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, 2016 and 2015 Together with Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

March 30, 2017

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 year ended December 31, 2016 and 2015, 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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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of December 31, 2016 and 2015, and the respective changes in financial position and 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 30, 2017 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 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 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 30, 2017, 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).

Bonadio & Co., LLP

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, 2016 and 2015. 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, 2016 and 2015 is $4,950,411 and $4,362,338, respectively.
- Total current assets at December 31, 2016 and 2015 are $6,168,528 and $5,696,183, respectively.
- Total current liabilities at December 31, 2016 and 2015 are $1,227,324 and $1,344,543, respectively. The Corporation's current ratio is 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, 2016 and 2015 were $5,129,813 and $5,994,528, respectively.
- Operating expenses at December 31, 2016 and 2015 are $5,380,545 and $5,586,580, respectively.
- Operating income[1] at December 31, 2016 and 2015 is ($250,732) and $407,948, respectively.
- For 2016, revenues were budgeted at approximately $5.5 million and actual revenues were approximately $5.1 million. A budget vs. actual comparison for 2016 revenues is included below. The largest variances between budgeted and actual revenues are in Sales Proceeds and NY Attorney General Income.
    - NY Attorney General income is only recognized when eligible expenses are incurred. The 2016 budget anticipated all remaining contract deliverables to be completed and booked as expense (and corresponding income) in 2016. Seven renovations and one demolition had yet to be completed by 12/31/16 and so that income and expense totaling $731,481 will be booked in 2017 (per a contract extension granted by the OAG). This also accounts for a slight shortfall in developers fees that are earned as each deliverable is completed.

[1] Note: Operating Expense includes expense associated with "donated" demolitions, but Operating Income does not reflect the ~$837,000 of income booked to cancel out those demolition expenses. When both the income and expense associated with "donated" demolitions are taken into account the Land Bank's net position for 2016 is ~$500,000 to the positive.

FINANCIAL HIGHLIGHTS (Continued)

- 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 2016 were as follows:

	2016 Budget	2016 Actual	Variance
City of Syracuse	$ 1,416,666	$ 1,500,000	$ 83,334
Admin/Developers' Fees	70,502	65,473	(5,029)
Onondaga County	653,545	639,437	(14,108)
NY Attorney General	1,851,155	1,119,674	(731,481)
Rental Income	45,000	43,200	(1,800)
Sales Proceeds	1,500,000	1,725,545	225,545
REO-related cash donations	25,000	25,750	750
Side lot application fees	1,000	575	(425)
Total	$ 5,562,868	$ 5,119,654	$ (443,214)

Expenses: Budget v. Actual

Our 2016 budget anticipated approximately $5.65 million in expenses and our actual expenses totaled approximately $5.38 million – an approximately $270,000 variance under budget. $210,000 of this variance falls under Cost of Goods and $60,000 under Expenses. The $60,000 variance under Expenses is attributable to lower than anticipated expenses related to Professional Services, Relocation Assistance, and Special Assessments.

The $210,000 variance under Cost of Goods brings us in approximately 5% under budget for the year. This is partly attributable to the $731,481 of Attorney General funds not used in 2016 that were originally budgeted, which will be utilized for 2017 projects. Other major factors are outlined below:

50010 · Property Purchase Cost	$ 7,723.60	offset by County income
50015 · Donated Property Value	$ 42,000.00	offset as income above, never budgeted
50990 · Impairment Loss	$ 93,847.96	never included in budget
50999 · Spec Reclass to/from Inventory	$ (20,332.27)	never included in budget
50110 · Demolition/Deconstruction	$ 231,385.52	* see below
50111 · Renovation Expensed	$ (481,304.06)	Budgeted projects delayed to 2017
50080 · Snow Removal	$ (61,926.50)	
other misc savings from lower than anticipated inventory size	$ (19,672.61)	
	$ (208,278.36)	

* Several factors explain the variance in our Demolition line:

