FINGER LAKES REGIONAL LAND BANK CORPORATION (A Blended Component Unit of the County of Seneca, New York)

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

Bonadio & Co., LLP
Certified Public Accountants

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 20, 2018

To the Board of Directors of
Finger Lakes Regional Land Bank Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Finger Lakes Regional Land Bank Corporation (the Corporation), a blended component unit of the County of Seneca, New York (the County), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Bonadio & Co., LLP

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the Finger Lakes Regional Land Bank Corporation (the Corporation), a blended component unit of the County of Seneca, New York (the County) annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal years ending December 31, 2017 and 2016. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

GENERAL INFORMATION

This Corporation was incorporated in November 2015 to address the problems with vacant, abandoned, or tax delinquent properly in the County with the intent to return the properties to productive use.

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 Revenue, 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 Revenue, Expenses and Change in Net Position report all of the revenues and expenses during the time period indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for debt.

FINANCIAL HIGHLIGHTS

- The Corporation's total net position at December 31, 2017 is $99,252 and at December 31, 2016 is $ (375).
- Total current assets at December 31, 2017 are $101,654 and at December 31, 2016 are $74,625. In 2017 it is comprised of cash on hand and inventory and in 2016 it is comprised of cash on hand and a prepaid expense for NYLBA fees.
- Total current liabilities at December 31, 2016 are $75,000, which decreased approximately $72,500 at December 31, 2017. The 2016 liability is comprised of a single $75,000 grant advance payment which was recognized as revenue in 2017.
- Operating revenues at December 31, 2016 were $12,121 as a result of services rendered in-kind. Total in-kind costs were made up of salaries & benefits, travel expenses, and administration costs consisting of advertisement and mailing costs.
- Operating revenues in 2017 consistent of comparable in-kind to the prior year and $150,000 grant revenue.
- Operating expenses at December 31, 2017 were approximately $62,000, up from $12,496 at December 31, 2016 as the result of the Corporation holding inventory and incurring related costs. In addition, there was an impairment loss of nearly $32,000 as expenses on certain properties were in excess of the estimated value of the inventory.

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

	2017	2016
Current assets	$ 101,654	$ 74,625
Current liabilities	2,402	75,000
Total Net position - unrestricted: Unrestricted	$ 99,252	$ (375)

CURRENT ASSETS

Current assets at December 31, 2017 were comprised of cash and inventory. Current assets at December 31, 2016 were comprised of mostly cash from a state provided grant, and a prepaid expense for 2017 NYLBA dues.

INVENTORY

The Corporation obtained inventory in 2017, while in 2016 there was no inventory. At December 31, 2017 the Corporation owned 4 properties.

CAPITAL ASSETS

At this moment, the Corporation does not possess any capital assets.

CURRENT LIABILITIES

Current liabilities at December 31, 2017 are immaterial while in the prior year current liabilities are comprised of a single state provided grant advance. This is part of a two part, $150,000 grant awarded from the Local Initiatives Support Corporation (LISC). Each portion ($75,000) will be recognized as revenue upon satisfaction of agreed upon conditions laid out by LISC. The Corporation has provided reasonable assurance that these conditions will be met in the near future.

BUDGET

Due to the Corporation being in start-up phases of operation, budgeting has not been accurate to this point. Management believes this will improve in future years.

FINANCIAL ANALYSIS OF THE CORPORATION (Continued)

Summary of Revenues, Expenses, and Change in Net Position

	2017	2016
OPERATING REVENUES:		
Grant and government subsidy revenue	$ 150,000	$ -
In-kind revenue	11,690	12,121
Total operating revenues	161,690	12,121
OPERATING EXPENSES:		
Cost of sales	6,130	-
Unrealized loss on inventory	31,917	-
Management fee	2,402	-
Advertising	476	-
Professional services	6,750	-
Miscellaneous expense	2,698	375
In-Kind expense	11,690	12,121
Total operating expenses	62,063	12,496
OPERATING INCOME (LOSS)	99,627	(375)
CHANGE IN NET POSITION	99,627	(375)
NET POSITION - beginning of year	(375)	-
NET POSITION - end of year	$ 99,252	$ (375)

OPERATING REVENUES

There were no property sales during the years ending December 31, 2017 and 2016. 2017 operating revenue consists of grant revenue and in-kind consisting of salaries, allocated based on number of hours worked per individual, travel expenses incurred, and administration costs consisting of advertisement and mailing costs. In 2016 the Corporation had comparable in-kind revenue and expenses.

OPERATING EXPENSES

Operating expenses in 2016 were primarily in-kind in nature while in 2017 operations ramped up and the Corporation obtained inventory, recorded an impairment loss and had management fees and professional fees.

