

**SUFFOLK COUNTY LANDBANK CORPORATION**

**BASIC FINANCIAL STATEMENTS**

Year Ended December 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1-2

**REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis.....	3-6
---	-----

**BASIC FINANCIAL STATEMENTS**

Government-Wide Financial Statements	
Statement of Net Position.....	7
Statement of Activities .....	8
Governmental Fund Financial Statements	
Balance Sheet .....	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	10
Notes to Financial Statements .....	11-16

**INTERNAL CONTROL AND COMPLIANCE**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	17-18
---	-------



437 Madison Avenue, 23rd Floor  
New York, NY 10022 • 212.962.4470

165 Orinoco Drive, Brightwaters, NY 11718  
631.665.7040 • Fax: 631.665.7014

15 South Bayles Avenue, Port Washington, NY 11050  
516.883.5510 • Fax: 516.767.7438

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

[www.sheehancpa.com](http://www.sheehancpa.com)

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board of Directors  
Suffolk County Landbank Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of the Suffolk County Landbank Corporation (the Corporation), 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 opinions 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 opinions.

To the Members of the Board of Directors  
Suffolk County Landbank Corporation

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Corporation as of December 31, 2018 and the respective changes in financial position thereof 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 on pages 3 through 6 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 27, 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 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.

Sheehan & Company CPA, P.C.

Brightwaters, New York  
March 27, 2019

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Management's Discussion and Analysis**

**SUFFOLK COUNTY LANDBANK CORPORATION**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2018

The following is a discussion and analysis of the Suffolk County Landbank Corporation's (the "Corporation") financial performance, which provides an overview of the Corporation's financial activities for the year ended December 31, 2018. Please read this in conjunction with the Corporation's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The Corporation's assets exceeded its liabilities by \$2,361,816 (total net position) for the current year.
- The Corporation's total net position increased by \$383,856.
- The Corporation's governmental fund reported total ending fund balance of \$1,598,314.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Corporation's annual report is presented in two parts; management's discussion and analysis (this section), and the basic financial statements.

The basic financial statements include government-wide financial statements, fund financial statements, and notes that provide more detailed information to supplement the basic financial statements.

**Reporting on the Corporation as a Whole**

The government-wide financial statements are designed to present an overall picture of the financial position of the Corporation and start on page 7. These statements consist of the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all the current year's revenues and expenses are included, regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private-sector companies.

The statement of net position reports all assets, liabilities, deferred outflows/inflows of resources (if any), and net position. The net position is displayed as one of two categories: restricted and unrestricted. Over time, changes in the Corporation's net position are one indicator of whether its financial health is improving or deteriorating. The reader should consider other non-financial factors, such as regulatory changes to assess the overall health of the Corporation.

The statement of activities focuses on both the gross and net cost of various activities; these costs are primarily funded by the Corporation's revenues. This statement summarizes the cost of providing specific government services, and includes all current year revenues and expenses.

**Reporting on the Corporation's Most Significant Fund**

The fund financial statements begin on page 9 and provide detailed information about the most significant fund – not the Corporation as a whole. The Board of Directors (the "Board") established funds to help it control and manage money for particular purposes and to demonstrate that it is meeting legal responsibilities for using certain money.

**SUFFOLK COUNTY LANDBANK CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 Year Ended December 31, 2018

**OVERVIEW OF THE FINANCIAL STATEMENTS** (continued)

**Reporting on the Corporation's Most Significant Fund** (continued)

- *Governmental funds* - The Corporation's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Corporation's general government operations. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations on pages 9 and 10.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning with page 11.

**FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE**

Our analysis below focuses on the net position and changes in net position of the Corporation as a whole.

**Net Position**

Condensed Statement of Net Position  
 Governmental Activities  
 As of December 31,

	2018	2017
<b>Assets</b>		
Current and other assets	\$ 2,684,876	\$ 2,102,160
Total Assets	2,684,876	2,102,160
<b>Liabilities</b>		
Current liabilities	323,060	124,200
Total Liabilities	323,060	124,200
<b>Net Position</b>		
Restricted	438,900	437,223
Unrestricted	1,922,916	1,540,737
Total Net Position	\$ 2,361,816	\$ 1,977,960

Total assets as of December 31, 2018 were \$2,684,876, an increase of \$582,716 from the prior year. This increase is due to the increase in cash from land and building sale proceeds during the year.