Source	**Budget**	**Actual**	**Variance**
OAG	$ 337,975.21	$ 301,758.24	$ 36,216.97
Unrestricted Cash	$1,328,345.58	$1,002,531,17	$ 325,814.41
In-Kind "donated" Demos	$ 175,493.00	$ 768,909.90	$ (593,416.90)
		Total variance:	$ (231,385.52)

- One AG funded demolition was completed and paid for in January 2017 rather than 2016 as anticipated. ($36,216.97).
- The Land Bank voted to increase its demolition budget and spend additional unrestricted assets on demolitions in late-2016. However, those additional demolitions were competed and invoiced in Q1 2017.

FINANCIAL HIGHLIGHTS (Continued)

- For 2016 the Land Bank only budgeted the remaining SIDA funds for in-kind demolitions, but nearly $600,000 of CDBG funded demolitions scheduled for 2015 carried over and weren't completed until 2016. This expense is offset by income above.

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

	2016	2015
Current assets	$ 6,168,528	$ 5,696,183
Capital assets	9,207	10,698
Total assets	6,177,735	5,706,881
Current liabilities	1,227,324	1,344,543
Net position:		
Net investment in capital assets	9,207	10,698
Unrestricted	4,941,204	4,351,640
Total net position	$ 4,950,411	$ 4,362,338

CURRENT ASSETS

Current assets at December 31, 2016 and 2015, were comprised of mostly cash, a receivable from the primary government, the City of Syracuse, New York, a receivable from a grant and government subsidy, New York Office of the Attorney General, and inventory. The sum of unrestricted cash on hand and unrestricted receivables at the end of 2016 totaled ~$4.5 million – equal to approximately two 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 342 properties via the City of Syracuse foreclosure proceedings in 2016, in addition to two (2) donations from banks, three (3) private donations, three (3) purchases, six (6) properties subsequent to County foreclosure, and one (1) transfer of a City owned property. We also reacquired our first property that had previously been sold through a deed in lieu of foreclosure after threatening to foreclose on our enforcement mortgage. 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, 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

	2016	Percentage of Total %	2015	Percentage of Total %
OPERATING REVENUES:				
Grant and government subsidy revenue	$ 3,324,584	64.81%	$ 4,395,599	73.33%
Sale of property	1,725,545	33.64%	1,481,447	24.71%
Rental revenue	43,200	0.84%	97,381	1.62%
Other revenue	36,484	0.71%	20,101	0.34%
Total operating revenues	5,129,813		5,994,528	
OPERATING EXPENSES:				
Cost of sales	4,106,158	76.31%	4,328,834	77.49%
Unrealized loss on inventory	93,848	1.74%	133,702	2.39%
Relocation assistance	96,495	1.79%	54,696	0.98%
Special assessment	132,654	2.47%	272,944	4.89%
General & administrative expenses	37,664	0.70%	25,483	0.46%
Professional services	169,038	3.14%	197,781	3.54%
Salaries, wages and related expenses	432,706	8.04%	265,755	4.76%
Advertising	6,679	0.12%	8,117	0.15%
Bad debts	0	0.00%	3,176	0.06%
Insurance	270,224	5.02%	263,482	4.72%
Rent	24,487	0.46%	24,091	0.43%
Travel	5,660	0.11%	2,831	0.05%
Depreciation	4,932	0.09%	5,688	0.10%
Total operating expenses	5,380,545		5,586,580	
OPERATING INCOME	(250,732)		407,948	
NON-OPERATING INCOME (EXPENSES):				
Miscellaneous	2,145		2,775	
TOTAL CONTRIBUTIONS	836,660		822,200	
CHANGE IN NET POSITION	$ 588,073		$ 1,232,923	

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

OPERATING REVENUES

Operating revenue is mostly comprised of grant and government subsidies revenue 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 2016 are mostly comprised of cost of sales, salaries and wages, insurance, professional services, and special assessments. These expenses decreased slightly compared to the prior year. Cost of sales includes property acquisition and stabilization costs as well as the ongoing expenses associated with property maintenance and insurance. In addition, two staff positions were added in 2016 bringing the total number of full-time employees to six. Sales and most property maintenance are now being done in house, reducing property intake and maintenance costs and real estate commissions paid out. Increased salaries and fringe costs were more than offset by the increased sales revenue and the decrease in cost of sales expenses.

