

**TROY COMMUNITY LAND BANK CORPORATION
FINANCIAL REPORT
DECEMBER 31, 2016**

TROY COMMUNITY LAND BANK CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Troy Community Land Bank Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Troy Community Land Bank Corporation (the Land Bank), which comprise the statement of net position as of December 31, 2016, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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.

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 3-7 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.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2017, on our consideration of the Land Bank'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 Land Bank's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
July 5, 2017

Troy Community Land Bank Corporation
Management's Analysis
December 31, 2016

Description

The current management of the Troy Community Land Bank Corporation (TCLB) has prepared this analysis of the financial activities for the TCLB for the fiscal year ended December 31, 2016. This discussion and analysis focuses on the significant financial issues and activities and identifies significant changes in financial position. The organization began activities late in 2014 and had no significant financial activity in that year. 2016 was the second full year of operation of the corporation.

Overview of the Financial Statements

This analysis is intended to provide a verbal interpretation of the TCLB's financial statements, including notes to the financial statements and the reports on internal control over financial reporting and on compliance.

Financial Statements

The TCLB financial statements provide a comprehensive reporting of the organization's 2016 transactions and balances. The difference between the assets and liabilities is reported as net position. Increases or decreases in net position are an indicator of strengthened or weakened financial position.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The year ending December 31, 2016 was the TCLB's second full year of operations. Operating revenue for fiscal year 2016 approximated \$437,912. The TCLB had a net position of approximately \$506,401, which was attributable to grant income net of operating expenses and costs of repair and maintenance of properties, and properties purchased that are held for resale and not expensed.

Mission and Accomplishments

The TCLB will stimulate planning, economic development, and neighborhood revitalization by acquiring, managing, and disposing of vacant, abandoned, and underutilized properties in a responsible manner.

The TCLB was established and has adopted policies consistent with its mission and regulations. The TCLB also acquired properties in a manner consistent with its mission and regulations. The TCLB received a \$1,257,748. grant from the Office of the NYS Attorney General. \$122,474.00 was disbursed in 2016. The remainder will be received and expended through December 31, 2017. Those funds will fund the environmental abatement and stabilization of real properties and facilitate the re-creation of more dwelling units for rental and homeownership opportunity as well as commercial spaces and parks. The TCLB from January until the last week of April, 2016 was housed and staffed via in-kind contributions from the City of Troy with thanks to the administration of Troy Mayor, Patrick Madden. From the last week of April through the end of 2016, TCLB rented office space in the offices of Troy Rehabilitation and Improvement Program, a non-profit engaged in related neighborhood renewal work. At the end of the year, the Corporation moved to donated space of its own within the offices rented by the board president, Heather King.

Over the course of the year the TCLB increased its holdings from a total of 9 properties to 35 properties, three of which were sold, bringing its end of year total of properties two 32. Nine properties were demolished, three were stabilized and will be offered for sale in 2017. As mentioned earlier three other buildings were sold and are being rehabilitated as the year ended. .

Economic Factors

While the City of Troy, New York continues to benefit from a welcome renaissance in its downtown and adjacent neighborhoods, the outlook for its most distressed neighborhoods is less positive. TCLB arrived on the scene late in 2014 with both real opportunities, and serious problems. The statistics show poverty deepening in the poorest neighborhoods as the population was decreasing. The median income of census track 404, which includes TCLB's primary focus area is \$22,500, compared to that of New York State as a whole, which is \$69,968.

Nonetheless there has been a change in perception about the poorest neighborhoods, and the Troy Land Bank is part of that change. There is an increasing awareness that demolition alone will come to a dead end. There is a growing willingness to plan for stable, sustainable affordable neighborhoods for the 70% of Troy's residents that are below the area median income.