Total liabilities as of December 31, 2018 were \$323,060, an increase of \$198,860 from the prior year. This increase is primarily due to an increase in unearned revenues due to grant advances received during the year that were unearned at year end.

The overall net position increased over the prior year by \$383,856 to a current net position of \$2,361,816.

**SUFFOLK COUNTY LANDBANK CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 Year Ended December 31, 2018

**FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE** (continued)

**Changes in Net Position**

Condensed Statement of Activities  
 Governmental Activities

	<u>Year ended</u> <u>December 31, 2018</u>	<u>Year ended</u> <u>December 31, 2017</u>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for services	\$ 559,648	\$ 437,223
Operating grants and contributions	<u>719,778</u>	<u>962,798</u>
Total Program Revenues	<u>1,279,426</u>	<u>1,400,021</u>
<b>General Revenues</b>		
Interest on investments	<u>29,452</u>	<u>1,167</u>
Total General Revenues	<u>29,452</u>	<u>1,167</u>
Total Revenues	<u>1,308,878</u>	<u>1,401,188</u>
<b>Expenses</b>		
Home and community services	<u>428,151</u>	<u>537,450</u>
Total Expenses	<u>428,151</u>	<u>537,450</u>
Change in Net Position Before Transfers	880,727	863,738
Transfers	<u>(496,871)</u>	<u>-0-</u>
Change in Net Position	383,856	863,738
<b>Net Position at Beginning of Year</b>	<u>1,977,960</u>	<u>1,114,222</u>
Net Position at End of Year	<u>\$ 2,361,816</u>	<u>\$ 1,977,960</u>

For the year ended December 31, 2018, program revenues were \$1,279,426, a decrease of \$120,595 from the prior year. This is due to the decrease in grant reimbursements which resulted in less operating grants revenue, this was offset by an increase in charges for services related to the net proceeds from the tax lien sales. General revenues were \$29,452, an increase of \$28,285 from the prior year, due to the increase in interest income.

For the year ended December 31, 2018, expenses totaled \$428,151, a decrease of \$109,299. This decrease is primarily due to the decrease in program activity, which resulted in the decrease in expenses as compared to prior year. The Corporation transferred \$496,871 to Suffolk County ("County") during 2018 as per agreement from proceeds of tax lien sales. As a result of revenues exceeding expenses, the net position for the year ended December 31, 2018 increased by \$383,856.

**FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS**

**Governmental Funds**

The focus of the Corporation's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Corporation's financing requirements.

**SUFFOLK COUNTY LANDBANK CORPORATION**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2018

**FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS** (continued)

**Governmental Funds** (continued)

At December 31, 2018, the Corporation's governmental funds reported combined ending fund balances of \$1,598,314, an increase of \$658,812. Of this amount, \$1,159,414 constitutes unassigned fund balance, which is available for spending at the Corporation's discretion, and \$438,900 is restricted for future working capital.

**General Fund**

The general fund is the principal operating fund of the Corporation. At December 31, 2018, unassigned fund balance of the general fund was \$1,159,414 and restricted fund balance was \$438,900. The fund balance of the Corporation's general fund increased by \$658,812 for the year ended December 31, 2018.

**CORPORATION ACHIEVEMENTS**

In 2018, through its Acquire and Renovate Bank Owned Residences (ARBOR) program, the Suffolk County Landbank acquired thirteen residential properties in the highest foreclosure zones in Suffolk County using Community Revitalization Initiative Round III Funds. Additionally, the Landbank disposed of eight residential properties, five of which were renovated by the Landbank and sold to 80% of Area Median Income qualified, first time home buyers. Two properties were transferred to Habitat for Humanity of Suffolk for the construction of new, affordable homes built by community volunteers. As of December 31, 2018, two other homes were in contract to be sold, with the remaining homes in various states of renovation and the donation process.