OPERATING RESULTS

The Corporation had operating income of ($250,732) and $407,948 with miscellaneous non-operating income (expenses) of $2,145 and $2,775 during 2016 and 2015, respectively. There were contributions of $836,660 in 2016 and $822,200 in 2015. This resulted in respective changes in net position of $588,073 and $1,232,923. Ending net position is $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, 2016 and 2015 amounts to $9,207 and $10,698, respectively (net of accumulated depreciation). This investment includes furniture, equipment, computer hardware, and small amounts of software.

	2016	2015
Depreciable capital assets:		
Furniture and equipment	$ 9,207	10,698
Total depreciable capital assets	$ 9,207	$ 10,698

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, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash	$ 3,319,943	$ 3,337,706
Accounts receivable	34	-
Due from primary government	1,166,667	666,667
Grant and government subsidy receivable	-	459,856
Inventory	639,520	713,035
Prepaid expenses	93,289	52,284
Restricted cash	949,075	466,635
Total current assets	6,168,528	5,696,183
NONCURRENT ASSETS:		
Capital assets, net	9,207	10,698
Total assets	6,177,735	5,706,881
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	158,452	597,528
Accrued expenses	105,793	261,720
Grant and government subsidy revenue advance	949,426	483,545
Other liabilities	13,653	1,750
Total liabilities	1,227,324	1,344,543
NET POSITION		
Net investment in capital assets	9,207	10,698
Unrestricted	4,941,204	4,351,640
Total net position	$ 4,950,411	$ 4,362,338

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, 2016 AND 2015

	2016	2015
OPERATING REVENUES:		
Grant and government subsidy revenue	$ 3,324,584	$ 4,395,599
Sale of property	1,725,545	1,481,447
Rent revenue	43,200	97,381
Other revenue	36,484	20,101
Total operating revenues	5,129,813	5,994,528
OPERATING EXPENSES:		
Cost of sales	4,106,158	4,328,834
Unrealized loss on inventory	93,848	133,702
Relocation assistance	96,495	54,696
Special assessment	132,654	272,944
Salaries, wages and related expenses	432,706	265,755
Insurance	270,224	263,482
Professional services	169,038	197,781
General and administrative expenses	37,664	25,483
Rent	24,487	24,091
Advertising	6,679	8,117
Depreciation	4,932	5,688
Bad debts	-	3,176
Travel	5,660	2,831
Total operating expenses	5,380,545	5,586,580
OPERATING INCOME (LOSS)	(250,732)	407,948
NON-OPERATING INCOME:		
Miscellaneous income	2,145	2,775
INCOME (LOSS) BEFORE CONTRIBUTIONS	(248,587)	410,723
CONTRIBUTIONS:		
Cash contributions	25,750	149,817
Demolition contributions	768,910	480,080
Inventory contributions	42,000	185,300
Rent contributions	-	7,003
Total contributions	836,660	822,200
CHANGE IN NET POSITION	588,073	1,232,923
NET POSITION - beginning of year	4,362,338	3,129,415
NET POSITION - end of year	$ 4,950,411	$ 4,362,338

