

**STEBEN COUNTY
LAND BANK CORPORATION**

**Financial Statements
As of December 31, 2018 and 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

STEBEN COUNTY LAND BANK CORPORATION

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INDEPENDENT AUDITOR'S REPORT

February 28, 2019

To the Board of Directors of
Steuben County Land Bank Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Steuben County Land Bank Corporation (the Corporation), 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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(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, 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.

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 February 28, 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.

Bonadio & Co., LLP

STEBEN COUNTY LAND BANK CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the Steuben County Land Bank Corporation (the Corporation), annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal years ending December 31, 2018 and 2017. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

GENERAL INFORMATION

This Corporation was incorporated in 2016 to address the problems with vacant, abandoned, or tax delinquent property in the County of Steuben, New York (the County) with the intent to return the properties to productive use. Operations commenced in 2017.

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 Changes 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 Changes 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, 2018 and 2017 was \$350,780 and \$126,486, respectively.
- Total current assets at December 31, 2018 and 2017 were \$371,248 and \$151,630, respectively. Current assets were comprised of cash, inventory and prepaid insurance.
- Total current liabilities at December 31, 2018 and 2017 were \$20,468 and \$25,144, respectively. Current liabilities were comprised of advanced grant funds which have not yet been expended. The Corporation has provided reasonable assurance that these funds will be used.
- Operating revenues for the year ended December 31, 2018 were \$255,350 and consisting of income from the sale of rehabilitated property and in-kind services provided by the County. Operating revenues for the year ended December 31, 2017 were \$14,918, and consisted of in-kind services provided by the County.
- Operating expenses for the years ended December 31, 2018 and 2017 were \$318,885 and \$40,761, respectively.
- Operating loss for the years ended December 31, 2018 and 2017 was \$63,535 and \$25,843, respectively.

FINANCIAL ANALYSIS OF THE CORPORATION

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

Summary of Assets, Liabilities, and Net Position

	<u>2018</u>	<u>2017</u>
Current assets	\$ <u>371,248</u>	\$ <u>151,630</u>
Current liabilities	<u>20,468</u>	<u>25,144</u>
Total Net position - unrestricted	\$ <u>350,780</u>	\$ <u>126,486</u>

Current Assets

Current assets at December 31, 2018 were comprised of cash from a state provided grant and the sale of rehabilitated property, inventory, and prepaid expense for 2019 insurance premiums.

Current assets at December 31, 2017 were comprised of cash from a state provided grant and government contributions, inventory, and prepaid expense for 2018 insurance premiums.

Inventory

As of December 31, 2018, inventory consists of four properties. The Corporation acquired one new property during the year and sold one property that was included in inventory at December 31, 2017. Thus, inventory at December 31, 2017 also consisted of four properties. Management intends to complete either demolition or rehabilitation of these properties and then sell them.

Capital Assets

As of December 31, 2018 and 2017, the Corporation did not possess any capital assets.

Current Liabilities

Current liabilities are comprised of advanced grant funds on a grant award from the Local Initiatives Support Corporation (LISC) in the amount of \$500,000 that have been received but not yet spent for their designated purpose. As of December 31, 2018, \$385,583 has been received from LISC and \$365,115 has been spent to date. As of December 31, 2017, \$102,473 had been received from LISC and \$77,329 was spent to date.

Budget

For 2018, the Corporation budgeted total revenues of \$492,500 of which \$250,000 related to the grant award from the Local Initiatives Support Corporation (LISC) grant and \$166,000 to sales of properties. The Corporation does not currently prepare a budget estimate for in-kind items. One property was sold in 2018, for approximately \$11,000 greater than the amount budgeted.

For 2017, the Corporation budgeted total revenues of \$158,000 of which \$75,000 related to municipal subsidy grants and \$83,000 to sales of properties. In-kind transactions were not budgeted and the LISC grant award was not included in the operating budget. No properties were sold in 2017.

The Corporation budgeted \$383,000 of expenses for the year ending December 31, 2018. The largest budgeted line items were \$95,000 for renovation costs, \$50,000 for property acquisition, and a contingency amount of \$50,000. The budget did not include any value related to in-kind services.

The Corporation budgeted \$66,500 of expenses for the year ending December 31, 2017, which included a contingency amount of \$25,000. The budget did not include any value related to in-kind services.

