

**GREATER SYRACUSE PROPERTY
DEVELOPMENT CORPORATION
d/b/a GREATER SYRACUSE LAND BANK
(A Discretely Presented Component Unit of the
City of Syracuse, New York)**

**Financial Statements as of
December 31, 2017 and 2016
Together with
Independent Auditor's Report**

GREATER SYRACUSE PROPERTY DEVELOPMENT CORPORATION
d/b/a GREATER SYRACUSE LAND BANK
(A Discretely Presented Component Unit of the City of Syracuse, New York)

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INDEPENDENT AUDITOR'S REPORT

March 27, 2018

To the Board of Directors of
Greater Syracuse Property Development Corporation
d/b/a Greater Syracuse Land Bank:

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Syracuse Property Development Corporation d/b/a Greater Syracuse Land Bank (the Corporation), a discretely presented component unit of the City of Syracuse, New York (the City), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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 audits. We conducted our audits 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.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, 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 March 27, 2018 on our consideration of the Corporation'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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

Other Reporting Required by *New York State General Municipal Law*

In accordance with New York State General Municipal Law, we have also issued our report dated March 27, 2018, on our consideration of the Corporation's compliance with Section 2925(3)(f) of the New York State (NYS) Public Authorities Law. The purpose of that report is to describe anything that came to our attention that caused us to believe the Corporation failed to comply with the Corporation's Investment Guidelines, the NYS Comptroller's Investment Guidelines and Section 2925 of the NYS Public Authorities Law (collectively, the Investment Guidelines).

GREATER SYRACUSE PROPERTY DEVELOPMENT CORPORATION
d/b/a Greater Syracuse Land Bank
(A Discretely Presented Component Unit of the City of Syracuse, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the Greater Syracuse Property Development Corporation d/b/a Greater Syracuse Land Bank (the Corporation or Greater Syracuse Land Bank), a discretely presented component unit of the City of Syracuse, New York (the City) annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal years ending December 31, 2017 showing 2016 and 2015 for comparison. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: this section, the Management's Discussion and Analysis (MD&A) and the basic financial statements. The Corporation is a self-supporting entity and follows business-type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Business-type activity statements offer short-term and long-term financial information about the activities and operations of the Corporation. This annual report consists of the financial statements and notes to those statements. The Statements of Net Position, Statements of Revenues, Expenses and Change in Net Position, the Statements of Cash Flows and related notes provide a detailed look at the specific financial activities of the Corporation and generally provide an indication of the Company's financial health. The Statements of Net Position include all of the Corporation's assets and liabilities, using the accrual basis of accounting. The Statements of Revenues, Expenses and Change in Net Position report all of the revenues and expenses during the time period indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for debt.

FINANCIAL HIGHLIGHTS

- The Corporation's total net position at December 31, 2017, 2016 and 2015 is \$4,752,326, \$4,950,411, and \$4,362,338, respectively.
- Total current assets at December 31, 2017, 2016, and 2015 are \$6,033,180, \$6,168,528, and \$5,696,183, respectively.
- Total current liabilities at December 31, 2017, 2016, and 2015 are \$1,290,368, \$1,227,324, and \$1,344,543, respectively. The Corporation's current ratio is 4.7 at December 31, 2017, 5.0 at December 31, 2016, and 4.2 at December 31, 2015. This ratio provides an idea as to the Corporation's ability to pay back its short-term liabilities. The higher the current ratio, the healthier the company. The Corporation's current ratio indicates the Corporation is more than able to meet and pay its current liabilities.
- Operating revenues at December 31, 2017, 2016, and 2015 were \$3,544,049, \$5,129,813, and \$5,994,528, respectively.
- Operating expenses at December 31, 2017, 2016, and 2015 are \$3,919,549, \$5,380,545, and \$5,586,580, respectively.
- Operating income at December 31, 2017, 2016, and 2015 is (\$375,500), (\$250,732), and \$407,948, respectively.
- For 2017, revenues were budgeted at approximately \$3.86 million and actual revenues were approximately \$3.54 million. A budget vs. actual comparison for 2017 revenues is included below.

FINANCIAL HIGHLIGHTS (Continued)

- o Sales Proceeds was higher than anticipated. We met our goal for number of properties sold and the average sales price increased by approximately 30% over last year.

