals

Overview of the Financial Report

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) financial statements, 2) notes to the financial statements and, 3) report on internal controls.

1) Financial Statements

The statement of net assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Agency is improving or deteriorating.

Condensed Statement of Net Assets

As of June 30,	2012	2011
Current Assets	\$ 232,789	\$ 258,159
Long-term Assets	816,327	816,327
Total Assets	\$ 1,049,116	\$ 1,074,486
Current Liabilities	\$ 30,425	\$ 5,911
Long-term Liabilities	27,580	27,580
Total Liabilities	\$ 58,005	\$ 33,491
Net Assets invested in capital assets, net of related debt	\$ 788,747	\$ 788,747
Net Assets, unrestricted	202,365	252,248
Total Net Assets	\$ 991,111	\$ 1,040,995

The statement of activities reports the revenues, expenses and changes in the Agency's net assets.

Condensed Statement of Activities

For the Year Ending June 30,	2012	2011
Revenues	\$ 30,164	\$ 33,280
Expenses	80,084	77,363
Change in Net Assets	\$ (49,884)	\$ (44,083)

2) Notes to Financial Statements

The notes to the financial statements, including the summary of accounting policies, provide additional information that is essential to a full and complete understanding of the information provided in the financial statements.

3) Report on Internal Controls

The Report on Internal Controls (and Compliance) is required by Government Auditing Standards. It does not render an opinion on the operating effectiveness of internal controls but reports any control deficiencies. These control deficiencies (if any), are further classified as either significant deficiencies or material weaknesses.

Economic Factors That Will Affect the Future

The Agency remains committed to rehabilitating the downtown district of Olean, NY, and promoting economic development activities in the community. Its ability to successfully accomplish this is at least in part based upon the economic outlook for the Southern Tier region as well as upon its ability to continue to attract funding for future improvements.

OLEAN URBAN RENEWAL AGENCY
STATEMENTS OF NET ASSETS

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<i>As of June 30,</i>	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 231,595	\$ 244,883
Other current assets	1,194	13,276
Total current assets	<u>232,789</u>	<u>258,159</u>
Long-term Assets		
Property held for sale	592,227	592,227
Land	224,100	224,100
Total long-term assets	<u>816,327</u>	<u>816,327</u>
Total assets	<u><u>\$ 1,049,116</u></u>	<u><u>\$ 1,074,486</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 30,425	\$ 5,911
Total current liabilities	<u>30,425</u>	<u>5,911</u>
Long-term liabilities		
Contractual fees payable	27,580	27,580
Total liabilities	<u>58,005</u>	<u>33,491</u>
Net assets		
Invested in capital assets, net of related debt	788,747	788,747
Unrestricted	202,365	252,248
Total net assets	<u>991,111</u>	<u>1,040,995</u>
Total liabilities and net assets	<u><u>\$ 1,049,116</u></u>	<u><u>\$ 1,074,486</u></u>

See independent auditor's report and accompanying notes to the financial statements

OLEAN URBAN RENEWAL AGENCY
STATEMENTS OF ACTIVITIES

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For the Year Ended June 30,

	<u>2012</u>	<u>2011</u>
Revenue		
Lease fees and rentals	\$ 29,944	\$ 30,632
Interest	220	2,648
	<u>30,164</u>	<u>33,280</u>
Expenses		
Professional fees	12,861	7,697
Consultants	4,655	13,405
Property maintenance costs	62,531	56,261
	<u>80,048</u>	<u>77,363</u>
Change in net assets	(49,884)	(44,083)
Net assets, beginning of year	1,040,995	1,085,078
Net assets, end of year	<u>\$ 991,111</u>	<u>\$ 1,040,995</u>

See independent auditor's report and accompanying notes to the financial statements

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<i>For the Year Ended June 30,</i>	2012	2011
Cash flows from operating activities		
Receipts		
Lease fees and rentals	\$ 28,750	\$ 30,632
Interest	220	2,648
Total cash receipts	28,970	33,280
Payments		
Professional fees and consultants	(6,998)	17,540
Payments for land development and property maintenance	49,255	69,537
Total cash payments	42,257	87,077
Net cash used in operating activities	(13,287)	(53,797)
Cash flows from investing activities		
Purchase of property and capital improvements	-	(444,327)
Sales of investments	-	433,105
Net cash provided by investing activities	-	(11,222)
Net change in cash	(13,287)	(65,019)
Cash at beginning of year	244,883	309,902
Cash at end of year	\$ 231,596	\$ 244,883

See independent auditor's report and accompanying notes to the financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Nature of Operations

Olean Urban Renewal Agency is a public benefit corporation established in 1969 to promote economic development activities in the community, particularly in the downtown district, and former Felmont and Agway sites. The Agency is managed by staff of the City of Olean.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Thus, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification Topic 958, *Financial Statements of Not-for-Profit Organizations*. Under Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash Equivalents

For purposes of reporting cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. Property

Property and property held for sale are carried at cost, or, if transferred from the City of Olean, at appraised value. Costs associated with the refurbishment or renovation of properties held for sale are capitalized and added to the cost of the asset.