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 CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grant and government subsidies	$ 3,750,321	$ 3,996,563
Cash received from property sales	1,725,545	1,481,447
Cash received from rent	43,200	95,805
Cash received from other revenue	36,450	20,101
Cash paid for inventory	(3,875,043)	(3,355,144)
Cash paid for general and administrative expenses	(20,321)	(11,428)
Cash paid for professional services	(210,313)	(143,672)
Cash paid for salaries, wages and related expenses	(432,412)	(265,478)
Cash paid for advertising	(6,679)	(8,117)
Cash paid for insurance	(311,229)	(270,941)
Cash paid for rent	(24,487)	(17,088)
Cash paid for relocation assistance and special assessment	(229,149)	(327,640)
Cash paid for travel	(5,660)	(2,831)
Net cash from operating activities	440,223	1,191,577
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(3,441)	(4,345)
Disposal of capital assets	-	12,211
Proceeds from cash contribution	25,750	149,817
Net cash from capital and related financing activities	22,309	157,683
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net miscellaneous income	2,145	2,775
Net cash from investing activities	2,145	2,775
CHANGE IN CASH	464,677	1,352,035
CASH - beginning of year	3,804,341	2,452,306
CASH - end of year	$ 4,269,018	$ 3,804,341
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:		
Cash	$ 3,319,943	$ 3,337,706
Restricted cash	949,075	466,635
Total	$ 4,269,018	$ 3,804,341
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ (250,732)	$ 407,948
Adjustments to reconcile operating income to net cash flow from operating activities		
Depreciation	4,932	5,688
Unrealized loss on inventory	93,848	133,702
Bad debts	-	3,176
Inventory and demolition contributions	810,910	665,380
Rent contributions	-	7,003
Changes in:		
Accounts receivable	(34)	(1,576)
Due from primary government	(500,000)	-
Grant and government subsidy receivable	459,856	(459,856)
Inventory	(20,333)	(312,409)
Prepaid expenses	(41,005)	(7,459)
Accounts payable	(439,076)	543,821
Other liabilities	11,903	(1,600)
Accrued expenses	(155,927)	146,939
Grant and government subsidy revenue advance	465,881	60,820
Net cash from operating activities	440,223	1,191,577
NONCASH ACTIVITIES:		
Inventory and demolition contributions	810,910	665,380
Rent contributions	-	7,003
Total noncash activities	$ 810,910	$ 672,383

The accompanying notes are an integral part of these statements.

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, 2016 and 2015.

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, 2016 and 2015.

Grant and government subsidy receivable
Grant and government subsidy receivable represent 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, 2016 and 2015.

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 ½ 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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrealized Loss
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, 2016 and 2015.

Contributions
The Corporation received contributions of property, donated demolition and cash during the fiscal year ending December 31, 2016 and 2015. 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, 2016 and 2015.
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.

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.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

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, 2016 and 2015 the Corporation's deposits consisted of approximately $4,760,000 and $3,752,000, respectively, in cash and were insured each year by FDIC in the amount of $250,000. The remaining balance of approximately $4,510,000 and $3,502,000 at December 31, 2016 and 2015, 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, 2016 was as follows:

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

The Corporation's capital assets activity for the year ended December 31, 2015 was as follows:

	Balance at January 1	Additions	Deductions	Balance at December 31
Rental property	$ 9,200	$ 3,268	$ (12,468)	$ -
Furniture and equipment	21,771	1,077	-	22,848
Total	30,971	4,345	(12,468)	22,848
Accumulated depreciation:				
Rental property	(58)	(199)	257	-
Furniture and equipment	(6,661)	(5,489)	-	(12,150)
Total	(6,719)	(5,688)	257	(12,150)
Capital assets, net	$ 24,252	$ (1,343)	$ (12,211)	$ 10,698

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 two 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 2015 and 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 and 2015. Of this amount, $1,166,667 and $666,667 is recorded in due from primary government at December 31, 2016 and 2015, respectively.

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. RECLASSIFICATIONS

Certain amounts in the 2015 financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications did not have any effect on total net position or change in net position as previously reported.