Additionally, one property located within a 100-year flood zone in Mastic Beach was acquired by the Corporation and donated to the Town of Brookhaven to be demolished and returned to wetlands. This project contributes to a countywide Reclaim Our Water initiative to strengthen Long Island coastal resiliency through the restoration of wetlands.

Under the Brownfields Program, in 2018 the Corporation transferred three brownfield sites to private owners for cleanup and redevelopment and one site was pending tax lien transfer sale to a selected developer. On average the tax delinquent properties were vacant for twenty years. To facilitate redevelopment, the Corporation conducted two appraisals, fifteen phase I and five Phase II environmental site assessments on tax-delinquent brownfield properties. Throughout 2018, the Corporation continued to coordinate with the Suffolk County Comptroller's Tax Lien Unit resulting in further collection of back taxes from property owners. Tax liens on nine additional delinquent brownfield parcels either paid back taxes in full or made substantial tax payments in 2018. Since the 2013 creation of the Corporation, collaborative collection efforts have resulted in over \$6 million in back tax payments received by the County.

**FUTURE ECONOMIC FACTORS**

The Corporation is the recipient of a grant from NYS and as of December 31, 2018, all of the available grant funds have not been utilized. These funds will be used during the 2019 and 2020 calendar year. The purpose of these grant funds is to acquire, rehabilitate and re-sell, vacant, bank foreclosed residential properties, and provide additional environmental studies.

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the Corporation's interested parties with an overview of the Corporation's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Suffolk County Landbank Corporation, H. Lee Dennison Building, 11<sup>th</sup> Floor, 100 Veterans Memorial Highway, P.O. Box 6100, Hauppauge, New York 11788-0099, Attention: Sarah Lansdale.

## **BASIC FINANCIAL STATEMENTS**

**SUFFOLK COUNTY LANDBANK CORPORATION**  
GOVERNMENT-WIDE FINANCIAL STATEMENT  
STATEMENT OF NET POSITION  
December 31, 2018

**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 1,921,374
Land and buildings held for resale	<u>763,502</u>
Total Current Assets	<u>2,684,876</u>

Total Assets 2,684,876

**LIABILITIES**

**Current Liabilities:**

Accounts payable and accrued liabilities	93,627
Deposits	20,198
Unearned revenue	<u>209,235</u>
Total Current Liabilities	<u>323,060</u>

Total Liabilities 323,060

**NET POSITION**

Restricted:

Working capital	438,900
Unrestricted	<u>1,922,916</u>

Total Net Position \$ 2,361,816

**SUFFOLK COUNTY LANDBANK CORPORATION**  
GOVERNMENT-WIDE FINANCIAL STATEMENT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Home and community services	\$ 428,151	\$ 559,648	\$ 719,778	\$ 851,275
Total	<u>\$ 428,151</u>	<u>\$ 559,648</u>	<u>\$ 719,778</u>	<u>851,275</u>
<b>General Revenues</b>				
Interest on investments				29,452
<b>Transfers</b>				<u>(496,871)</u>
Total General Revenues and Transfers				<u>(467,419)</u>
Change in Net Position				383,856
<b>Net Position at Beginning of Year</b>				<u>1,977,960</u>
Net Position at End of Year				<u>\$ 2,361,816</u>

See accompanying notes.

**SUFFOLK COUNTY LANDBANK CORPORATION**  
**GOVERNMENTAL FUND**  
**BALANCE SHEET**  
 December 31, 2018

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,921,374
Total Assets	1,921,374
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	93,627
Deposits	20,198
Unearned revenue	209,235
Total Liabilities	323,060
<b>FUND BALANCES</b>	
Restricted:	
Working capital	438,900
Unassigned	1,159,414
Total Fund Balances	1,598,314
Total Liabilities and Fund Balances	\$ 1,921,374

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 December 31, 2018

Total Fund Balance - Governmental Fund	\$ 1,598,314
--	--------------

Amounts reported for governmental activities in the statement of net position are different because:

Land and buildings held for resale are not a financial resource and is, therefore, not reported in the funds.