Revenues: Budget v. Actual variances for significant revenue lines in 2017 were as follows:

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>Variance</u>
Admin/Developers' Fees	60,000	26,864	(33,136)
Onondaga County	240,000	183,596	(56,404)
NY Attorney General	1,977,100	1,784,062	(193,038)
Rental Income	36,000	53,413	17,413
Sales Proceeds	1,500,000	1,385,524	(114,476)
REO-related cash donations	50,000	64,634	14,634
Side lot application fees	<u>1,000</u>	<u>625</u>	<u>(375)</u>
Total	<u>\$ 3,864,100</u>	<u>\$ 3,498,718</u>	<u>\$ (365,382)</u>

Expenses: Budget v. Actual

Our 2017 budget anticipated approximately \$4.1 million in expenses and our actual expenses totaled approximately \$3.9 million – an approximately \$213,000 variance under budget (5% under budget).

FINANCIAL ANALYSIS OF THE CORPORATION

Below is an analysis of the assets, liabilities, revenues and expenses of the Corporation.

Summary of Assets, Liabilities, and Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 6,033,180	\$ 6,168,528	\$ 5,696,183
Capital assets	<u>9,514</u>	<u>9,207</u>	<u>10,698</u>
Total assets	<u>6,042,694</u>	<u>6,177,735</u>	<u>5,706,881</u>
Current liabilities	<u>1,290,368</u>	<u>1,227,324</u>	<u>1,344,543</u>
Net position:			
Net investment in capital assets	9,514	9,207	10,698
Unrestricted	<u>4,742,812</u>	<u>4,941,204</u>	<u>4,351,640</u>
Total net position	<u>\$ 4,752,326</u>	<u>\$ 4,950,411</u>	<u>\$ 4,362,338</u>

CURRENT ASSETS

Current assets at December 31, 2017 were comprised of mostly cash, restricted grant funds, and inventory. Cash on hand less any liabilities and plus contract receivables at the end of 2017 totaled ~\$3.6 million – equal to approximately one and one half years of operating expenses not inclusive of demolition expense or other expenses such as renovations that are typically only undertaken using restricted grant funds.

INVENTORY

The fair market value of real estate held as inventory by the Corporation is not generally reflected in the Corporation's financial statements until it is sold. Generally Accepted Accounting Principles require inventory be booked at cost or fair market value, whichever is less. Costs, not considered period costs or routine maintenance which is expensed when incurred, are only booked as expenses once a property has been sold. Since the Greater Syracuse Land Bank acquires most properties for \$151 each, subsequent to municipal foreclosure, costs will virtually always be less than fair market value. The Greater Syracuse Land Bank did acquire 161 properties via the City of Syracuse foreclosure proceedings in 2017 (down from 342 in 2016), in addition to three (3) donations from banks, four (4) purchases, and two (2) properties reacquired via a deed in lieu of foreclosure (due to default on enforcement mortgages). An estimated fair market value for donated properties, which are acquired at no cost, is booked to inventory at the time of acquisition.

CAPITAL ASSETS

Capital assets at December 31, 2017, 2016, and 2015, were comprised of property, furniture and equipment that was purchased and capitalized during the years in accordance with the Corporation's capitalization policy.

FINANCIAL ANALYSIS OF THE CORPORATION (Continued)

CURRENT LIABILITIES

Current liabilities are comprised of current obligations (both accounts payable and accrued liabilities) that are due currently, or in the next 12 months as well as advances of grant and government subsidy revenue that have not yet been earned.

