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, 2018 and 2017 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)

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INDEPENDENT AUDITOR'S REPORT

March 19, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter - Change in Accounting Estimate
Inventory is valued at the lower of cost or market. As of December 31, 2017, market value was defined as ½ of the assessed value of the property. However, during 2018, management implemented a change in accounting estimate of inventory held at year end. The new prospectively applied change in accounting estimate considers the different types of properties held, when determining what defines market value. As of December 31, 2018, the market value of vacant lots is defined as $151, and properties listed for sale has a market value based upon the listing price. See Note 2 to these financial statements. Our opinion is not modified with respect to this matter.

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 19, 2019 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 19, 2019, 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 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, 2018 showing 2017 and 2016 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

- Below are the Corporation's total net position, total current assets, total current liabilities, and current ratio at December 31, 2018, December 31, 2017, and December 31, 2016, respectively:

	2018	2017	2016
Total Net Position	$ 3,945,709	$ 4,752,326	$ 4,950,411
Total Current Assets	$ 4,985,577	$ 6,033,180	$ 6,168,528
Total Current Liabilities	$ 1,047,805	$ 1,290,368	$ 1,227,324
Current Ratio	4.8	4.7	5.0

  The current 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. This ratio indicates the Corporation is more than able to meet and pay its current liabilities.

- Below are the Corporation's operating revenues, operating expenses, and operating income at December 31, 2018, December 31, 2017, and December 31, 2016, respectively:

	2018	2017	2016
Operating Revenues	$ 2,501,405	$ 3,544,049	$ 5,129,813
Operating Expenses	$ 3,717,423	$ 3,919,549	$ 5,380,545
Operating Income	$ (1,216,018)	$ (375,500)	$ (250,732)

FINANCIAL HIGHLIGHTS (Continued)

- Revenues – Budget to Actual: For 2018, revenues were budgeted at approximately $3.5 million and actual revenues were approximately $2.5 million, a variance of about $1 million. Reasons for this include:
  - Sales proceeds were approximately $250,000 lower than anticipated. The Land Bank has sold off the most desirable inventory and find that many of our listings are taking longer to sell. The Land Bank sold 118 properties in 2018 compared to 146 in 2017, but the average price of buildings sold to private buyers (as opposed to not-for-profits renovating using grant funds and buying at a discount) actually increased slightly from $13,002 in 2017 to $13,714 in 2018.
  - Attorney General income was approximately $600,000 lower than anticipated because the Land Bank planned on completing all eight Round 3 CRI renovations in 2018, but four are behind schedule. Those remaining renovations will be completed in 2019 and the income will be booked then; however, because restricted grant income is booked at the same time as the expense, this revenue shortfall is accompanied by lower than anticipated renovation expense in 2018 and should have no net effect on the 2018 financial position.
  - Similarly, some projects funded by Neighbors for Neighborhoods were behind schedule, and some of that income/expense will be pushed into 2019.
  - Lastly, while over $480,000 of eligible expense was booked under the 2018-19 City funding agreement, it was determined that only the $375,000 received would be recognized as revenue in 2018, since the required demolition deliverables and matching requirements in the City funding contract have not yet been met, and until those requirements are satisfied, there is a risk of partial funding recapture. The Land Bank is on track to complete those deliverables by the City's June 30, 2019 deadline and does not anticipate any recapture. This is a rare instance in which grant-restricted expense is booked ahead of the grant income; this income will be booked in 2019 with no accompanying expense, positively affecting the Corporation's 2019 financial statements.

- Expenses – Budget to Actual: Our 2018 budget anticipated approximately $4.05 million in expenses and our actual expenses totaled approximately $3.72 million – a variance of approximately $332,000 (8% under budget). Most of this was due to expenses from CRI and N4N that will be pushed off into 2019 (see above). Expenses over budget include:
  - Debris removal – this is explained under the Operating Expenses section below.
  - Stabilization – this is partly due to ~$85,000 in deconstruction/architectural salvage expense booked to this line, which was reimbursed by DSS.
  - Environmental assessments, which includes Phase I and II environmental site assessments and survey/abatement pre-renovation. Nothing was budgeted in this line, but ~$100,000 was spent. The survey/abatement pre-renovation is reimbursed through the Neighbors for Neighborhoods grant; we book this expense to this line if we're paying these vendors directly or to Renovation if we're paying through the GC. The Phase I and II ESA on 215 Tully will be recouped at the time of sale. The Land Bank will consider budgeting for these expenses in the future.
  - Lawn maintenance – the Land Bank spent slightly less in this line than we did in 2017, despite growth in inventory; this expense was under-budgeted. This will need to be adjusted in the 2019 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

