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

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

Bonadio & Co., LLP
Certified Public Accountants

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

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

February 28, 2019

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

Report on the Financial Statements
We have audited the accompanying financial statements of the Finger Lakes Regional Land Bank Corporation (the Corporation), a blended component unit of the County of Seneca, New York (the County), as of and for the years ended December 31, 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 respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated 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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the Finger Lakes Regional Land Bank Corporation (the Corporation), a blended component unit of the County of Seneca, New York (the County) annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal years ending December 31, 2018 and 2017. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

GENERAL INFORMATION

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: this section, the Management's Discussion and Analysis (MD&A) and the basic financial statements. The Corporation is a self-supporting entity and follows business-type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Business-type activity statements offer short-term and long-term financial information about the activities and operations of the Corporation. This annual report consists of the financial statements and notes to those statements. The Statements of Net Position, Statements of Revenue, Expenses and Change in Net Position, the Statements of Cash Flows and related notes provide a detailed look at the specific financial activities of the Corporation and generally provide an indication of the Company's financial health. The Statements of Net Position include all of the Corporation's assets and liabilities, using the accrual basis of accounting. The Statements of Revenue, Expenses and Change in Net Position report all of the revenues and expenses during the time period indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for debt.

FINANCIAL HIGHLIGHTS

- The Corporation's total net position at December 31, 2018 is $109,505 and at December 31, 2017 is $99,252.
- Total current assets at December 31, 2018 are $219,269 and at December 31, 2017 are $101,654. It is comprised of cash on hand and inventory.
- Total current liabilities at December 31, 2017 are $2,402, which increased to approximately $109,800 at December 31, 2018. The 2017 liability is comprised of only accounts payable, while the 2018 liability is comprised of accounts payable and a grant advance.
- Operating revenues in 2017 were $161,690 as a result of services rendered in-kind and grant and government subsidy revenue. Operating expenses of $62,063 included primarily cost of sales and unrealized loss on inventory, along with in-kind costs related to salaries & benefits and legal costs.
- Operating revenues in 2018 were $281,564 and consisted of grant revenue, services rendered in-kind, and sale of properties. Operating expenses at December 31, 2018 were $271,311, as the result of costs related to holding inventory, cost of sales, unrealized loss on inventory, and in-kind services related to legal costs.

FINANCIAL ANALYSIS OF THE CORPORATION

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

Summary of Assets, Liabilities, and Net Position

	2018	2017
Current assets	$ 219,269	$ 101,654
Current liabilities	109,764	2,402
Total Net position - unrestricted: Unrestricted	$ 109,505	$ 99,252

CURRENT ASSETS

Current assets at both December 31, 2018 and December 31, 2017 were comprised of cash and inventory.

INVENTORY

Properties held for sale comprise inventory. At December 31, 2018 and 2017 the Corporation owned 9 properties and 4 properties, respectively.

CAPITAL ASSETS

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

CURRENT LIABILITIES

Current liabilities at December 31, 2018 are comprised of accounts payable and a grant advance. The grant advance is part of a grant awarded from the Local Initiatives Support Corporation (LISC). This $500,000 grant agreement stipulates that each disbursement of grant proceeds shall be based on the Land Bank's projections, as submitted to LISC, of its use of grant proceeds over the coming reporting period. These projections consist of periodic written reports submitted by the Land Bank before the agreed upon submission deadlines contained in the agreement. Current liabilities at December 31, 2017 were related solely to accounts payable.

BUDGET

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

FINANCIAL ANALYSIS OF THE CORPORATION (Continued)

Summary of Revenues, Expenses, and Change in Net Position

	2018	2017
OPERATING REVENUES:		
Grant and government subsidy revenue	$ 266,564	$ 150,000
Sale of property	6,000	-
In-kind revenue	9,000	11,690
Total operating revenues	281,564	161,690
OPERATING EXPENSES:		
Cost of sales	84,641	6,130
Unrealized loss on inventory	152,400	31,917
Management fee	8,737	2,402
Advertising	753	476
Professional services	8,750	6,750
Insurance	4,308	-
Miscellaneous expense	2,722	2,698
In-Kind expense	9,000	11,690
Total operating expenses	271,311	62,063
OPERATING INCOME (LOSS)	10,253	99,627
CHANGE IN NET POSITION	10,253	99,627
NET POSITION - beginning of year	99,252	(375)
NET POSITION - end of year	$ 109,505	$ 99,252

OPERATING REVENUES

Operating revenues continue to include grant revenue and in-kind revenues. The Corporation began selling properties in 2018 and 2 were sold.