SUMMARY OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	<u>2017</u>	% of <u>Total</u>	<u>2016</u>	% of <u>Total</u>	<u>2015</u>	% of <u>Total</u>
OPERATING REVENUES:						
Grant and government subsidy revenue	\$ 2,093,611	59.08%	\$ 3,324,584	64.81%	\$ 4,395,599	73.33%
Sale of property	1,385,524	39.09%	1,725,545	33.64%	1,481,447	24.71%
Rental revenue	53,413	1.51%	43,200	0.84%	97,381	1.62%
Other revenue	<u>11,501</u>	0.32%	<u>36,484</u>	0.71%	<u>20,101</u>	0.34%
Total operating revenues	<u>3,544,049</u>		<u>5,129,813</u>		<u>5,994,528</u>	
OPERATING EXPENSES:						
Cost of sales	2,648,573	67.58%	4,106,158	76.31%	4,328,834	77.49%
Unrealized loss on inventory	50,244	1.28%	93,848	1.74%	133,702	2.39%
Relocation assistance	64,650	1.65%	96,495	1.79%	54,696	0.98%
Special assessment	193,058	4.93%	132,654	2.47%	272,944	4.89%
General and administrative expenses	59,664	1.52%	37,664	0.70%	25,483	0.46%
Professional services	138,893	3.54%	169,038	3.14%	197,781	3.54%
Salaries, wages and related expenses	436,799	11.14%	432,706	8.04%	265,755	4.76%
Advertising	12,576	0.32%	6,679	0.12%	8,117	0.15%
Bad debts	0	0.00%	0	0.00%	3,176	0.06%
Insurance	277,946	7.09%	270,224	5.02%	263,482	4.72%
Rent	24,976	0.64%	24,487	0.46%	24,091	0.43%
Travel	8,730	0.22%	5,660	0.11%	2,831	0.05%
Depreciation	<u>3,440</u>	0.09%	<u>4,932</u>	0.09%	<u>5,688</u>	0.10%
Total operating expenses	<u>3,919,549</u>		<u>5,380,545</u>		<u>5,586,580</u>	
OPERATING INCOME	<u>(375,500)</u>		<u>(250,732)</u>		<u>407,948</u>	
NON-OPERATING INCOME (EXPENSES):						
Miscellaneous	<u>8,855</u>		<u>2,145</u>		<u>2,775</u>	
TOTAL CONTRIBUTIONS	<u>168,560</u>		<u>836,660</u>		<u>822,200</u>	
CHANGE IN NET POSITION	<u>\$ (198,085)</u>		<u>\$ 588,073</u>		<u>\$ 1,232,923</u>	

SUMMARY OF REVENUES, EXPENSES AND CHANGE IN NET POSITION (Continued)

OPERATING REVENUES

Operating revenue is mostly comprised of grant and government subsidies awarded to the Corporation to aid in meeting the objectives of the Corporation and revenue from the sale of property.

OPERATING EXPENSES

Operating expenses in 2017 are mostly comprised of cost of sales, salaries and wages, insurance, professional services, and special assessments. Cost of sales decreased considerably, mostly due to a decrease in the number of grant funded demolitions and renovations. Cost of sales includes property acquisition and stabilization costs as well as the ongoing expenses associated with property maintenance. Special Assessment expenses increased by \$60,000 between 2016 and 2017 despite the fact that our inventory remained relatively stable. We expect this expense to be near completely eliminated in 2018 due to state legislation exempting land banks from these charges. The number of staff remained stable between 2016 and 2017.

OPERATING RESULTS

The Corporation had operating income of (375,500), (\$250,732), and \$407,948 with miscellaneous non-operating income (expenses) of \$8,885, \$2,145, and \$2,775 during 2017, 2016 and 2015, respectively. There were contributions of \$168,560 in 2017, \$836,660 in 2016, and \$822,200 in 2015. This resulted in respective changes in net position of (\$198,085), \$588,073, and \$1,232,923. Ending net position is \$4,752,326 at December 31, 2107, \$4,950,411 at December 31, 2016 and \$4,362,338 at December 31, 2015.

CAPITAL ASSET ADMINISTRATION

The Corporation's investment in capital assets at December 31, 2017, 2016, and 2015 amounts to \$9,514, \$9,207, and \$10,698, respectively (net of accumulated depreciation). This investment includes furniture, equipment, computer hardware, and small amounts of software.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Depreciable capital assets:			
Furniture and equipment	\$ <u>9,514</u>	\$ <u>9,207</u>	<u>10,698</u>
Total depreciable capital assets	\$ <u><u>9,514</u></u>	\$ <u><u>9,207</u></u>	\$ <u><u>10,698</u></u>

REQUEST FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Corporation's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Executive Director, 431 E Fayette St Suite 375, Syracuse, NY 13202.