	763,502
Net Position of Governmental Activities	\$ 2,361,816

**SUFFOLK COUNTY LANDBANK CORPORATION**  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
Year Ended December 31, 2018

	General Fund
<b>REVENUES</b>	
State aid - NYS grant	\$ 704,678
Interest on investments	29,452
Sale of tax lien	649,700
Sale of land and buildings held for resale	1,143,609
Miscellaneous local sources	15,100
Total Revenues	<u>2,542,539</u>
<b>EXPENDITURES</b>	
Home and community services	1,386,856
Total Expenditures	<u>1,386,856</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,155,683</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers out	(496,871)
Total Other Financing Sources (Uses)	<u>(496,871)</u>
Net Change in Fund Balances	658,812
<b>Fund Balances at Beginning of Year</b>	<u>939,502</u>
Fund Balances at End of Year	<u>\$ 1,598,314</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2018

Net Change in Fund Balances	\$ 658,812
-----------------------------	------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report purchases and improvements to land and buildings held for resale as expenditures; however, in the statement of activities, the cost of those purchases and improvements are reported as land and buildings held for resale until sold. Governmental funds report sales of land and buildings held for resale as revenues, while the statement of activities reports a gain or loss on the disposition of the asset.

The net effect of various transactions involving land and buildings held for resale is to decrease the change in net position.	<u>(274,956)</u>
--	------------------

Change in Net Position of Governmental Activities	<u>\$ 383,856</u>
---	-------------------

See accompanying notes.

**SUFFOLK COUNTY LANDBANK CORPORATION**  
NOTES TO FINANCIAL STATEMENT  
December 31, 2018

**A. ORGANIZATION**

The Suffolk County Landbank Corporation (the "Corporation") is a not-for-profit corporation incorporated under the provisions of Article 16 of the New York Not-For-Profit Corporation Law. Although legally separate from, and independent of, the County of Suffolk (the "County"), New York, the Corporation is considered an affiliated organization. The Corporation is being reported as a blended component unit for financial reporting purposes in the County's financial statements.

The Board of Directors (the "Board") of the Corporation has seven Directors. One Director is appointed by the majority leader of the County Legislature; One Director is appointed by the minority leader of the County Legislature; One Director shall be the President of the Suffolk County Town Supervisors' Association, or a successor organization; One Director shall be a representative of an economic development organization in Suffolk County, selected by the County Executive of Suffolk County, with the approval of the Legislature; One Director shall be appointed by the County Executive; One Director shall be the County Director of Real Estate; and One Director shall be the Commissioner of the Suffolk County Department of Economic Development and Planning.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Corporation's accounting policies are described below.

**1. BASIS OF PRESENTATION**

The Corporation's basic financial statements include both government-wide (reporting on the Corporation as a whole) and fund financial statements (reporting on the Corporation's most significant funds).

**Government-Wide Financial Statements**

The government-wide financial statements, the statement of net position and the statement of activities, display information about the Corporation as a whole. These statements include the financial activities of the overall government. Eliminations of internal activity (if any) have been made in these statements. All of the activities of the Corporation are considered governmental activities.

In the government-wide statement of net position, the Corporation's governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Corporation's net position is reported in two parts – restricted net position (if any) and unrestricted net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Program revenue includes grants and contributions that are restricted to meeting the operational requirements of a particular function and charges for services related to the net proceeds from the tax lien sales. Other items not properly included among program revenues are reported as general revenues.

The government-wide financial statements focus more on the sustainability of the Corporation as an entity and the change in the Corporation's net position resulting from the current year's activities.

**SUFFOLK COUNTY LANDBANK CORPORATION**  
NOTES TO FINANCIAL STATEMENT  
December 31, 2018

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**1. BASIS OF PRESENTATION** (continued)

**Fund Financial Statements**

Fund financial statements report detailed information about the Corporation. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund (if applicable) is presented in a separate column. Non-major funds (if any) are aggregated and presented in a single column. The Corporation has presented all funds as major funds.

The funds of the Corporation are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**Governmental Funds** – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. These governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

The Corporation reports the following major governmental fund:

General Fund – is the principal operating fund of the Corporation which records all financial activity not required to be included in other funds.

