

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

**Communication of Matters Related to Internal Control**  
**Over Financial Reporting and Other Matters**  
**February 23, 2023**

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

In planning and performing our audit of the financial statements of the Livingston County Land Bank Corporation (the Corporation) as of and for the years ended December 31, 2022 and 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

171 Sully 's Trail  
Pittsford, New York 14534  
p (585) 381-1000  
f (585) 381-3131

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

# LIVINGSTON COUNTY LAND BANK CORPORATION

## Communication of Matter Related to Internal Control Over Financial Reporting and Other Matters February 23, 2023

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### OTHER MATTERS FOR THE CONSIDERATION OF MANAGEMENT

#### 1. INVENTORY VALUATION

##### **Observation**

The Corporation's inventory consists of properties held for rehabilitation, sale or demolition. When a property is to be acquired or sold, the Corporation will have an appraisal done to value the property. During the 2020 audit, we recommended that the Corporation establish a formal process to value each property in inventory at year-end for reporting in the financial statements. The Corporation established a process in January 2022; however, there was no inventory held by the Corporation as of December 31, 2021. For December 31, 2022, a formal inventory valuation was not provided, and the properties were valued by management during the audit process.

##### **Recommendation**

The Corporation's activity level and number of properties is anticipated to increase in the future. Therefore, we recommend the Corporation follow their process to assess the value of each property in inventory at year end for reporting in the financial statements. The inventory listing showing each property at its appropriate value should be provided prior to the audit to support the inventory balance in the financial statements.

##### **Management Response**

Management agrees with the recommendation to provide the property inventory valuation prior to the audit to support the inventory balance in the financial statements. Management will present the inventory with estimated end of year value to the Board of Trustees for its review and approval in the month of December.

#### 2. FORMAL ACCOUNTING SOFTWARE

##### **Observation**

The Corporation currently records all transactions in an Excel spreadsheet with tabs for all cash transactions by bank account and additional tabs breaking down costs by property. There is currently no process where all transactions are compiled into a formal balance sheet and statement of revenue and expense as of year-end.

##### **Recommendation**

We recommend that the Corporation consider using a formal accounting software or in the future to accommodate expected increased activity. If the Corporation finds that the use of the existing Excel spreadsheet can adequately meet its needs, then we recommend that additional tabs are created to prepare a formal balance sheet and statement of revenue and expense and that the necessary year-end receivables and accruals are posted.

**Management Response**

Management agrees with the recommendation to create an additional tab in the Excel spreadsheet to prepare a formal balance sheet and statement of revenue and expense and that the necessary year-end receivables and accruals are posted. Management would like the auditors to provide an example of an acceptable format for creation of the additional tab.

**3. COLLATERALIZATION OF DEPOSITS****Observation**

As of December 31, 2022, the Corporation did not have collateral coverage over its bank balances in excess of the amount covered by Federal Depository Insurance Corporation (FDIC) coverage. The Corporation's investment policy stipulates that deposits in excess of FDIC coverage shall be secured by a pledge of eligible securities, an irrevocable letter of credit, or by an eligible surety bond payable to the government.

**Recommendation**

During the audit, it was recommended that the Corporation reach out to the bank in order to obtain necessary collateral coverage. Management is in the process of securing adequate collateral coverage with the bank, with the establishment of an agreement with the bank in progress as of February 2023.

**Management Response**

Management agrees with the recommendation, and has secured adequate collateral coverage with the bank, effective 2/21/2023.