8. NEW AND UPCOMING PRONOUNCEMENTS

New Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This standard addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Corporation adopted the provisions of Statement No. 72 for the year ending December 31, 2016 with no material effect on the financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statement 67 and 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purposes external financial reports of statement local governments for making decision and assessing accountability. The Corporation is required to adopt portions of the provisions of Statement No. 73 for the years ending December 31, 2016 and 2017, pending applicability. The Corporation considered the provisions related to GASB Statement No. 73 as of December 31, 2016, and concluded there is no material effect on the financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP) and reduce the GAAP hierarchy to two categories of authoritative GAAP and address the use of authoritative and nonauthoritative literature. The Corporation adopted the provisions of Statement No. 76 for the year ending December 31, 2016 with no material effect on the financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to assist financial statement users in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The Corporation adopted the provisions of Statement No. 77 for the year ending December 31, 2016 with no material effect on the financial statements.

8. NEW AND UPCOMING PRONOUNCEMENTS (Continued)

New Pronouncements (Continued)

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multi-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68 and pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Corporation adopted the provisions of Statement No. 78 for the year ending December 31, 2016 with no material effect on the financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* The objective of this Statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; (3) calculations and requirements of a shadow price. The Corporation is required to adopt the provisions of Statement No. 79 for the year ending December 31, 2016 and 2017, pending applicability. The Corporation considered the provisions related to GASB Statement No. 79 as of December 31, 2016, and concluded there is no material effect on the financial statements.

Upcoming 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 statement local governmental OPEB plans for making decisions and assessing accountability. The Corporation is required to adopt the provisions of Statement No. 74 for the year ending December 31, 2017.

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 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 is required to adopt the provisions of Statement No. 80 for the year ending December 31, 2017.

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 is required to adopt the provisions of Statement No. 81 for the year ending December 31, 2017.

8. NEW AND UPCOMING PRONOUNCEMENTS (Continued)

Upcoming Pronouncements (Continued)

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. The Corporation is required to adopt the provisions of Statement No. 82 for the year ended December 31, 2017 or 2018, pending the measurement date of the employer's pension liability.

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 this Statement for the year ended December 31, 2019.

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

Bonadio & Co., LLP
Certified Public Accountants

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 30, 2017

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, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness as 2016-001.

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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*.

Greater Syracuse Property Development Corporation d/b/a Greater Syracuse Land Bank's Response to Finding
The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Bonadio & Co., LLP

GREATER SYRACUSE PROPERTY DEVELOPMENT CORPORATION
d/b/a GREATER SYRACUSE LAND BANK

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016

Reference Number: 2016-001

Criteria:
Adequate controls in place that will ensure proper valuation of inventory at the lower of cost or market value.

Condition/Cause:
During the year ending December 31, 2016, the Corporation's system of updating current market values of inventory to test for impairment contained instances of incorrect market value data.

Effect:
As a result of instances of incorrect market value being used, inventory was materially overstated at December 31, 2016 and required a correcting audit entry to decrease inventory by approximately $82,000.

Recommendation:
We recommend the Corporation review the process of testing inventory for impairment and ensure the source of market value data is providing correct information.

Management's Response:
The Land Bank calculates the value of properties in inventory as the lesser of fair market value or cost. To estimate fair market value, we use one half of the current assessed value. Rather than manually look up each assessed value, we compare value from the QuickBooks file to a file containing property data, which is exported from the City's server to our server nightly. We discovered that the assessment values in this file were drawing from the 2015 assessment roll and not the current roll. In future years, to test the accuracy of this data source we will select a random sample of properties in our inventory and compare values from this file to manually looked up values (which are looked up on the Onondaga County Real Property Tax Services website).

Since most of our properties are acquired for $1 - $151 and our maintenance costs are low, in the vast majority of cases inventory is booked as our costs, which are less than fair market value. In a few cases where we have purchased a property via negotiated sale or made significant investment in renovations, cost exceeds fair market value and we write off the investment that exceeds fair market value – in these cases this data discrepancy caused us to miscalculate the value of properties in inventory.

Bonadio & Co., LLP
Certified Public Accountants

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

March 30, 2017

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, 2016, 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 30, 2017.

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 Agency'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 parties.

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