FINANCIAL ANALYSIS OF THE CORPORATION (Continued)

Summary of Revenues, Expenses, and Change in Net Position

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Sale of property	\$ 177,422	\$ -
In-Kind revenue	<u>77,928</u>	<u>14,918</u>
Total operating revenues	<u>255,350</u>	<u>14,918</u>
OPERATING EXPENSES:		
Cost of sales	157,759	-
Property maintenance	15,267	50
Management fees	31,000	15,500
Insurance	27,931	7,928
Professional services	7,000	1,000
General and administrative expenses	2,000	1,365
In-Kind expense	<u>77,928</u>	<u>14,918</u>
Total operating expenses	<u>318,885</u>	<u>40,761</u>
Operating loss	<u>(63,535)</u>	<u>(25,843)</u>
NON-OPERATING REVENUE		
Grant and government subsidy revenue	287,786	152,329
Interest income	<u>43</u>	<u>-</u>
Total non-operating revenue	<u>287,829</u>	<u>152,329</u>
CHANGE IN NET POSITION	224,294	126,486
NET POSITION - beginning of year	<u>126,486</u>	<u>-</u>
NET POSITION - end of year	<u>\$ 350,780</u>	<u>\$ 126,486</u>

Operating Revenues

During 2018, operating revenue was comprised of revenue from the sale of property and services rendered in-kind. Operating revenue in 2017 was comprised of services rendered in-kind.

Operating Expenses

Operating expenses in 2018 were primarily comprised of costs of sales, management fees, insurance premiums and services rendered in-kind. Operating expenses in 2017 were primarily comprised of management fees, insurance premiums, and in-kind services.

Operating Results

The Corporation had an operating loss of \$63,535 for the year ended December 31, 2018 and \$25,843 for the year ended December 31, 2017.

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 Steuben Land Bank Corporation - Steuben County Office Building, 3 East Pulteney Square, Bath, NY 14810.

STEUBEN COUNTY LAND BANK CORPORATION

STATEMENTS OF NET POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 175,716	\$ 48,027
Restricted cash	20,468	25,144
Inventory	155,526	61,779
Prepaid expenses	<u>19,538</u>	<u>16,680</u>
Total current assets	<u>371,248</u>	<u>151,630</u>
Total assets	<u>371,248</u>	<u>151,630</u>
LIABILITIES		
CURRENT LIABILITIES:		
Grant and government subsidy revenue advance	<u>20,468</u>	<u>25,144</u>
Total liabilities	<u>20,468</u>	<u>25,144</u>
NET POSITION		
Unrestricted	<u>350,780</u>	<u>126,486</u>
Total net position	<u>\$ 350,780</u>	<u>\$ 126,486</u>

The accompanying notes are an integral part of these statements.

STEUBEN COUNTY LAND BANK CORPORATION

**STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Sale of property	\$ 177,422	\$ -
In-Kind revenue	<u>77,928</u>	<u>14,918</u>
Total operating revenues	<u>255,350</u>	<u>14,918</u>
OPERATING EXPENSES:		
Cost of sales	157,759	-
Property maintenance	15,267	50
Management fees	31,000	15,500
Insurance	27,931	7,928
Professional services	7,000	1,000
General and administrative expenses	2,000	1,365
In-Kind expense	<u>77,928</u>	<u>14,918</u>
Total operating expenses	<u>318,885</u>	<u>40,761</u>
Operating loss	<u>(63,535)</u>	<u>(25,843)</u>
NON-OPERATING REVENUE		
Grant and government subsidy revenue	287,786	152,329
Interest income	<u>43</u>	<u>-</u>
Total non-operating revenue	<u>287,829</u>	<u>152,329</u>
CHANGE IN NET POSITION	224,294	126,486
NET POSITION - beginning of year	<u>126,486</u>	<u>-</u>
NET POSITION - end of year	<u>\$ 350,780</u>	<u>\$ 126,486</u>

The accompanying notes are an integral part of these statements.

STEUBEN COUNTY LAND BANK CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sale of property	\$ 177,422	\$ -
Cash paid for inventory	(251,506)	(61,779)
Cash paid for property maintenance	(15,267)	(50)
Cash paid for management fees	(31,000)	(15,500)
Cash paid for insurance	(30,789)	(24,608)
Cash paid for professional services	(7,000)	(1,000)
Cash paid for general and administrative expenses	<u>(2,000)</u>	<u>(1,365)</u>
Net cash from operating activities	<u>(160,140)</u>	<u>(104,302)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from grants and government subsidies	283,110	177,473
Cash received from interest	<u>43</u>	<u>-</u>
Net cash from investing activities	<u>283,153</u>	<u>177,473</u>
CHANGE IN CASH	123,013	73,171
CASH - beginning of year	<u>73,171</u>	<u>-</u>
CASH - end of year	<u>\$ 196,184</u>	<u>\$ 73,171</u>
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:		
Cash	\$ 175,716	\$ 48,027
Restricted cash	<u>20,468</u>	<u>25,144</u>
Total	<u>\$ 196,184</u>	<u>\$ 73,171</u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (63,535)	\$ (25,843)
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Changes in:		
Inventory	(93,747)	(61,779)
Prepaid expenses	<u>(2,858)</u>	<u>(16,680)</u>
Net cash from operating activities	<u>\$ (160,140)</u>	<u>\$ (104,302)</u>

The accompanying notes are an integral part of these statements.