OPERATING EXPENSES

Operating expenses increased in 2018 from 2017 as the Corporation acquired more properties, particularly in the areas of cost of sales and unrealized loss on inventory.

OPERATING RESULTS

The Corporation had operating income of $10,253 at December 31, 2018 and an operating income of $99,627 at December 31, 2017. The decreased operating income in 2018 was the result of increased cost of sales and impairment loss.

REQUEST FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Corporation's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finger Lakes Regional Land Bank Corporation - Seneca County Department of Planning and Community Development, One DiPronio Drive, Waterloo, NY 13165.

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

STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash - unrestricted	$ 13,866	$ 62,884
Cash - restricted	109,764	-
Inventory	95,639	38,770
Total current assets	219,269	101,654
Total assets	219,269	101,654
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	45,859	2,402
Grant and government subsidy revenue advance	63,905	-
Total current liabilities	109,764	2,402
Total liabilities	109,764	2,402
NET POSITION		
Unrestricted	109,505	99,252
Total net position	$ 109,505	$ 99,252

The accompanying notes are an integral part of these statements.

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

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

	2018	2017
OPERATING REVENUES:		
Grant and government subsidy revenue	$ 266,564	$ 150,000
Sale of property	6,000	-
In-Kind revenue	9,000	11,690
Total operating revenues	281,564	161,690
OPERATING EXPENSES:		
Cost of sales	84,641	6,130
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Management fee	8,737	2,402
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Professional services	8,750	6,750
Insurance	4,308	-
Miscellaneous expense	2,722	2,698
In-Kind expense	9,000	11,690
Total operating expenses	271,311	62,063
OPERATING INCOME	10,253	99,627
CHANGE IN NET POSITION	10,253	99,627
NET POSITION - beginning of year	99,252	(375)
NET POSITION - end of year	$ 109,505	$ 99,252

The accompanying notes are an integral part of these statements.

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

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grant and government subsidies	$ 330,469	$ 75,000
Cash received from sale of property	6,000	-
Cash paid for inventory	(248,051)	(76,817)
Cash paid for management fees	(11,139)	-
Cash paid for advertising	(753)	(476)
Cash paid for professional services	(8,750)	(6,750)
Cash paid for insurance	(4,308)	-
Cash paid for general and administrative expenses	(2,722)	(1,198)
Net cash from operating activities	60,746	(10,241)
CHANGE IN CASH	60,746	(10,241)
CASH - beginning of year	62,884	73,125
CASH - end of year	$ 123,630	$ 62,884
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	$ 10,253	$ 99,627
Adjustments to reconcile operating income to net cash flow from operating activities:		
Unrealized loss on inventory	152,400	31,917
Changes in:		
Inventory	(209,269)	(70,687)
Prepaid expenses	-	1,500
Accounts payable	43,457	2,402
Grant advance	63,905	(75,000)
Net cash from operating activities	$ 60,746	$ (10,241)

NONCASH ACTIVITIES:

The County paid $9,000 and $11,690, mostly comprised of legal services, salaries and benefits, to manage and operate the Corporation during the fiscal years ending December 31, 2018 and 2017, respectively. These transactions are reflected as in-kind operating revenue and operating expense.

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

The Finger Lakes Regional Land Bank Corporation (the Corporation), was formed in 2015 to address the problems of vacant, abandoned, or tax delinquent property in the County of Seneca, New York (the County), in a coordinated manner through the acquisition of real property. The mission of the Corporation is to return that property to productive use in order to strengthen the economy, improve the quality of life, and improve the financial condition of the municipalities, through the use of the powers and tools granted to land banks by New York State (NYS).

The Corporation is considered a blended component unit of the County because the Corporation has been organized as a nonprofit organization with the sole member of the Corporation being the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial principles.

Measurement Focus and Basis of Accounting

The Corporation operates as a proprietary fund. Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

The Corporation utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Tax Status

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash
Certain amounts of cash are classified as restricted because their use is restricted by grant agreements. Restricted cash balances have been offset by grant and government subsidy revenue advances and accounts payable at December 31, 2018.

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 and is based on half of assessed value for rehabilitation candidate properties, half of assessed land value for demolition candidate properties, and third-party appraisals or other methods as deemed appropriate. Cost includes but is not limited to, property purchase cost, appraisal, inspection and recording fees, renovation costs and professional services.

