

OLEAN URBAN RENEWAL AGENCY
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2022

OLEAN URBAN RENEWAL AGENCY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Olean Urban Renewal Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of *Olean Urban Renewal Agency*, which comprise the statement of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of *Olean Urban Renewal Agency* as of June 30, 2022 and 2021, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the *Olean Urban Renewal Agency* and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about *Olean Urban Renewal Agency's* ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Olean Urban Renewal Agency's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Olean Urban Renewal Agency's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–4 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2022 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 solely 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 the effectiveness of **Olean Urban Renewal Agency's** 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 14, 2022
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 \$22,000 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 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, 2022. 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,	2022	2021
Current Assets	\$ 444,954	\$ 437,297
Other Assets	322,500	322,500
Total Assets	\$ 767,454	\$ 759,797
Total Liabilities	\$ 21,680	\$ 19,680
Net position invested in capital assets, net of related debt	302,820	302,820
Net position, unrestricted	442,954	437,297
Total Net Position	\$ 745,774	\$ 759,797

Condensed Statements of Revenues, Expenses and Changes in Net Position

For the Year Ending June 30,	2022	2021
Revenues	\$ 22,229	\$ 707,085
Expenses and losses	15,572	978,582
Change in Net Position	\$ 5,657	\$ (271,496)

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>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 444,954	\$ 437,297
Other assets		
Property held for sale	98,400	98,400
Land	224,100	224,100
Total other assets	<u>322,500</u>	<u>322,500</u>
Total assets	<u>\$ 767,454</u>	<u>\$ 759,797</u>
Liabilities and Net Position		
Liabilities		
Current liabilities		
Accounts payable	\$ 2,000	\$ -
Noncurrent liabilities		
Contractual fees payable	19,680	19,680
Total liabilities	<u>21,680</u>	<u>19,680</u>
Net position		
Invested in capital assets, net	302,820	302,820
Unrestricted	442,954	437,297
Total net position	<u>745,774</u>	<u>740,117</u>
Total liabilities and net position	<u>\$ 767,454</u>	<u>\$ 759,797</u>

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

<i>For the Year Ended June 30,</i>	2022	2021
Revenue		
Lease fees and rentals	\$ 22,229	\$ 28,545
Grant revenue	-	678,540
Total revenue	<u>22,229</u>	<u>707,085</u>
Expenses		
Professional fees	13,823	15,202
Project stabilization expenditures	-	713,232
Property maintenance costs	2,749	11,319
Interest	-	10,208
Total expenses	<u>16,572</u>	<u>749,961</u>
Excess (deficiency) of revenues over expenses	5,657	(42,876)
Other changes in net position		
Loss on sale of property	-	(228,621)
Change in net position	5,657	(271,496)
Net position, beginning of year	<u>740,117</u>	<u>1,011,613</u>
Net position, end of year	<u>\$ 745,774</u>	<u>\$ 740,117</u>

OLEAN URBAN RENEWAL AGENCY
STATEMENTS OF CASH FLOWS

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<i>For the Year Ended June 30,</i>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Receipts		
Lease fees and rentals	\$ 22,229	\$ 28,545
Grants	-	700,000
Total cash receipts	<u>22,229</u>	<u>728,545</u>
Payments		
Professional fees and property maintenance	14,572	26,521
Interest	-	10,208
Payments for land development and property maintenance	-	713,232
Total cash payments	<u>14,572</u>	<u>749,961</u>
Net cash provided by (used in) operating activities	<u>7,657</u>	<u>(21,416)</u>
Cash flows from investing activities		
Net proceeds from sale of property	-	182,706
Net change in cash	7,657	161,290
Cash at beginning of year	437,297	276,007
Cash at end of year	<u>\$ 444,954</u>	<u>\$ 437,297</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ -</u>	<u>\$ 10,208</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, 2022 and 2021.

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. At year-end and throughout the year, the Agency's cash balances were deposited in multiple banking institutions. As of June 30, 2022 and 2021, the Organization's deposits did not exceed FDIC limits.

F. Grants

Costs associated with the Manufacturers Hanover Parapet and Stabilization Project during the year ending June 30, 2021 were 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. Liquidity Management

The Agency regularly reviews its financial position and operations, including the liquidity required to meet general expenditures, liabilities, and obligations that may come due. Financial assets available for meeting such expenditures include cash equivalents totaling \$444,953.

J. Subsequent Events

The Organization has evaluated events and transactions as of the date of this report.

NOTE 2: PROPERTY HELD FOR SALE AND LAND

The Agency owns property totaling approximately 16 acres that were former railroad yards transferred from the City of Olean. These parcels are reported at their appraised values on the date of transfer from the City. Approximately seven acres (valued at \$98,400) is considered Property Held for Sale and is expected to be sold during the 2022-23 fiscal year. The remaining nine acres (valued at \$224,100) is not expected to be sold and is reported as Land in the Statement of Net Position.

During the year ending June 30, 2021, ***Olean Urban Renewal Agency*** sold properties located in Olean, NY at 101 and 107 North Union Street 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 Statement of Activities.

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, totaling \$19,680, has been accrued on properties for which future sale is probable and is presented as a liability in the Statement of Net Position. 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>
2023	\$ 5,329	\$ 12,000
2024	5,516	12,000
2025	5,709	12,000
2026	5,909	12,000
2027 and thereafter	<u>47,575</u>	12,000 per year
Total	\$ <u>70,037</u>	

NOTE 6: GRANTS

During the year ending June 30, 2021, *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, 2021 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, 2022, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2022.

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 14, 2022
OLEAN, NY 14760**

I. Summary of Audit Results

A. Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

B. Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

II. Audit Findings

A. Internal Control Over Financial Reporting

There were no internal control findings for the year ending June 30, 2022.

B. Compliance and Other Matters

There were no compliance findings for the year ending June 30, 2022.

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, 2021.

B. Compliance and Other Matters

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