	2018	2017	2016
Current assets	$ 4,985,577	$ 6,033,180	$ 6,168,528
Capital assets	7,937	9,514	9,207
Total assets	4,993,514	6,042,694	6,177,735
Current liabilities	1,047,805	1,290,368	1,227,324
Net position:			
Net investment in capital assets	7,937	9,514	9,207
Unrestricted	3,937,772	4,742,812	4,941,204
Total net position	$ 3,945,709	$ 4,752,326	$ 4,950,411

CURRENT ASSETS

Current assets at December 31, 2018 were comprised mostly of cash, restricted grant funds, and inventory. Cash on hand less any liabilities and plus contract receivables at the end of 2018 totaled approximately $2.6 million – equal to approximately one year 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 in most cases be less than fair market value.

The Greater Syracuse Land Bank acquired 261 properties via the City of Syracuse foreclosure proceedings in 2018 (up from 161 in 2017) and nine (9) through Onondaga County tax foreclosure, plus two (2) purchases, one (1) bank donation, 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, 2018, December 31, 2017 and December 31, 2016, were comprised of property, furniture and equipment that was purchased and capitalized during the years in accordance with the Corporation’s capitalization policy.

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.

FINANCIAL ANALYSIS OF THE CORPORATION (Continued)

Summary of Revenues, Expenses, and Change in Net Position

	2018	% of Total	2017	% of Total	2016	% of Total
OPERATING REVENUES:						
Grant and government subsidy revenue	$ 1,416,526	56.63%	$ 2,093,611	59.08%	$ 3,324,584	64.81%
Sale of property	1,014,853	40.57%	1,385,524	39.09%	1,725,545	33.64%
Rental revenue	61,486	2.46%	53,413	1.51%	43,200	0.84%
Other revenue	8,540	0.34%	11,501	0.32%	36,484	0.71%
Total operating revenues	2,501,405		3,544,049		5,129,813	
OPERATING EXPENSES:						
Cost of sales	2,194,969	59.05%	2,648,573	67.58%	4,106,158	76.31%
Unrealized loss on inventory	501,338	13.49%	50,244	1.28%	93,848	1.74%
Relocation assistance	39,021	1.05%	64,650	1.65%	96,495	1.79%
Special assessment	25,364	0.68%	193,058	4.93%	132,654	2.47%
General and administrative expenses	37,104	1.00%	59,664	1.52%	37,664	0.70%
Professional services	162,917	4.38%	138,893	3.54%	169,038	3.14%
Salaries, wages and related expenses	422,765	11.37%	436,799	11.14%	432,706	8.04%
Advertising	10,702	0.29%	12,576	0.32%	6,679	0.12%
Bad debts	2,967	0.08%	0	0.00%	0	0.00%
Insurance	280,963	7.56%	277,946	7.09%	270,224	5.02%
Rent	26,326	0.71%	24,976	0.64%	24,487	0.46%
Travel	8,615	0.23%	8,730	0.22%	5,660	0.11%
Depreciation	4,372	0.12%	3,440	0.09%	4,932	0.09%
Total operating expenses	3,717,423		3,919,549		5,380,545	
OPERATING INCOME	(1,216,018)		(375,500)		(250,732)	
NON-OPERATING INCOME (EXPENSES):						
Miscellaneous	8,459		8,855		2,145	
TOTAL CONTRIBUTIONS	400,942		168,560		836,660	
CHANGE IN NET POSITION	$ (806,617)		$ (198,085)		$ 588,073	

FINANCIAL ANALYSIS OF THE CORPORATION (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 2018 are mostly comprised of cost of sales, salaries and wages, insurance, and professional services.