GREATER SYRACUSE PROPERTY DEVELOPMENT CORPORATION
d/b/a GREATER SYRACUSE LAND BANK
(A Discretely Presented Component Unit of the City of Syracuse, New York)

STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 4,699,542	\$ 3,319,943
Accounts receivable	675	34
Due from primary government	-	1,166,667
Grant and government subsidy receivable	1,030	-
Inventory	805,007	639,520
Prepaid expenses	75,934	93,289
Restricted cash	<u>450,992</u>	<u>949,075</u>
Total current assets	6,033,180	6,168,528
NONCURRENT ASSETS:		
Capital assets, net	<u>9,514</u>	<u>9,207</u>
Total assets	<u>6,042,694</u>	<u>6,177,735</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	421,194	158,452
Accrued expenses	404,181	105,793
Grant and government subsidy revenue advance	450,992	949,426
Other liabilities	<u>14,001</u>	<u>13,653</u>
Total liabilities	<u>1,290,368</u>	<u>1,227,324</u>
NET POSITION		
Net investment in capital assets	9,514	9,207
Unrestricted	<u>4,742,812</u>	<u>4,941,204</u>
Total net position	<u>\$ 4,752,326</u>	<u>\$ 4,950,411</u>

The accompanying notes are an integral part of these statements.

GREATER SYRACUSE PROPERTY DEVELOPMENT CORPORATION
d/b/a GREATER SYRACUSE LAND BANK
(A Discretely Presented Component Unit of the City of Syracuse, New York)

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Grant and government subsidy revenue	\$ 2,093,611	\$ 3,324,584
Sale of property	1,385,524	1,725,545
Rent revenue	53,413	43,200
Other revenue	<u>11,501</u>	<u>36,484</u>
Total operating revenues	<u>3,544,049</u>	<u>5,129,813</u>
OPERATING EXPENSES:		
Cost of sales	2,648,573	4,106,158
Unrealized loss on inventory	50,244	93,848
Relocation assistance	64,650	96,495
Special assessment	193,058	132,654
Salaries, wages and related expenses	436,799	432,706
Insurance	277,946	270,224
Professional services	138,893	169,038
General and administrative expenses	59,664	37,664
Rent	24,976	24,487
Advertising	12,576	6,679
Depreciation	3,440	4,932
Travel	<u>8,730</u>	<u>5,660</u>
Total operating expenses	<u>3,919,549</u>	<u>5,380,545</u>
OPERATING INCOME (LOSS)	<u>(375,500)</u>	<u>(250,732)</u>
NON-OPERATING INCOME:		
Miscellaneous income	<u>8,855</u>	<u>2,145</u>
LOSS BEFORE CONTRIBUTIONS	<u>(366,645)</u>	<u>(248,587)</u>
CONTRIBUTIONS:		
Cash contributions	73,825	25,750
Demolition contributions	14,735	768,910
Inventory contributions	<u>80,000</u>	<u>42,000</u>
Total contributions	<u>168,560</u>	<u>836,660</u>
CHANGE IN NET POSITION	(198,085)	588,073
NET POSITION - beginning of year	<u>4,950,411</u>	<u>4,362,338</u>
NET POSITION - end of year	<u>\$ 4,752,326</u>	<u>\$ 4,950,411</u>

The accompanying notes are an integral part of these statements.

GREATER SYRACUSE PROPERTY DEVELOPMENT CORPORATIONd/b/a **GREATER SYRACUSE LAND BANK**

(A Discretely Presented Component Unit of the City of Syracuse, New York)

