OLEAN URBAN RENEWAL AGENCY

REPORT ON FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

OLEAN URBAN RENEWAL AGENCY

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BYSIEK CPA, PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Olean Urban Renewal Agency

Report on Financial Statements

We have audited the accompanying statements of net assets of *Olean Urban Renewal Agency* as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years 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 an opinion 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, 2014 and 2013, 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.

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 2, 2014, 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 2, 2014
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 $15,000 of maintenance costs to refurbish properties held for sale; this represented an approximate $7,000 decrease from the prior year
- Collected approximately $38,000 in lease fees and rentals; this represented an approximate $8,000 increase from the prior year

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

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,	**2014**	**2013**
Current Assets	$ 208,791	$ 205,200
Long-term Assets	816,327	816,327
Total Assets	**$ 1,025,118**	**$ 1,021,526**
Current Liabilities	$ 322	$ 10,543
Long-term Liabilities	27,580	27,580
Total Liabilities	**$ 27,902**	**$ 38,123**
Net Assets invested in capital assets, net of related debt	$ 788,747	$ 788,747
Net Assets, unrestricted	208,470	194,657
Total Net Assets	**$ 997,216**	**$ 983,404**

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

Condensed Statement of Activities

For the Year Ending June 30,	**2014**	**2013**
Revenues	$ 38,467	$ 30,547
Expenses	24,654	38,254
Change in Net Assets	**$ 13,813**	**$ (7,708)**

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.

As of June 30,	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 208,791	$ 205,200
Total current assets	208,791	205,200
Noncurrent assets		
Property held for sale	592,227	592,227
Land	224,100	224,100
Total long-term assets	816,327	816,327
Total assets	$ 1,025,118	$ 1,021,526
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 322	$ 10,543
Total current liabilities	322	10,543
Noncurrent liabilities		
Contractual fees payable	27,580	27,580
Total liabilities	27,902	38,123
Net assets		
Invested in capital assets, net of related debt	788,747	788,747
Unrestricted	208,470	194,657
Total net assets	997,216	983,404
Total liabilities and net assets	$ 1,025,118	$ 1,021,526

For the Year Ended June 30,	2014	2013
Revenue		
Lease fees and rentals	$ 37,839	$ 30,501
Miscellaneous	628	46
Total revenue	38,467	30,547
Expenses		
Professional fees	10,063	16,638
Property maintenance costs	14,592	21,617
Total expenses	24,654	38,254
Change in net assets	13,813	(7,708)
Net assets, beginning of year	983,404	991,111
Net assets, end of year	$ 997,216	$ 983,404

For the Year Ended June 30,	2014	2013
Cash flows from operating activities		
Receipts		
Lease fees and rentals	$ 37,839	$ 30,501
Interest	628	46
Total cash receipts	38,467	30,547
Payments		
Professional fees and consultants	20,284	36,520
Payments for land development and property maintenance	14,592	20,423
Total cash payments	34,875	56,943
Net cash provided by (used in) operating activities	**3,592**	**(26,396)**
Net change in cash	**3,592**	**(26,396)**
Cash at beginning of year	205,200	231,596
Cash at end of year	**$ 208,792**	**$ 205,200**
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 13,813	$ (7,708)
Adjustments to reconcile to net cash provided by operating activities:		
Change in other current assets	-	1,194
Change in current liabilities	(10,221)	(19,882)
Net cash provided by (used in) operating activities	**$ 3,592**	**$ (26,396)**

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

NOTE 2: PROPERTY HELD FOR SALE AND LAND

During the year ending June 30, 2011, ***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 were capitalized and are included on the Statement of Net Assets. Other costs incurred, including on-going maintenance, utilities and property taxes have been expensed as incurred on the Statement of Activities.

The Agency also carries several parcels of property (approximately eight acres) that it owns and holds for sale on its Statement of Financial Position at appraised value. In addition, the Agency owns approximately nine acres that is not expected to be sold, the value of which is reported as Land on the Statement of Financial Position. All of these 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 $224,100 for the property held for sale and land, respectively. These amounts are reported in the Agency's financial statements as of June 30, 2014 and 2013.

NOTE 3: FAIR VALUE MEASUREMENTS

The Agency's non-current assets (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 on 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 considered to be Level 3 assets.

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. An estimate for these future commitments has been accrued in the financial statements for the approximately eight acres of property for which future sale is probable. An amount of $27,580 has been reported as contractual fees payable as of June 30, 2014 and 2013. 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.

NOTE 5: 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 acquired properties described in Note 2. 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,	CYTEC Industries	AT&T	National Grid
2015	$ 4,047	$ 22,580	$ 12,000
2016	4,188	22,580	12,000
2017	4,335	-	12,000
2018	4,487	-	12,000
2019 and thereafter	89,612	-	12,000 per year
Total	$ 106,670	$ 43,500	

NOTE 6: DATE OF MANAGEMENT'S REVIEW

The Agency has evaluated events and transactions through September 2, 2014, which is the date the accompanying financial statements were made available to be issued.

BYSIEK CPA, PLLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ONAN AUDIT OF FINANCIAL STATEMENTS PERFORMEDIN 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 assets as of June 30, 2014, 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 2, 2014.

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) to determine the 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 determination of financial statement amounts. 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 2, 2014
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, 2014.

B. Compliance and Other Matters

There were no compliance findings for the year ending June 30, 2014.

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, 2013.

B. Compliance and Other Matters

There were no compliance findings for the year ending June 30, 2013.