OPERATING RESULTS

The Corporation had operating income of $ 99,627 at December 31, 2017 and an operating loss of $375 at December 31, 2016. The operating income in 2017 was the result of the earned grant revenue in excess of incurred expenses as of yearend.

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 Finger Lakes Regional Land Bank Corporation - Seneca County Department of Planning and Community Development, One DiPronio Drive, Waterloo, NY 13165.

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Discretely Presented Component Unit of the County of Seneca, New York)

STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash	$ 62,884	$ 73,125
Inventory	38,770	-
Prepaid expenses	-	1,500
Total current assets	101,654	74,625
Total assets	101,654	74,625
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	2,402	-
Grant advance	-	75,000
Total current liabilities	2,402	75,000
Total liabilities	2,402	75,000
NET POSITION		
Unrestricted	99,252	(375)
Total net position	$ 99,252	$ (375)

The accompanying notes are an integral part of these statements.

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Discretely Presented Component Unit of the County of Seneca, New York)

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

	2017	2016
OPERATING REVENUES:		
Grant and government subsidy revenue	$ 150,000	$ -
In-Kind revenue	11,690	12,121
Total operating revenues	161,690	12,121
OPERATING EXPENSES:		
Cost of sales	6,130	-
Unrealized loss on inventory	31,917	-
Management fee	2,402	-
Advertising	476	-
Professional services	6,750	-
Miscellaneous expense	2,698	375
In-Kind expense	11,690	12,121
Total operating expenses	62,063	12,496
OPERATING INCOME (LOSS)	99,627	(375)
CHANGE IN NET POSITION	99,627	(375)
NET POSITION - beginning of year	(375)	-
NET POSITION - end of year	$ 99,252	$ (375)

The accompanying notes are an integral part of these statements.

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Discretely Presented Component Unit of the County of Seneca, New York)

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grant and government subsidies	$ 75,000	$ 75,000
Cash paid for inventory	(76,817)	-
Cash paid for advertising	(476)	-
Cash paid for professional services	(6,750)	-
Cash paid for general and administrative expenses	(1,198)	(1,875)
Net cash from operating activities	(10,241)	73,125
CHANGE IN CASH	(10,241)	73,125
CASH - beginning of year	73,125	-
CASH - end of year	$ 62,884	$ 73,125
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ 99,627	$ (375)
Adjustments to reconcile operating income (loss) to net cash flow from operating activities:		
Changes in:		
Inventory	(38,770)	-
Prepaid expenses	1,500	(1,500)
Accounts payable	2,402	-
Grant advance	(75,000)	75,000
Net cash from operating activities	$ (10,241)	$ 73,125

NONCASH ACTIVITIES:

The County paid $11,690 and $12,121, mostly comprised of legal services, salaries and benefits, to manage and operate the Corporation during the fiscal years ending December 31, 2017 and 2016, respectively. These transactions are reflected as in-kind operating revenue and operating expense.

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

The Finger Lakes Regional Land Bank Corporation (the Corporation), was formed in 2015 to address the problems of vacant, abandoned, or tax delinquent property in the County of Seneca, 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 blended component unit of the County because the Corporation has been organized as a nonprofit organization with the sole member of the Corporation being the County.

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.

Income Tax Status

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of vacant, abandoned, or tax delinquent property in the County purchased by the Corporation or donated by the County. Inventory is valued at the lower of cost or market. Market value is defined as estimated selling price, not to be in excess of assessed value. Cost includes but is not limited to, property purchase cost, appraisal, inspection and recording fees, renovation costs and professional services.

Prepaid Expenses

Prepaid expenses at December 31, 2016 are comprised of 2017 membership fees paid prior to fiscal year end. No expenses were prepaid at December 31, 2017.

Grant and Government Subsidy Revenue Advance

Grant advances consist of amounts of received grant and government subsidy revenue for which the definition of earned has not been met. Such amounts are reflected as a liability until the amount is deemed earned and then recognized as revenue. At December 31, 2016, the Corporation was in the process of satisfying agreed upon conditions to recognize revenue of a two part $75,000 grant ($150,000 total) from Local Initiatives Support Corporation (LISC). At December 31, 2017, the full $150,000 grant has been received and earned.

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 and in-kind services associated with the principal activities of the Corporation. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with the Corporation's mission. There are no non-operating revenues and expenses at December 31, 2017 or 2016.