STATEMENTS OF CASH FLOWS**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grant and government subsidies	\$ 2,760,814	\$ 3,750,321
Cash received from property sales	1,385,524	1,725,545
Cash received from rent	53,413	43,200
Cash received from other revenue	10,860	36,450
Cash paid for inventory	(2,225,416)	(3,875,043)
Cash paid for general and administrative expenses	(60,276)	(20,321)
Cash paid for professional services	(122,340)	(210,313)
Cash paid for salaries, wages and related expenses	(436,415)	(432,412)
Cash paid for advertising	(11,576)	(6,679)
Cash paid for insurance	(260,591)	(311,229)
Cash paid for rent	(24,976)	(24,487)
Cash paid for relocation assistance and special assessment	(257,708)	(229,149)
Cash paid for travel	(8,730)	(5,660)
Net cash from operating activities	<u>802,583</u>	<u>440,223</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(3,747)	(3,441)
Proceeds from cash contribution	<u>73,825</u>	<u>25,750</u>
Net cash from capital and related financing activities	<u>70,078</u>	<u>22,309</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net miscellaneous income	<u>8,855</u>	<u>2,145</u>
Net cash from investing activities	<u>8,855</u>	<u>2,145</u>
CHANGE IN CASH	881,516	464,677
CASH - beginning of year	<u>4,269,018</u>	<u>3,804,341</u>
CASH - end of year	<u>\$ 5,150,534</u>	<u>\$ 4,269,018</u>
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:		
Cash	\$ 4,699,542	\$ 3,319,943
Restricted cash	<u>450,992</u>	<u>949,075</u>
Total	<u>\$ 5,150,534</u>	<u>\$ 4,269,018</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (375,500)	\$ (250,732)
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation	3,440	4,932
Unrealized loss on inventory	50,244	93,848
Inventory and demolition contributions	94,735	810,910
Changes in:		
Accounts receivable	(641)	(34)
Due from primary government	1,166,667	(500,000)
Grant and government subsidy receivable	(1,030)	459,856
Inventory	(215,731)	(20,333)
Prepaid expenses	17,355	(41,005)
Accounts payable	262,742	(439,076)
Accrued expenses	298,388	(155,927)
Grant and government subsidy revenue advance	(498,434)	465,881
Other liabilities	<u>348</u>	<u>11,903</u>
Net cash from operating activities	<u>\$ 802,583</u>	<u>\$ 440,223</u>
NONCASH ACTIVITIES:		
Inventory and demolition contributions	<u>\$ 94,735</u>	<u>\$ 810,910</u>
Total noncash activities	<u>\$ 94,735</u>	<u>\$ 810,910</u>

The accompanying notes are an integral part of these statements.

**GREATER SYRACUSE PROPERTY DEVELOPMENT CORPORATION
d/b/a GREATER SYRACUSE LAND BANK
(A Discretely Presented Component Unit of the City of Syracuse, New York)**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016**

1. ORGANIZATION

The Greater Syracuse Property Development Corporation d/b/a Greater Syracuse Land Bank (the Corporation), was formed in 2012 to address the problems of vacant, abandoned, or tax delinquent property in the City of Syracuse, New York (the City or primary government) and County of Onondaga, New York (the County) in a coordinated manner through the acquisition of real property. The mission of the Corporation is to return that property to productive use in order to strengthen the economy, improve the quality of life, and improve the financial condition of the municipalities, through the use of the powers and tools granted to land banks by New York State (NYS).

The Corporation is considered a discretely presented component unit of the City based upon the fact that the Corporation is fiscally dependent on the primary government and there is a financial benefit/burden relationship between the primary government and the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial principles.

Measurement Focus and Basis of Accounting

The Corporation operates as a proprietary fund. Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

The Corporation utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Corporation was organized as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code.

Restricted Cash

Certain amounts of cash are classified as restricted because their use is restricted by grant agreements. Restricted cash balances have been offset by grant and government subsidy revenue advances at December 31, 2017 and 2016.

Due from Primary Government

Amounts due from the primary government are receivables stated at their outstanding balance. The Corporation considers all amounts to be fully collectible. If collection becomes doubtful, the Corporation will either set up an allowance for doubtful accounts, or if deemed completely uncollectible, the amounts will be charged against income in the current period. Management does not believe a reserve for uncollectible receivables is necessary at December 31, 2017 and 2016.

Grant and government subsidy receivable

Grant and government subsidy receivable represents funds earned but not yet received by the Corporation under the New York Office of the Attorney General. Management does not believe a reserve for uncollectible receivables is necessary at December 31, 2017 and 2016.

Inventory

Inventory consists of vacant, abandoned, or tax delinquent property in the City and County purchased by the Corporation. Inventory is valued at the lower of cost or market. Market value is defined as $\frac{1}{2}$ the assessed value of the property. Cost includes but is not limited to, property purchase cost, appraisal, inspection and recording fees, renovation costs and professional services.