Cost of sales includes property acquisition and stabilization costs as well as the ongoing expenses associated with property maintenance. Cost of sales expenses overall decreased slightly even though inventory grew; the Land Bank owned 887 properties at the end of 2017 and 1,030 at the end of 2018. Increased maintenance costs were offset by significantly lower demolition expenses incurred due to a gap year between City and CRI grants for this purpose. Significant increases in expenses over 2017 include:

- Debris removal expense:
  - interior cleanout costs grew by approximately $93,000 (a 50% increase over 2017) for properties being prepared to be listed for sale.
  - exterior cleanup costs increased by approximately $140,000 (more than double 2017). $30,000 of this was due to UltraClean's debris removal up-charges and $113,000 attributed to 2018 spring cleanups. The Land Bank is competitively bidding spring cleanup rates this year in an attempt to reduce these costs.
- Property purchase – this increase is mostly attributable to the purchase of 215 Tully, which will be recouped.
- Stabilization – about half of this was reimbursed from DSS for a pilot deconstruction program, and the other half was due to a deliberate effort to engage in more preventive maintenance.
- Environmental assessment expenses that were reimbursed from the Neighbors for Neighborhoods program and therefore had no net effect on the financial statements.

Land banks are now exempt from special assessments and certain user fees, which saved the Land Bank approximately $170,000 compared to 2017. The Land Bank paid approximately $25,000 in this category in 2018 (mostly comprised of partial-year taxes for properties acquired through means other than City tax-foreclosure) and that figure is expected to be even lower in 2019, now that land banks are considered tax-exempt immediately upon acquisition (due to another amendment to the Land Bank Act signed into law in December 2018).

The number of staff remained stable between 2017 and 2018.

OPERATING RESULTS

Below are the Corporation's operating income, non-operating income, contributions, net position, and change in net position at December 31, 2018, December 31, 2017, and December 31, 2016, respectively:

	2018	2017	2016
Operating Income	$ (1,216,018)	$ (375,500)	$ (250,732)
Non-operating Income	$ 8,459	$ 8,885	$ 2,145
Contributions	$ 400,942	$ 168,560	$ 836,660
Change in Net Position	$ (806,617)	$ (198,085)	$ 588,073
Net Position	$ 3,945,709	$ 4,752,326	$ 4,950,411

FINANCIAL ANALYSIS OF THE CORPORATION (Continued)

CAPITAL ASSET ADMINISTRATION

Below are the Corporation's investment in capital assets (net of accumulated depreciation) at December 31, 2018, December 31, 2017, and December 31, 2016, respectively. This investment includes furniture, equipment, computer hardware, and small amounts of software.

	2018	2017	2016
Depreciable capital assets:			
Furniture and equipment	$ 7,937	$ 9,514	$ 9,207
Total depreciable capital assets	$ 7,937	$ 9,514	$ 9,207

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 Street, 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, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 2,816,988	$ 4,699,542
Accounts receivable	135	675
Grant and government subsidy receivable	106,535	1,030
Inventory	1,240,821	805,007
Prepaid expenses	128,136	75,934
Restricted cash	692,962	450,992
Total current assets	4,985,577	6,033,180
NONCURRENT ASSETS:		
Capital assets, net	7,937	9,514
Total assets	4,993,514	6,042,694
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	314,282	421,194
Accrued expenses	22,482	404,181
Grant and government subsidy revenue advance	692,962	450,992
Other liabilities	18,079	14,001
Total liabilities	1,047,805	1,290,368
NET POSITION		
Net investment in capital assets	7,937	9,514
Unrestricted	3,937,772	4,742,812
Total net position	$ 3,945,709	$ 4,752,326

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, 2018 AND 2017

	2018	2017
OPERATING REVENUES:		
Grant and government subsidy revenue	$ 1,416,526	$ 2,093,611
Sale of property	1,014,853	1,385,524
Rent revenue	61,486	53,413
Other revenue	8,540	11,501
Total operating revenues	2,501,405	3,544,049
OPERATING EXPENSES:		
Cost of sales	2,194,969	2,648,573
Unrealized loss on inventory	501,338	50,244
Relocation assistance	39,021	64,650
Special assessment	25,364	193,058
Salaries, wages and related expenses	422,765	436,799
Insurance	280,963	277,946
Professional services	162,917	138,893
General and administrative expenses	37,104	59,664
Rent	26,326	24,976
Advertising	10,702	12,576
Depreciation	4,372	3,440
Bad debts	2,967	-
Travel	8,615	8,730
Total operating expenses	3,717,423	3,919,549
OPERATING LOSS	(1,216,018)	(375,500)
NON-OPERATING INCOME:		
Miscellaneous income	8,459	8,855
LOSS BEFORE CONTRIBUTIONS	(1,207,559)	(366,645)
CONTRIBUTIONS:		
Cash contributions	21,500	73,825
Demolition contributions	125,000	14,735
Inventory contributions	254,442	80,000
Total contributions	400,942	168,560
CHANGE IN NET POSITION	(806,617)	(198,085)
NET POSITION - beginning of year	4,752,326	4,950,411
NET POSITION - end of year	$ 3,945,709	$ 4,752,326

