

OLEAN URBAN RENEWAL AGENCY
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2021

OLEAN URBAN RENEWAL AGENCY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Olean Urban Renewal Agency

We have audited the accompanying financial statements of *Olean Urban Renewal Agency* (a nonprofit organization), which comprise the statement of net position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited *Olean Urban Renewal Agency's* 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Reporting Required by Government Auditing Standards

Management's 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2021, on our consideration of *Olean Urban Renewal Agency's* internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering *Olean Urban Renewal Agency's* internal control over financial reporting and compliance.

Bysiek CPA, PLLC

**BYSIEK CPA, PLLC
SEPTEMBER 15, 2021
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

- Collected approximately \$46,000 in lease fees and rentals
- Completed Phase I of the Manufacturers Hanover Stabilization Project and began Phase II

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 four components: 1) financial statements, 2) notes to the financial statements, 3) report on internal controls, and 4) summary schedule of audit findings.

1) Financial Statements

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints or other legal requirements, increased by approximately \$34,000 for the year ending June 30, 2021. This was due to an excess of revenues over expenses. The following schedules offer condensed analyses of the Agency's net position and changes in net position:

Condensed Statements of Net Position

As of June 30,	2021	2020
Current Assets	\$ 437,297	\$ 297,466
Other Assets	322,500	733,827
Total Assets	\$ 759,797	\$ 1,031,293
Total Liabilities	\$ 19,680	\$ 19,680
Net position invested in capital assets, net of related debt	302,820	714,147
Net position, unrestricted	437,297	297,466
Total Net Position	\$ 759,797	\$ 1,011,613

Condensed Statements of Revenues, Expenses and Changes in Net Position

For the Year Ending June 30,	2021	2020
Revenues	\$ 707,085	\$ 67,410
Expenses and losses	978,582	36,836
Change in Net Position	\$ (271,496)	\$ 30,574

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.

4) Summary Schedule of Audit Findings

This schedule summarizes all audit results and, if necessary, details the conditions and criteria along with management's response to any audit findings.

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. Currently, plans are in place to develop the former Manufacturers' Hanover bank building, the Agency's largest asset.

OLEAN URBAN RENEWAL AGENCY
STATEMENTS OF NET POSITION

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<i>As of June 30,</i>	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 437,297	\$ 276,006
Grants receivable	-	21,460
Total current assets	<u>437,297</u>	<u>297,466</u>
Other assets		
Property held for sale	98,400	509,727
Land	224,100	224,100
Total other assets	<u>322,500</u>	<u>733,827</u>
Total assets	<u>\$ 759,797</u>	<u>\$ 1,031,293</u>
Liabilities and Net Position		
Liabilities		
Contractual fees payable	\$ 19,680	\$ 19,680
Total liabilities	<u>19,680</u>	<u>19,680</u>
Net position		
Invested in capital assets, net	302,820	714,147
Unrestricted	437,297	297,466
Total net position	<u>740,117</u>	<u>1,011,613</u>
Total liabilities and net position	<u>\$ 759,797</u>	<u>\$ 1,031,293</u>

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

<i>For the Year Ended June 30,</i>	<u>2021</u>	<u>2020</u>
Revenue		
Lease fees and rentals	\$ 28,545	\$ 45,950
Grant revenue	678,540	21,460
Total revenue	<u>707,085</u>	<u>67,410</u>
Expenses		
Professional fees	15,202	10,591
Project stabilization expenditures	713,232	-
Property maintenance costs	11,319	26,245
Interest	10,208	-
Total expenses	<u>749,961</u>	<u>36,836</u>
Excess (deficiency) of revenues over expenses	(42,876)	30,574
Other changes in net position		
Loss on sale of property	(228,621)	-
Change in net position	(271,496)	30,574
Net position, beginning of year	<u>1,011,613</u>	<u>981,040</u>
Net position, end of year	<u>\$ 740,117</u>	<u>\$ 1,011,613</u>

OLEAN URBAN RENEWAL AGENCY
STATEMENTS OF CASH FLOWS

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<i>For the Year Ended June 30,</i>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Receipts		
Lease fees and rentals	\$ 28,545	\$ 45,950
Grants	700,000	-
Total cash receipts	<u>728,545</u>	<u>45,950</u>
Payments		
Professional fees and property maintenance	26,521	36,836
Interest	10,208	-
Payments for land development and property maintenance	713,232	-
Total cash payments	<u>749,961</u>	<u>36,836</u>
Net cash provided by (used in) operating activities	<u>(21,416)</u>	<u>9,114</u>
Cash flows from investing activities		
Net proceeds from sale of property	<u>182,706</u>	<u>-</u>
Net change in cash	161,290	9,114
Cash at beginning of year	<u>276,007</u>	<u>266,893</u>
Cash at end of year	<u>\$ 437,297</u>	<u>\$ 276,007</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 10,208</u>	<u>\$ -</u>

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

The accompanying financial statements were prepared in conformity with generally accepted accounting principles. The Agency is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Agency applies all applicable pronouncements of the Governmental Accounting Standards Board.

