

**LIVINGSTON COUNTY
LAND BANK CORPORATION
(A Blended Component Unit of the
County of Livingston, New York)**

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

LIVINGSTON COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

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INDEPENDENT AUDITOR'S REPORT

February 28, 2019

To the Board of Directors of
Livingston County Land Bank Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Livingston County Land Bank Corporation (the Corporation), a blended component unit of the County of Livingston, New York, 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 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 audit. We conducted our audit 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 the changes in its financial position and its cash flows for the year 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.

LIVINGSTON COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the Livingston 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. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

GENERAL INFORMATION

This Corporation was incorporated in 2017 to combat community deterioration by facilitating the return of vacant, abandoned, and tax-delinquent properties in the County of Livingston, New York (the County) to productive use. Operations commenced in 2018.

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 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>
Current assets	\$ <u>25,487</u>
Total Net position - unrestricted	\$ <u>25,487</u>

Current assets at December 31, 2018 were comprised of cash from a contribution from Livingston County and from the sale of donated property.

As of December 31, 2018, the Corporation did not hold any properties in inventory. During the year, however, the County donated a piece of vacant land to the Corporation, and the Corporation subsequently sold this land.

FINANCIAL ANALYSIS OF THE CORPORATION (Continued)

Summary of Revenues, Expenses, and Change in Net Position

	<u>2018</u>
Operating revenues	\$ 37,841
Operating expenses	<u>37,354</u>
Operating income	487
Non-operating revenue	<u>25,000</u>
Change in net position	<u>\$ 25,487</u>

Operating revenue consisted primarily of contributions from the County in the form of cash, donated property, and in-kind services.

Operating expenses were primarily comprised of cost of sales related to property inventory, general and administrative expenses, and services rendered in-kind.

Non-operating revenue consisted of a cash subsidy from the County to be used to acquire future properties or pay operating expenditures.

The Corporation had operating income of \$25,487 for the year ended December 31, 2018.

FUTURE FACTORS

The New York State Attorney General's Office has 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 \$500,000 to aid in property acquisition, demolition, and rehabilitation, as well as to fund additional staff support for the Corporation. The Corporation anticipates receiving funding from this grant in 2019. In addition, the land bank is looking to identify strategic partners to help in its efforts to reduce blighted properties in the communities.

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 Livingston County Land Bank Corporation - Livingston County Office Building, 6 Court Street, Room 305, Geneseo, NY 14454.

LIVINGSTON COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	<u>2018</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ <u>25,487</u>
Total current assets	<u>25,487</u>
Total assets	<u>25,487</u>
 NET POSITION	
Unrestricted	<u>25,487</u>
Total net position	<u>\$ 25,487</u>

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
OPERATING REVENUES:	
Donation of property	\$ 11,700
Sale of property	2,000
In-kind revenues	<u>24,141</u>
Total operating revenues	<u>37,841</u>
OPERATING EXPENSES:	
Cost of sales	11,700
General and administrative expenses	1,513
In-kind expenses	<u>24,141</u>
Total operating expenses	<u>37,354</u>
Operating income	<u>487</u>
NON-OPERATING REVENUE:	
Government subsidy revenue	<u>25,000</u>
Total non-operating revenue	<u>25,000</u>
CHANGE IN NET POSITION	25,487
NET POSITION - beginning of year	<u>-</u>
NET POSITION - end of year	<u><u>\$ 25,487</u></u>

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from sale of property	\$ 2,000
Cash paid for general and administrative expenses	<u>(1,513)</u>
Net cash from operating activities	<u>487</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash received from government subsidy	<u>25,000</u>
Net cash from non-capital and related financing activities	<u>25,000</u>
CHANGE IN CASH	25,487
CASH - beginning of year	<u>-</u>
CASH - end of year	<u>\$ 25,487</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	<u>\$ 487</u>
Net cash from operating activities	<u>\$ 487</u>

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Livingston, New York)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. ORGANIZATION

The Livingston County Land Bank Corporation (the Corporation), was formed in 2017 to assist communities within the County of Livingston, New York (the County) in combating community deterioration by facilitating the return of vacant, abandoned, and tax-delinquent properties to productive use in order to eliminate the harms and liabilities caused by such properties, and lessen the burden of government and act in the public interest. The Corporation engages in real estate development and management, real estate project finance, and other community-based economic and human services development activities permissible under the Not-for-Profit Corporation Law. Operations commenced in 2018.

The Corporation was formed with the County as its sole member. Therefore, it is presented as a blended component unit within the County's financial statements.

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 is in the process of filing for exempt status as a not-for-profit corporation under the laws of the State of New York, by submitting an Application for Recognition of Exempt Status to the Internal Revenue Service with respect to Section 501(c)(3) of the Internal Revenue Code.

Cash

The Corporation's only cash as of December 31, 2018 is classified as a demand deposit.

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. The Corporation did not have any properties in inventory as of December 31, 2018.

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.
- 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.
- c. Unrestricted net position - all other net position that does not meet the definition of net investment in capital assets or restricted net position.

Absent a formal policy, it is the Corporation's practice 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, all of the Corporation's deposits were insured in full by FDIC.

4. RELATED PARTY TRANSACTIONS

In 2018, the County contributed \$25,000 in cash to aid the Corporation in financing start-up activities and to provide seed funding for the acquisition of properties. The County also donated property to the Corporation, valued at \$11,700, and contributed in-kind services valued at \$24,141.

5. 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 \$500,000 to aid in property acquisition, demolition, and rehabilitation, as well as to fund additional staff support for the Corporation.

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
Livingston 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 Livingston County Land Bank Corporation (the Corporation), a blended component unit of the County of Livingston, New York, 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.