**2. BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

The financial statements of the Corporation are prepared in accordance with GAAP. The Corporation's reporting entity applies all relevant GASB pronouncements.

Measurement focus refers to what is being measured, where as the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide statements, governmental activities are presented using the economic resources measurement focus and are presented using 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 economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (measurable and available to finance current operations). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Corporation considers all revenues available if they are collected within 60 days after the year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain long-term obligations (if any) are recorded when payment is due. In those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred.

**SUFFOLK COUNTY LANDBANK CORPORATION**  
NOTES TO FINANCIAL STATEMENT  
December 31, 2018

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3. ASSETS, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, NET POSITION AND FUND BALANCE**

**CASH, CASH EQUIVALENTS AND INVESTMENTS**

The Corporation's cash and cash equivalents consist of demand deposits.

The Corporation has adopted an investment policy which authorizes its treasurer to invest monies not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts.
- Certificates of deposit.
- Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America.
- Obligations of the State of New York, to the extent that no more than 25% of invested monies shall be invested in obligations of the State of New York
- Obligations issued pursuant to Local Finance Law §24 or §25 (with approval of the State Comptroller) by any municipality, school district, or district corporation other than the Suffolk County Landbank Corporation, to the extent that no more than 15% of invested monies shall be invested in obligations issued pursuant to Local Finance Law §24 or §25.
- Participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5-G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46 and the specific investment program has been authorized by the Suffolk County Landbank Corporation Board of Directors, to the extent that no more than 15% of invested monies, exclusive of trust and agency funds, shall be invested in obligations issued by any one approved cooperative investment program.

All deposits of the Suffolk County Landbank Corporation in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by collateral comprised of eligible securities.

The Corporation had no investments at December 31, 2018.

**DUE FROM OTHER GOVERNMENTS**

Receivables are recorded and revenues recognized as program expenditures are incurred. Due from other governments represent amounts owed to the Corporation for various programs operated under grant agreements. The Corporation generally considers revenues to be available if they are collected within 60 days of the end of the current period.

**LAND AND BUILDINGS HELD FOR RESALE**

Land and buildings acquired for rehabilitation and held for resale are valued at the lower of cost or net realizable value and are recorded in the statement of net position. Contributions to other entities or losses from sales are classified by the function that generates them and are treated as home and community service expenses. Gains from sales are revenues related to home and community service and are included in program income, if any.

**DUE TO OTHER GOVERNMENTS**

Amounts due to other governments are for services provided to the Corporation by other municipalities.

**SUFFOLK COUNTY LANDBANK CORPORATION**  
NOTES TO FINANCIAL STATEMENT  
December 31, 2018

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3. ASSETS, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, NET POSITION AND FUND BALANCE** (continued)

**UNEARNED REVENUE**

Unearned revenue arises when resources are received by the Corporation before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Corporation has legal claim to the resources, the liability for unearned revenue is removed and revenues are recognized.

**NET POSITION AND FUND BALANCE CLASSIFICATIONS**

In the government-wide statements, equity net position (deficit) is displayed in two components:

- a. Restricted component of net position — consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position should be reported as restricted when constraints placed on net position use are either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. As of December 31, 2018, the Corporation has a restricted working capital fund balance of \$438,900.
- b. Unrestricted component of net position — is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position. The balance of unrestricted net position is \$1,922,916 as of December 31, 2018.

When both restricted and unrestricted resources are available for use, it is the Corporation's intention to use restricted resources first, then unrestricted resources as needed.

In the Corporation's fund financial statements, there are two classifications of fund balance:

**Restricted** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The balance of restricted fund balance in the working capital fund is \$438,900 as of December 31, 2018.

**Unassigned** - Includes all other general fund net position that does not meet the definition of the other classifications and is deemed to be available for general use by the Corporation. The balance of unassigned fund balance in the general fund is \$1,159,414 as of December 31, 2018.

**Order of Use of Restricted and Unrestricted Funds**

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, the Board will assess the current financial condition of the Corporation and then determine the order of application of expenditures to which fund balance classification will be charged. It is the intention of the Board that the expenditure is to be spent first from the restricted fund balance to the extent appropriated and then from the unassigned fund balance.