STEBEN COUNTY LAND BANK CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 and 2017

1. ORGANIZATION

The Steuben County Land Bank Corporation (the Corporation), was formed in 2016 to assist communities within the County of Steuben, New York (the County) in addressing the issues of blight caused by vacant, abandoned, condemned and foreclosed properties. Operations commenced in 2017. The Corporation endeavors to reverse the trend of declining property values and further deterioration of Steuben County's housing and commercial stock by stabilizing neighborhoods, encouraging private investment and improving the quality of life for Steuben County residents.

The Corporation was formed with the County as its sole member. However, due to the immateriality of the Corporation to the County, it is not presented as a blended component unit.

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 the laws of the State of New York, and submitted an Application for Recognition of Exempt Status to the Internal Revenue Service with respect to 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, 2018 and 2017 were comprised of amounts paid for insurance policies for the subsequent fiscal year.

Grant and Government Subsidy Revenue Advance

Grant advances consist of grant and government subsidy revenue amounts received 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.

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 comprised of receipts from the sale of property, donation of property, and in-kind services from the County. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with the Corporation's mission. Non-operating revenues consist of grants or subsidies received.

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 did not have net investment in capital assets at December 31, 2018 and 2017.
- 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 did 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's investment policies are governed by State statutes. 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.

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. At December 31, 2018 and 2017, all of the Corporation's deposits were 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 56% of revenue for the year ended December 31, 2018 and 46% of revenue for the year ended December 31, 2017.

5. AGREEMENT WITH ARBOR HOUSING AND DEVELOPMENT

In July 2017, the Corporation entered into an agreement with Arbor Housing and Development (the Agent) wherein the Agent will provide services including program management related to administering the grant award received from LISC, as well as construction, demolition and rehabilitation oversight. The agreement is in effect for an initial period of two years and can be renewed up to five years. The Corporation will pay the Agent \$31,000 annually for these services. Management fees paid related to this agreement were \$31,000 and \$15,500 for the years ended December 31, 2018 and 2017, respectively.

6. AGREEMENT WITH COUNTY OF STEUBEN, NEW YORK

The Corporation has an agreement with the County wherein the County provides legal, managerial and demolition services. The total value of these in-kind services provided by the County were \$77,928 for the year ended December 31, 2018 and \$14,918 for the year ended December 31, 2017 and are recorded as in-kind operating revenue and expenses.

7. SUBSEQUENT EVENT

The New York State Attorney General's Office selected Enterprise Community Partners, Inc. (Enterprise) to manage the award of grant funding from the Attorney General's Office to various New York State land banks. The Corporation has accepted a grant from Enterprise for \$550,000 to aid in property acquisition, demolition, and rehabilitation.

**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**

February 28, 2019

To the Board of Directors of
Steuben County 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 Steuben County Land Bank Corporation (the Corporation), 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 February 28, 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

February 28, 2019

To the Members of the Audit Committee
Steuben County Land Bank Corporation:

We have audited the financial statements of Steuben County Land Bank Corporation (the Corporation), for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated January 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 2 to the financial statements. No new account policies were adopted and the application of existing policies was not changed during 2018.

We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Valuation of inventory
- Valuation of in-kind services

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 28, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Steuben County Land Bank Corporation and is not intended to be, and should not be used by anyone other than these specified parties.

Bonadio & Co., LLP

February 28, 2019

Patrick Donnelly, Treasurer
Steuben County Land Bank Corporation
c/o Steuben County Office Building
3 East Pulteney Square
Bath, NY 14810

Dear Patrick,

Land Bank Corporations, which are authorized under the Not-for-Profit Corporation Law, fall under the Public Authorities Accountability Act (PAAA) and Public Authorities Reform Act (PARA) definition if they are affiliated with, sponsored by, or created by a municipal government.

One of the specific requirements of the PAL is Section 2925, subdivision 6 that indicates:

"Each corporation shall annually prepare and approve an investment report which shall include the investment guidelines, as specified in subdivision three of this section, amendments to such guidelines since the last investment report, an explanation of the investment guidelines and amendments, the results of the annual independent audit, the investment income record of the corporation and a list of the total fees, commissions, or other charges paid to each investment banker, broker, dealer, agent, dealer and adviser rendering investment associated services to the corporation since the last investment report. Such investment report may be a part of any other annual report that the corporation is required to make."