Prepaid Expenses

Prepaid expenses consist primarily of amounts paid for the portion of insurance policies that provide coverage for the following fiscal year.

Capital Assets

Capital assets include property, furniture and equipment and rental properties. Capital assets other than rental properties are defined by the Corporation as assets with an initial individual cost of more than \$1,000 and having an estimated useful life in excess of one year. Rental properties are defined by the Corporation as all costs associated with the purchase of the rental property and having an estimated useful life in excess of one year. Assets will be depreciated using the straight-line method.

Grant and Government Subsidy Revenue Advance

In certain instances, the Corporation receives grant and government subsidy revenue prior to meeting the definition of earned. Such amounts are reflected as a liability, grant and government subsidy revenue advances, until amounts are deemed earned and then recognized as revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Non-operating Revenues and Expenses

As a business-type activity, the Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues are mostly comprised of grant and government subsidy revenue resulting from exchange transactions associated with the principal activities of the Corporation. Other sources of operating revenues include sales of property and rental revenue. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with the Corporation's mission. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Unrealized Loss on Inventory

Deterioration, damage, changing prices and other factors have caused certain inventory's cost to exceed its market value. In accordance with GAAP, inventory has been reduced to market value and an unrealized loss has been recognized in both December 31, 2017 and 2016.

Contributions

The Corporation received contributions of property, donated demolition and cash during the fiscal year ending December 31, 2017 and 2016. These amounts are reflected in the statements of revenues, expenses and change in net position.

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Corporation does not have restricted net position at December 31, 2017 and 2016.
- c. Unrestricted net position - all other net position that does not meet the definition of net investment in capital assets or restricted net position.

It is the Corporation's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Executive Director.

Monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within and authorized to do business in New York State (NYS). Collateral is required for deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are those identified in NYS General Municipal Law, Section 10 and outlined in the NYS Comptroller's Financial Management Guide.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits.

The Corporation restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations partially insured or guaranteed by an agency of the United States of America;
- Obligations issued or fully insured or guaranteed by NYS;
- Obligations issued by a municipal corporation, school district or district corporation of NYS;
- Obligations issued by states (other than NYS) of the United States of America rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO).

The Corporation maintained cash balances with financial institutions insured by the FDIC up to \$250,000, per bank, for interest bearing and non-interest bearing accounts. At December 31, 2017 and 2016 the Corporation's deposits consisted of approximately \$4,905,000 and \$4,760,000, respectively, in cash and were insured each year by FDIC in the amount of \$250,000. The remaining balance of approximately \$4,655,000 and \$4,510,000 at December 31, 2017 and 2016, respectively, was collateralized by a third party in accordance with NYS General Municipal Law, Section 10 and the Corporation's policies.

4. CAPITAL ASSETS

The Corporation's capital assets activity for the year ended December 31, 2017 was as follows:

	<u>Balance at January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31</u>
Furniture and equipment	\$ 26,289	\$ 3,747	\$ -	\$ 30,036
Total	<u>26,289</u>	<u>3,747</u>	<u>-</u>	<u>30,036</u>
Accumulated depreciation:				
Furniture and equipment	<u>(17,082)</u>	<u>(3,440)</u>	<u>-</u>	<u>(20,522)</u>
Total	<u>(17,082)</u>	<u>(3,440)</u>	<u>-</u>	<u>(20,522)</u>
Capital assets, net	<u>\$ 9,207</u>	<u>\$ 307</u>	<u>\$ -</u>	<u>\$ 9,514</u>

The Corporation's capital assets activity for the year ended December 31, 2016 was as follows:

	<u>Balance at January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31</u>
Furniture and equipment	\$ 22,848	\$ 3,441	\$ -	\$ 26,289
Total	<u>22,848</u>	<u>3,441</u>	<u>-</u>	<u>26,289</u>
Accumulated depreciation:				
Furniture and equipment	<u>(12,150)</u>	<u>(4,932)</u>	<u>-</u>	<u>(17,082)</u>
Total	<u>(12,150)</u>	<u>(4,932)</u>	<u>-</u>	<u>(17,082)</u>
Capital assets, net	<u>\$ 10,698</u>	<u>\$ (1,491)</u>	<u>\$ -</u>	<u>\$ 9,207</u>

5. INTERMUNICIPAL AGREEMENT

Within the parameters of the New York Land Bank Act of Article 16 of the New York Not-for-Profit Corporation Law, any one or more foreclosing governmental units are permitted to enter into an intergovernmental cooperation agreement to establish a land bank. In 2012, the County and the City entered into an intermunicipal agreement for the creation of the Corporation to exercise the powers, duties, functions, and responsibilities of a land bank under the Land Bank Act.