Cost of Sales

At the time of sale of inventory, the book value of inventory is recognized as expense under cost of sales. Cost of sales also include expenses incurred to maintain properties held in inventory that do not meet the definition to be treated as inventory. These include, but are not limited to, property taxes, mowing, and other property maintenance costs.

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 for the year ended December 31, 2017. At December 31, 2016, no inventory was held and no consideration for impairment was required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Corporation does not have net investment in capital assets at December 31, 2017 or 2016.
b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Corporation does not have restricted net position at December 31, 2017 or 2016.
c. Unrestricted net position - all other net position that does not meet the definition of net investment in capital assets or restricted net position.

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

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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.

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.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

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 a financial institution insured by the FDIC up to $250,000, for interest bearing and non-interest bearing accounts. At December 31, 2017 and 2016, the Corporation's deposits consisted of $62,884 and $75,000 in cash, respectively, and was insured in full by FDIC.

4. CONCENTRATIONS OF CREDIT RISK

The Corporation receives significant support from certain governmental entities. The primary source of funding is through a grant award from Local Initiatives Support Corporation (LISC). Funding from LISC comprised 93% and 0% of revenue for the years ended December 31, 2017 and 2016, respectively.

5. AGREEMENT WITH COUNTY OF SENECA, NEW YORK

The Corporation entered into an agreement with the County for the period of January 1, 2016 through December 31, 2016 and for the period of January 1, 2017 through December 31, 2017. As part of these agreements, the Corporation will conduct various neighborhood revitalization services such as promoting safe and affordable housing within the County, and revitalizing and returning to use vacant properties. In exchange, the County will provide all administrative functions necessary for the Corporation in connection with these agreements.

As part of these agreements, the Corporation is to pay $200/ hour for services provided to them by the County Attorney or Assistant County Attorney. In addition, the Corporation agrees to reimburse the County for all reasonable expenses incurred by the County in the performance of administrative services on its behalf. The County agrees to invoice the Corporation on a quarterly basis. Based upon on this agreement, the County may, at its discretion, offer all or a portion of these services as an in-kind contribution of the County to the operations of the Corporation. The Corporation has not received any billings from the County as of December 31, 2017.

5. AGREEMENT WITH COUNTY OF SENECA, NEW YORK (Continued)

The total value of these in-kind services provided by the County are $11,690 and $12,121 for the years ended December 31, 2017 and 2016, respectively, and are recorded as in-kind operating revenue and expenses for the years then ended.

6. RECLASSIFICATIONS

Certain amounts in the 2016 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.

7. NEW AND UPCOMING PRONOUNCEMENTS

New Pronouncements

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

In January 2016, the GASB issues Statement No. 80, *Blending Requirements for Certain Component Units; an Amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirement established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity,* as amended. The Corporation adopted the provisions of Statement No. 80 for the year ending December 31, 2017, and the Corporation will be presented as a blended component unit of the County of Seneca, New York as described in Note 1.

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

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

7. NEW AND UPCOMING PRONOUNCEMENTS (Continued)

Upcoming Pronouncements

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

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

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

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

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

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

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

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 20, 2018

To the Board of Directors of
Finger Lakes Regional Land Bank Corporation:

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 Finger Lakes Regional Land Bank Corporation (the Corporation), a blended component unit of the County of Seneca, New York, (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2018.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, which is described in the accompanying schedule of findings and responses as item 2017-001 that we consider to be a material weakness.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

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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*.

Finger Lakes Regional Land Bank Corporation'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

FINGER LAKES REGIONAL LAND BANK CORPORATION
(A Blended Component Unit of the County of Seneca, New York)

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Reference Number: 2017-001

Criteria:

Adequate controls must be in place that will ensure all transactions are recorded in a manner consistent with generally accepted accounting principles in the United States (U.S. GAAP).

Condition/Cause:

During the year ended December 31, 2017, the Corporation lacked a process for identifying purchases that should be recorded as inventory, and considering the need to adjust inventory for impairment.

Effect:

Inventory was materially understated by a net amount of $38,770. Material audit entries were recorded to report inventory amounts and losses due to impairment.

Recommendation:

We recommend that the Corporation develop procedures to properly account for inventory in accordance with accounting principles generally accepted in the United States of America, and evaluate for any potential impairment.

Management's Response:

Management has updated the way in which written checks are logged into the spreadsheet register. Now, the check transaction spreadsheet contains a category called Inventory Investment, where each applicable expenditure associated with a specific property will be noted. For example, asbestos and lead testing prior to a rehab costing $3,000 will now be logged into the spreadsheet and in the last category the address will be added. This will allow the land bank to track our expenditures on individual properties in our inventory. Properties in inventory will be evaluated for impairment on an annual basis.