

**OLEAN URBAN RENEWAL AGENCY
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

OLEAN URBAN RENEWAL AGENCY

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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 \$22,000 of maintenance costs to refurbish properties held for sale
- Collected approximately \$30,000 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,	2013	2012
Current Assets	\$ 205,200	\$ 232,789
Long-term Assets	816,327	816,327
Total Assets	\$ 1,021,526	\$ 1,049,116
Current Liabilities	\$ 10,543	\$ 30,425
Long-term Liabilities	27,580	27,580
Total Liabilities	\$ 38,123	\$ 58,005
Net Assets invested in capital assets, net of related debt	\$ 788,747	\$ 788,747
Net Assets, unrestricted	194,657	202,365
Total Net Assets	\$ 991,111	\$ 991,111

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,	2013	2012
Revenues	\$ 30,547	\$ 30,164
Expenses	38,254	80,084
Change in Net Assets	\$ (7,708)	\$ (49,884)

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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As of June 30,

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 205,200	\$ 231,595
Other current assets	-	1,194
Total current assets	205,200	232,789
Long-term Assets		
Property held for sale	592,227	592,227
Land	224,100	224,100
Total long-term assets	816,327	816,327
Total assets	\$ 1,021,526	\$ 1,049,116
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 10,543	\$ 30,425
Total current liabilities	10,543	30,425
Long-term liabilities		
Contractual fees payable	27,580	27,580
Total liabilities	38,123	58,005
Net assets		
Invested in capital assets, net of related debt	788,747	788,747
Unrestricted	194,657	202,365
Total net assets	983,404	991,111
Total liabilities and net assets	\$ 1,021,526	\$ 1,049,116

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>2013</u>	<u>2012</u>
Revenue		
Lease fees and rentals	\$ 30,501	\$ 29,944
Interest	46	220
Total revenue	<u>30,547</u>	<u>30,164</u>
Expenses		
Professional fees	14,698	12,861
Project consultants	1,940	4,655
Property maintenance costs	21,617	62,531
Total expenses	<u>38,254</u>	<u>80,048</u>
Change in net assets	(7,708)	(49,884)
Net assets, beginning of year	<u>991,111</u>	<u>1,040,995</u>
Net assets, end of year	<u>\$ 983,404</u>	<u>\$ 991,111</u>

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

OLEAN URBAN RENEWAL AGENCY
STATEMENTS OF CASH FLOWS

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For the Year Ended June 30,

	2013	2012
Cash flows from operating activities		
Receipts		
Lease fees and rentals	\$ 30,501	\$ 28,750
Interest	46	220
Total cash receipts	30,547	28,970
Payments		
Professional fees and consultants	36,520	(6,998)
Payments for land development and property maintenance	20,423	49,255
Total cash payments	56,943	42,257
Net cash used in operating activities	(26,396)	(13,287)
Net change in cash	(26,396)	(13,287)
Cash at beginning of year	231,596	244,883
Cash at end of year	\$ 205,200	\$ 231,596
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (7,708)	\$ (49,884)
Adjustments to reconcile to net cash provided by operating activities:		
Change in other current assets	1,194	12,082
Change in current liabilities	(19,882)	24,514
Net cash used in operating activities	\$ (26,396)	\$ (13,287)

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, 2012, 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 Net Assets. 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, 2013 and 2012.

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, approximately, the following amounts over the next five years:

For the year ending June 30,		<u>CYTEC Industries</u>		<u>AT&T</u>	<u>National Grid</u>
2014	\$	3,910	\$	14,500	12,000
2015		4,047		14,500	12,000
2016		4,188		14,500	12,000
2017		4,335		-	12,000
2018 and thereafter		<u>94,100</u>		-	12,000 per year
Total	\$	<u>110,581</u>	\$	<u>43,500</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, 2013 and 2012.

NOTE 5: SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 17, 2013, which is the date the financial statements were made available to be issued.