**SUFFOLK COUNTY LANDBANK CORPORATION**  
NOTES TO FINANCIAL STATEMENT  
December 31, 2018

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**4. USE OF 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 those estimates.

**5. ADOPTED PRONOUNCEMENT**

The Corporation has adopted all of the current statements of the GASB that are applicable.

**C. DETAIL NOTES ON ALL FUNDS**

**1. CASH AND CASH EQUIVALENTS**

Custodial Credit Risk – Deposits– Custodial credit risk for deposits exists when, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its deposits or collateral securities that are in possession of an outside party.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized,
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the Corporation’s name.

At December 31, 2018, the Corporation’s bank balance was \$2,062,538. Of the Corporation’s bank balances, \$250,000 was covered by federal deposit insurance and \$1,812,538 was secured by collateral held in the Corporation’s name by the Corporation’s agency, a third party financial institution.

**2. LAND AND BUILDINGS HELD FOR RESALE**

During the year ended December 31, 2018, the Corporation made purchases and improvements of \$961,747, The Corporation sold five properties and donated two properties at a value of \$1,236,703. The changes in land and buildings held for resale were as follows:

Balance 1/1/18	Additions	Reductions	Balance 12/31/18
\$ 1,038,458	\$ 961,747	\$ (1,236,703)	\$ 763,502

**3. RELATED PARTY TRANSACTION**

The Corporation is a component unit of the County of Suffolk, New York (the “County”). During the year ended December 31, 2018, the Corporation sold three tax liens of which the proceeds were distributed per the agreement with the County and several other governmental organizations. The Corporation also utilizes County personnel for various administrative duties throughout the year.

**SUFFOLK COUNTY LANDBANK CORPORATION**  
NOTES TO FINANCIAL STATEMENT  
December 31, 2018

**D. COMMITMENTS AND CONTINGENCIES**

**1. COMMITMENTS**

The Corporation has contracted with various entities to provide property rehabilitation. Expenditures for such commitments are recorded in the period in which the liability is incurred.

The Corporation has a Memorandum of Understanding (“MOU”) with the County. Per the MOU, excess proceeds from the sale of tax liens transferred from the County, after all contractual obligations have been paid or satisfied, will be used to reimburse the County for County staff time and operating costs that have not been reimbursed through other means. In 2015, the County Legislature amended its legislation to allow the Corporation to retain a working capital fund of no greater than \$500,000 from the sale of tax liens. During 2018, according to the MOU, the Corporation transferred a total of \$496,871 to the County, this amount represented \$255,099 of staff time and \$241,772 of excess proceeds from sale of tax liens.

**2. GRANTS**

The Corporation has received grants which are subject to audit by agencies. Such audits may result in disallowances and a request for a return of funds to the agency. The Corporation’s management believes disallowance, if any, will be immaterial.

**E. NEW PRONOUNCEMENT**

Statement No. 84, “Fiduciary Activities,” the objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018.

Statement No. 87, “Leases,” the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

The Corporation is currently evaluating the impact of the above pronouncements.

**F. SUBSEQUENT EVENTS**

In January 2019 the Corporation sold one property held for resale for a total of \$230,000. In March 2019 the Corporation donated two properties to a not-for-profit organization in consideration of \$1 each. Also in March 2019 the Corporation entered into an agreement for the sale of a tax lien on a brownfield property.

**INTERNAL CONTROL AND COMPLIANCE**



437 Madison Avenue, 23rd Floor  
New York, NY 10022 • 212.962.4470

165 Orinoco Drive, Brightwaters, NY 11718  
631.665.7040 • Fax: 631.665.7014

15 South Bayles Avenue, Port Washington, NY 11050  
516.883.5510 • Fax: 516.767.7438

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

www.sheehancpa.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board of Directors  
Suffolk County Landbank Corporation  
Hauppauge, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Suffolk County Landbank Corporation (the Corporation) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated March 27, 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 opinions 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.

To the Members of the Board of Directors  
Suffolk County Landbank Corporation  
Hauppauge, New York

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sheehan & Company CPA, P.C.*

Brightwaters, New York  
March 27, 2019