Grant and Government Subsidy Revenue Advance
Grant advances consist of amounts of received grant and government subsidy revenue for which the definition of earned has not been met. Such amounts are reflected as a liability until the amounts are deemed earned and then recognized as revenue. At December 31, 2018, the Corporation was in the process of satisfying agreed upon conditions to recognize revenue of a $500,000 grant from the Local Initiatives Support Corporation (LISC).

Operating and Non-Operating Revenues and Expenses
As a business-type activity, the Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues are mostly comprised of grant and government subsidy revenue resulting from exchange transactions, in-kind services, and sale of properties associated with the principal activities of the Corporation. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with the Corporation's mission. There were no non-operating revenues and expenses at December 31, 2018 or 2017.

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

Unrealized Loss on Inventory
Deterioration, damage, changing prices and other factors have caused certain inventory's cost to exceed its market value. In accordance with GAAP, inventory has been reduced to market value and an unrealized loss has been recognized for the years ended December 31, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position
Equity is classified as net position and displayed in three components:

a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Corporation does not have net investment in capital assets at December 31, 2018 or 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 or 2017.
c. Unrestricted net position - all other net position that does not meet the definition of net investment in capital assets or restricted net position.

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

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

Monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within and authorized to do business in New York State (NYS). Collateral is required for deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are those identified in NYS General Municipal Law, Section 10 and outlined in the NYS Comptroller's Financial Management Guide.

Interest Rate Risk
Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk
The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits.

The Corporation restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations partially insured or guaranteed by an agency of the United States of America;
- Obligations issued or fully insured or guaranteed by NYS;
- Obligations issued by a municipal corporation, school district or district corporation of NYS;
- Obligations issued by states (other than NYS) of the United States of America rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO).

The Corporation maintained cash balances with a financial institution insured by the FDIC up to $250,000, for interest bearing and non-interest bearing accounts. At December 31, 2018 and 2017, the Corporation's deposits consisted of $123,630 and $62,884 in cash, respectively, and was insured in full by FDIC.

4. CONCENTRATIONS OF CREDIT RISK

The Corporation receives significant support from certain governmental entities. The primary source of funding is through a grant award from Local Initiatives Support Corporation (LISC). Funding from LISC comprised 95% and 93% of revenue for the years ended December 31, 2018 and 2017, respectively.

5. AGREEMENT WITH COUNTY OF SENECA, NEW YORK

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

As part of these agreements, the Corporation is to pay $200/ hour for services provided to them by the County Attorney or Assistant County Attorney. In addition, the Corporation agrees to reimburse the County for all reasonable expenses incurred by the County in the performance of administrative services on its behalf. The County agrees to invoice the Corporation on a quarterly basis. Based upon on this agreement, the County may, at its discretion, offer all or a portion of these services as an in-kind contribution of the County to the operations of the Corporation. The Corporation has not received any billings from the County for the years ended December 31, 2018 and 2017.

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

In 2018, the Corporation entered into a continued agreement with the County for a period through December 31, 2020. Under the new agreement, the County will not charge the Corporation for the legal services provided. Additionally, the County will continue to provide necessary administration functions, but the Corporation will provide the difference in salary between the County Planner position and the total salary of the CEO/President as consideration.

The total value of in-kind services provided by the County are $9,000 and $11,690 for the years ended December 31, 2018 and 2017, respectively, and are recorded as in-kind operating revenue and expenses for the years then ended.

6. RECLASSIFICATIONS

Certain amounts in the 2017 financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications did not have any effect on total net position or change in net position as previously reported.

Bonadio & Co., LLP
Certified Public Accountants

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

February 28, 2019

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Finger Lakes Regional Land Bank Corporation (the Corporation), a blended component unit of the County of Seneca, New York, (the County), as of and for the year ended December 31, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, which is described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a material weakness.

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Finger Lakes Regional Land Bank Corporation's Response to Finding
The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

Reference Number: 2018-001

Criteria:

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

Condition/Cause:

During the year ended December 31, 2018, the Corporation lacked processes for producing financial statements in accordance with U.S. GAAP.

Effect:

Inventory was materially understated by a net amount of $56,869. Material audit entries were recorded to report inventory amounts and losses due to impairment.

Recommendation:

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

Management's Response:

Inventory tracking for impairment will now be conducted in conjunction with the recording of monthly transactions. A spreadsheet was developed to track transaction items by property and FLRLBC staff will ensure that it is updated.