G. Compensated Absences

The Agency does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on uncontrollable future events.

H. Reclassifications

Minor reclassifications have been made to certain prior year balances in order for them to conform to the current year's presentation

I. Income Taxes

Olean Urban Renewal Agency is exempt from income taxes as a public benefit corporation recognized by New York State. Therefore, no provision for income taxes is reflected in the financial statements.

NOTE 2: PROPERTY HELD FOR SALE

On August 30, 2010, *Olean Urban Renewal Agency* entered into an agreement with North Union Development, Inc. and Southern Tier Environments for Living, Inc. to purchase properties at 101 North Union Street, and 110 and 116 West State Street in Olean, NY for approximately \$408,000. During the year ending June 30, 2011, the Agency incurred costs of approximately \$46,000 to repair the roof on an existing property known as the Siegel's Building. These costs have been included on the Statement of Financial Position. Other costs incurred, including on-going maintenance, utilities and property taxes have been included as expenses on the Statement of Activities.

The Agency also carries several parcels of property that it owns and holds for sale on its Statement of Financial Position at appraised value. The properties were former railroad yards acquired by the City of Olean and subsequently deeded to the *Olean Urban Renewal Agency*. The appraised value at the time of transfer was \$137,900, and remains the carrying value as of June 30, 2012 and 2011.

NOTE 3: LEASE AGREEMENTS

Olean Urban Renewal Agency currently leases a six acre parcel of property to CYTEC Industries, Inc. in Olean, NY for a fee that increases at a rate 3.5% per year through 2032. The Agency also leases a strip of land to National Grid, to whom an easement has been granted for electrical lines that pass through the property. The agreement states that the Agency will receive \$12,000 per annum as long as the electrical lines are utilized by the National Grid. Additionally, the Agency receives monthly fees from AT&T for global communication equipment installed on the roof of the building of one of the newly acquired properties described in Note 3. These payments will continue as long as *OURA* owns the building. Each of these agreements is considered by their terms operating leases. The Agency expects to receive the following amounts over the next five years, as follows:

For the year ending June 30,		<u>CYTEC Industries</u>		<u>AT&T</u>	<u>National Grid</u>
2013	\$	3,778	\$	14,329	12,000
2014		3,910		14,329	12,000
2015		4,047		14,329	12,000
2016		4,188		14,329	12,000
2017 and thereafter		<u>98,435</u>		-	12,000 per year
Total	\$	<u>114,359</u>	\$	<u>57,314</u>	

NOTE 4: COMMITMENTS

As part of its agreement with the City of Olean, *Olean Urban Renewal Agency* is required to remit twenty percent of the net proceeds of each sale of its property located on Constitution Avenue to the City. Accordingly, the estimated amount of these future commitments have been accrued in the financial statements as contractual fees payable, and amounted to \$27,580 as of June 30, 2012 and 2011.

NOTE 5: SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 26, 2012, which is the date the financial statements were made available to be issued.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
(AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS)

The Board of Directors
Olean Urban Renewal Agency

We have audited the financial statements of ***Olean Urban Renewal Agency*** (a public benefit non-profit corporation) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency that adversely affects the Agency's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles.

A material weakness is a significant deficiency that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of ***Olean Urban Renewal Agency*** were free of material misstatement, we reviewed its compliance with certain provisions of laws and regulations relevant to the Agency. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bysiek CPA, PLLC

**BYSIEK CPA, PLLC
SEPTEMBER 26, 2012
OLEAN, NY 14760**

I. Summary of Audit Results

- The independent auditor's report expresses an unqualified opinion on the financial statements of *Olean Urban Renewal Agency*.
- No significant deficiencies or material weaknesses in internal controls were report in the Report on Internal Control over Financial Reporting.
- No instances of noncompliance material to the financial statements of *Olean Urban Renewal Agency* were disclosed during the audit as reported in the Report on Internal Control over Financial Reporting.

II. Audit Findings

A. Internal Control Over Financial Reporting

There were no internal control findings for the year ending June 30, 2012.

B. Compliance and Other Matters

There were no compliance findings for the year ending June 30, 2012.