6. TRANSACTIONS WITH PRIMARY GOVERNMENT

The Corporation and the City entered into an agreement in 2013 to be renewed on an annual basis. The agreement was renewed in 2016, whereas the City was to assist in the operations of the Corporation pursuant to Not-For-Profit Corporation Section 1610(a). As part of this agreement, the Corporation was awarded and recorded \$1,500,000 of grant and government subsidy revenue in 2016. Of this amount, \$1,166,667 was recorded in due from primary government at December 31, 2016.

The agreement was not renewed in 2017 and there were no amounts recorded as grant and government subsidy revenue related to the agreement.

The City has a fiscal year which ends June 30, therefore resulting in potential inconsistencies in amounts reported due to and/or due from between the City and Corporation.

7. NEW AND UPCOMING PRONOUNCEMENTS

New Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pension (other postemployment benefits or OPEB) included in the general purposes external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Corporation adopted the provisions of Statement No. 74 for the year ending December 31, 2017 with no material effect.

In January 2016, the GASB issues Statement No. 80, *Blending Requirements for Certain Component Units; an Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirement established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The Corporation adopted the provisions of Statement No. 80 for the year ending December 31, 2017 with no material effect.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Corporation adopted the provisions of Statement No. 74 for the year ending December 31, 2017 with no material effect.

In March 2016, the GASB issued Statement No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Pending the measurement date of the employer's pension liability, the Corporation is required to adopt the provisions of Statement No. 82 for the year ended December 31, 2017 or 2018. The Corporation adopted the provisions of the Statement No. 82 for the year ending December 31, 2017 with no material effect.

7. NEW AND UPCOMING PRONOUNCEMENTS (Continued)

Upcoming Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension (other postemployment benefits or OPEB). The Corporation is required to adopt the provisions of Statement No. 75 for the year ending December 31, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement also requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. The Corporation is required to adopt the provisions of this Statement for the year ending December 31, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments with a focus on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. The Corporation is required to adopt the provisions of this Statement for the year ending December 31, 2019.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is address practice issues specific to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The Corporation is required to adopt the provisions of this Statement for the year ending December 31, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Corporation is required to adopt the provisions of this Statement for the year ending December 31, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Corporation is required to adopt the provisions of this Statement for the year ending December 31, 2020.

The Corporation has not yet assessed the impact of these pronouncements on its future financial statements.

**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**

March 27, 2018

To the Board of Directors of
Greater Syracuse Property Development Corporation
d/b/a Greater Syracuse Land Bank:

We have audited, 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, the financial statements of the Greater Syracuse Property Development Corporation d/b/a Greater Syracuse Land Bank (the Corporation), a discretely presented component unit of the City of Syracuse, New York, (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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.

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(Continued)

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*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**REPORT ON SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC
AUTHORITIES LAW**

March 27, 2018

To the Board of Directors of
Greater Syracuse Property Development Corporation
d/b/a Greater Syracuse Land Bank:

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 Greater Syracuse Property Development Corporation d/b/a Greater Syracuse Land Bank, (the Corporation) a discretely presented component unit of the City of Syracuse, New York (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 27, 2018.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with the Corporation's Investment Guidelines, The New York State (NYS) Comptroller's Investment Guidelines and Section 2925 of the NYS Public Authorities Law (collectively, the Investment Guidelines), which is the responsibility of the Corporation's management, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines. However, our audit was not directed primarily towards obtaining knowledge of noncompliance with such Investment Guidelines. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the Investment Guidelines.

This report is intended solely for the information and use of management of the Corporation, the Board of Directors of the Corporation, and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these specified parties.

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