In discussions with the ABO, they have indicated that the annual financial statement audit does not satisfy the requirement above. Furthermore, the requirement extends to not only investments in the conventional sense, but all funds available for deposit in the organization, except for traditional checking and savings type deposits, or trustee directed investments in association with bond issuances. Certificates of deposits would qualify as investments under the regulations.

The complexity of the audit is based primarily on the nature of the organization's investments. Organizations with certificates of deposit or other non-complex investments may be able satisfy the requirements by having an agreed-upon procedures review of its investment policy performed to ensure that the organization is in compliance with said policy.

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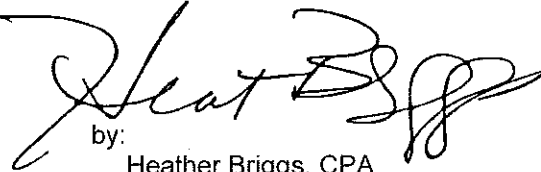
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Since the Steuben County Land Bank Corporation does not have investments that meet the criteria as defined above, there is no filing requirement for December 31, 2018.

We can assist you with the requirements of this legislation and provide the reports required to satisfy the objectives, going forward. As necessary, we can perform these concurrently with our annual financial statement audits at an estimated hour basis. Please contact me to discuss the specifics of your needs.

Very truly yours,

BONADIO & CO., LLP

A handwritten signature in black ink, appearing to read "Heather Briggs". The signature is fluid and cursive, with the first name "Heather" written in a larger, more prominent script than the last name "Briggs".

by:

Heather Briggs, CPA
Principal

February 28, 2019

To the Members of the Audit Committee
Steuben County Land Bank Corporation:

We have audited the financial statements of Steuben County Land Bank Corporation (the Corporation), for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated January 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 2 to the financial statements. No new account policies were adopted and the application of existing policies was not changed during 2018.

We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Valuation of inventory
- Valuation of in-kind services

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 28, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Steuben County Land Bank Corporation and is not intended to be, and should not be used by anyone other than these specified parties.

Bonadio & Co., LLP

STEUBEN COUNTY LAND BANK CORPORATION

**Communication of Matters Related to Internal Control
Over Financial Reporting and Other Matters
February 28, 2019**

February 28, 2019

To the Board of Directors of the
Steuben County Land Bank Corporation:

In planning and performing our audit of the financial statements of the Steuben County Land Bank Corporation (the Corporation) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing auditing 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, the Board of Directors, the Audit Committee, and others within the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

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STEBEN COUNTY LAND BANK CORPORATION

COMMUNICATION OF MATTERS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS FEBRUARY 28, 2019

OTHER MATTERS FOR THE CONSIDERATION OF MANAGEMENT

1. IN-KIND SERVICES

Observation

The Corporation has an agreement with the County of Steuben in which the County provides legal, managerial, and demolition services to the Corporation. We noted that there was no formal procedure for the tracking of time spent on Land Bank Corporation activities.

Recommendation

We recommend that the Corporation develops procedures to track the time spent on Land Bank activities by County employees.

Management Response

County employees who provide legal and managerial services to the Land Bank are salaried employees and therefore are not subject to hourly wage and time keeping requirements. The board will examine procedures to more accurately track time spent on land bank activities. Additionally, the board will establish methods to more accurately calculate the value of demolition services provided by the Steuben County Department of Public Works. It is anticipated that a simple time-log form can be developed for this purpose.

2. INVESTMENT POLICY

Observation

Pursuant to Section 2925 of Public Authorities Law, every public authority and every public benefit corporation shall by resolution adopt comprehensive investment guidelines which detail the corporation's operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of funds of the corporation. The investment guidelines approved by the corporation shall be annually reviewed and approved by the corporation. We noted that the Corporation has not yet adopted such an investment policy.

Recommendation

Though we acknowledge that the Corporation does not at this time have any investments which are subject to the requirements of Public Authorities Law, we recommend that the Corporation adopt a written investment policy to be in compliance with Section 2925.

Management Response

The board will develop and adopt a written investment policy pursuant to Section 2925 of Public Authorities Law.

3. TRAINING REQUIRED FOR AUTHORITY BOARD MEMBERS

Observation

Pursuant to Section 2824 of Public Authorities Law, Authority board members must attend State-approved training regarding their legal, fiduciary, financial and ethical responsibilities as board members of an authority. This training must be completed within one year of appointment to the board. During our audit, we noted that not all board members have attended the required training.

Recommendation

We recommend that all board members who have not attended training due so as soon as they are able, to ensure they are in compliance with Public Authorities Law.

Management Response

All board members, except one, have now completed the training required by Section 2824 Public Authorities Law. The remaining board member has been asked to complete the training as soon as possible