The Agency has adopted the provisions of GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which provides a codification of private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to be followed in the financial statements of proprietary fund types.

The Agency has also implemented the provisions of GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Under this statement the Agency is defined as a "special-purpose government engaged in only business-type activities."

GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Agency is not presenting captions for deferred inflows and outflows, as it has no items required to be reported as such. The required statements for this type of government in accordance with GASB Statement No. 63 are the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows.

GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, deferred inflows of resources or expenses, certain items that were previously reported as assets and liabilities. The Agency had no items that required such reclassification. As such, the adoption of this standard had no effect on the financial statements as of and for the years ended June 30, 2021 and 2020.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CON'T)**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. Grants

Costs associated with the Manufacturers Hanover Parapet and Stabilization Project are reimbursable through Empire State Development and the New York State Office of Parks and Recreation.

G. Reclassifications

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

H. 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. The Agency is exempt from filing requirements to both the Internal Revenue Service and New York State.

I. Subsequent Events

The Agency has evaluated events and transactions through September 15, 2021, which is the date the accompanying financial statements were made available to be issued.

NOTE 2: PROPERTY HELD FOR SALE AND LAND

During the year ending June 30, 2021, ***Olean Urban Renewal Agency*** sold properties located in Olean, NY at 101 North Union Street (site of the former Manufacturers' Hanover bank building) and 107 North Union Street (site of the former Siegel's building) to Manny Hanny Development LLC for a total of \$182,706, net of fees. The original cost of the properties totaled \$411,327. The excess of the original cost over the selling price is reported as a loss in the accompanying financial statements.

The Agency also owns several parcels of property totaling approximately 15 acres that were former railroad yards previously transferred from the City of Olean. These parcels are reported in the accompanying financial statements at their appraised values on the date of transfer from the City. Approximately seven acres is considered Property Held for Sale, while approximately nine acres is not expected to be sold and is reported as Land on the Statement of Financial Position.

NOTE 3: FAIR VALUE MEASUREMENTS

Property Held for Sale and Land are reported at fair value. Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent resources, while unobservable inputs reflect the Organization’s market assumptions. These types of inputs create the following fair value hierarchy: Level 1 inputs consist of quoted prices for identical instruments in active markets, Level 2 inputs consist of quoted prices in active markets for similar assets or liabilities or quoted prices in inactive markets for identical or similar assets or liabilities and model-derived valuations whose significant inputs are observable, and Level 3 consists of instruments whose significant inputs are unobservable. As discussed in Note 2, the Agency uses the appraised value at the time of transfer to value its Property Held for Sale and Land. These assets are valued using Level 3 inputs.

NOTE 4: COMMITMENTS AND CONTINGENCIES

Olean Urban Renewal Agency is required to remit 20 percent of the net proceeds of each sale of property to the City of Olean. An estimate for these future commitments has been accrued in the financial statements on properties for which future sale is probable. Following the sale of the 1.58-acre parcel during the year ending June 30, 2020, \$19,680 remains as contractual fees payable. For the additional nine acres of property reported as Land in the financial statements, a corresponding liability has not been accrued because the probability of future sale is considered remote. Should these properties be sold, the proceeds would be subject to the same payment as those reported for the Property Held for Sale.

NOTE 5: LEASE AGREEMENTS

The 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 2033 and 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 year as long as the electrical lines are utilized by the National Grid.

For the year ending June 30,	<u>CYTEC Industries</u>	<u>National Grid</u>
2022	\$ 5,149	\$ 12,000
2023	5,329	12,000
2024	5,516	12,000
2025	5,709	12,000
2026 and thereafter	<u>53,438</u>	12,000 per year
Total	\$ <u>75,141</u>	

NOTE 6: GRANTS

Olean Urban Renewal Agency received grant funding from Empire State Development (\$200,000) and the New York State Office of Parks and Recreation (\$500,000) to subsidize the Manufacturers Hanover Parapet and Stabilization Project. Grant funding was awarded to the Agency on a reimbursable basis with the final distribution received during May of 2021. Short-term financing was provided via a \$700,000 bond anticipation note bearing interest at a rate of 1.75% per annum through JPMorgan Chase Bank, N.A. The note originated on August 14, 2020 and was redeemed on June 14, 2021.



**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of ***Olean Urban Renewal Agency (OURA)*** [a public benefit corporation], which comprise the statement of net position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ***OURA's*** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***OURA's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***OURA's*** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***OURA's*** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bysiek CPA, PLLC

**BYSIEK CPA, PLLC
SEPTEMBER 15, 2021
OLEAN, NY 14760**

I. Summary of Audit Results

- The independent auditor's report expresses an unmodified 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, 2021.

B. Compliance and Other Matters

There were no compliance findings for the year ending June 30, 2021.

III. Summary Schedule of Prior Audit Findings

A. Internal Control Over Financial Reporting

There were no internal control findings for the year ending June 30, 2020.

B. Compliance and Other Matters

There were no compliance findings for the year ending June 30, 2020.