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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grant and government subsidies	$ 1,552,991	$ 2,760,814
Cash received from property sales	1,014,853	1,385,524
Cash received from rent	61,486	53,413
Cash received from other revenue	6,113	10,860
Cash paid for inventory	(3,193,687)	(2,225,416)
Cash paid for general and administrative expenses	(57,723)	(60,276)
Cash paid for professional services	(184,352)	(122,340)
Cash paid for salaries, wages and related expenses	(423,236)	(436,415)
Cash paid for advertising	(11,702)	(11,576)
Cash paid for insurance	(333,165)	(260,591)
Cash paid for rent	(26,326)	(24,976)
Cash paid for relocation assistance and special assessment	(64,385)	(257,708)
Cash paid for travel	(8,615)	(8,730)
Net cash from operating activities	(1,667,748)	802,583
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(2,795)	(3,747)
Proceeds from cash contribution	21,500	73,825
Net cash from capital and related financing activities	18,705	70,078
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net miscellaneous income	8,459	8,855
Net cash from investing activities	8,459	8,855
CHANGE IN CASH	(1,640,584)	881,516
CASH - beginning of year	5,150,534	4,269,018
CASH - end of year	$ 3,509,950	$ 5,150,534
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:		
Cash	$ 2,816,988	$ 4,699,542
Restricted cash	692,962	450,992
Total	$ 3,509,950	$ 5,150,534
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (1,216,018)	$ (375,500)
Adjustments to reconcile operating income to net cash flow from operating activities		
Depreciation	4,372	3,440
Unrealized loss on inventory	501,338	50,244
Bad debts	2,967	-
Inventory and demolition contributions	379,442	94,735
Changes in:		
Accounts receivable	(2,427)	(641)
Due from primary government	-	1,166,667
Grant and government subsidy receivable	(105,505)	(1,030)
Inventory	(937,152)	(215,731)
Prepaid expenses	(52,202)	17,355
Accounts payable	(106,912)	262,742
Accrued expenses	(381,699)	298,388
Grant and government subsidy revenue advance	241,970	(498,434)
Other liabilities	4,078	348
Net cash from operating activities	$ (1,667,748)	$ 802,583
NONCASH ACTIVITIES:		
Inventory and demolition contributions	$ 379,442	$ 94,735
Total noncash activities	$ 379,442	$ 94,735

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, 2018 and 2017.

Grant and government subsidy receivable
Grant and government subsidy receivable represents funds earned but not yet received by the Corporation related to grant and government subsidy revenue. Management does not believe a reserve for uncollectible receivables is necessary at December 31, 2018 and 2017.

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. During 2018, there was a change in accounting estimate affecting the market value of inventory when giving consideration to different types of properties held. Previously, market value was defined as ½ the assessed value of the property. The new prospectively applied estimate in place at December 31, 2018, continues this estimate with added exceptions for vacant lots which are valued at $151 and properties listed for sale, which are valued at listing price. 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, 2018 and 2017.

Contributions

The Corporation received contributions of property, donated demolition and cash during the fiscal year ending December 31, 2018 and 2017. 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, 2018 and 2017.
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, 2018 and 2017 the Corporation's deposits consisted of approximately $3,510,000 and $4,905,000, respectively, in cash and were insured each year by FDIC in the amount of $250,000. The remaining balance of approximately $3,260,000 and $4,655,000 at December 31, 2018 and 2017, 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, 2018 was as follows:

	Balance at January 1	Additions	Deductions	Balance at December 31
Furniture and equipment	$ 30,036	$ 2,795	$ -	$ 32,831
Total	30,036	2,795	-	32,831
Accumulated depreciation:				
Furniture and equipment	(20,522)	(4,372)	-	(24,894)
Total	(20,522)	(4,372)	-	(24,894)
Capital assets, net	$ 9,514	$ (1,577)	$ -	$ 7,937

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

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

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 2018, 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 $750,000, of which $375,000 was received and recorded as a grant and government subsidy revenue at December 31, 2018. Although the Corporation has incurred additional expenditures related to the grant, further grant and government subsidy revenue will not be recognized until certain matching and performance measures are met.

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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 19, 2019

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2019.

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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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.

Bonadio & Co., LLP

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Certified Public Accountants

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

March 19, 2019

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, 2018, 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 19, 2019.

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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