The following is a summary of the TCLB's financial statements' reporting the increase in its net position as of December 31, 2016:

ASSETS	year
	<u>2016</u>
Current Assets	
Cash/Cash Equivalents	273,998
Accounts receivable	<u>0</u>
Total Current Assets	273,998
Property Held for Resale	416,129
Property and Equipment	
Equipment and Fixtures	1,559
Accumulated Depreciation	<u>(178)</u>
Net Property and Equipment	<u>1,381</u>
TOTAL ASSETS	691,508
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	18,970
Accrued expenses	766
Deferred Revenue	<u>165,371</u>
TOTAL LIABILITIES	185,107
Net Position	
Net Investment in capital assets	1,381
Unrestricted	<u>505,020</u>
Total Net Position	<u>506,401</u>
TOTAL LIABILITIES AND NET POSITION	691,508

Statements of Revenues, Expenses, and Changes in Net Position	year
	<u>2016</u>
Operating Revenues	
Grants	461,616
Donations	10,000
In-Kind Donations	11,737
Refunds	188
Gain/ (Loss) on Sale	<u>(45,629)</u>
Total Operating Revenues	437,912
Operating Expenses	
Office expenses and supplies	3,083
Project services	7,989
Professional Services	40,099
In-Kind Expense	11,737
Dues and subscriptions	1,500
Insurance	40,007
Taxes and Fees	2,846
Salaries and benefits	28,470
Payroll Expenses	2,757
Remediation Expenses	5,553
Depreciation Expense	<u>157</u>
Total Operating Expense	144,198
Operating Income	<u>293,714</u>
Nonoperating Income (Expense)	
Interest Income	<u>51</u>
Total Nonoperating Income (Expense)	<u>51</u>
Change in Net Position	293,765
Net Position, Beginning of Year	212,636
Net Position, End of Year	<u><u>506,401</u></u>

Overview of the Financial Statements

This financial report is designed to provide a general overview of the TCLB's finances and to illustrate the TCLB's accountability for the revenues it receives. Questions concerning this report or requests for additional information should be addressed to the TCLB at 200 Broadway, Suite 204 Troy, New York 12180 or through our website at www.troycommunitylandbank.org

**TROY COMMUNITY LAND BANK CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

ASSETS

Current Assets	
Cash and cash equivalents	\$ 273,998
Total Current Assets	273,998
 Property Held for Resale	 416,129
Property and Equipment	
Equipment	1,559
Less: Accumulated depreciation	(178)
Net Property and Equipment	1,381
TOTAL ASSETS	\$ 691,508

LIABILITIES AND NET POSITION

Current Liabilities	
Accounts payable	\$ 18,970
Accrued expenses	766
Deferred revenue	165,371
Total Current Liabilities	185,107
TOTAL LIABILITIES	185,107
Net Position	
Net investment in capital assets	1,381
Unrestricted	505,020
Total Net Position	506,401
TOTAL LIABILITIES AND NET POSITION	\$ 691,508

See accompanying notes to financial statements.

TROY COMMUNITY LAND BANK CORPORATION
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

Operating Revenues	
Grants	\$ 461,616
Donations	10,000
In-Kind donations	11,737
Refunds	188
Gain/(Loss) on Sale	(45,629)
Total Operating Revenue	437,912
 Operating Expenses	
Office expenses and supplies	3,083
Project services	7,989
Professional services	40,099
In-Kind Expense	11,737
Dues and subscriptions	1,500
Insurance	40,007
Taxes and Fees	2,846
Salaries and benefits	28,470
Payroll Expenses	2,757
Remediation Expenses	5,553
Depreciation	157
Total Operating Expenses	144,198
Operating Income	293,714
 Nonoperating income (Expense)	
Interest income	51
Total Nonoperating Income (Expense)	51
Change in Net Position	293,765
Net Position, Beginning of Year	212,636
Net Position, End of Year	\$ 506,401

See accompanying notes to financial statements.

TROY COMMUNITY LAND BANK CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH PROVIDED BY OPERATING ACTIVITIES	
Receipts from grantors	\$ 122,474
Receipts from donors	35,400
Receipts from other sources	188
Payments to vendors for goods and services	(95,098)
Payments to employees	(27,704)
Net Cash Provided by Operating Activities	<u>35,260</u>
INVESTING ACTIVITIES	
Purchases of property and equipment	(930)
Purchase of property held for resale	(345,909)
Proceeds from sale of property, plant, and equipment	20,000
Interest income	51
Net Cash Used by Investing Activities	<u>(326,788)</u>
DECREASE IN CASH AND EQUIVALENTS	(291,528)
Cash and Cash Equivalents, Beginning of Year	<u>565,526</u>
Cash and Cash Equivalents, End of Year	<u>\$ 273,998</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 293,714
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	157
(Gain)/loss on sale of property	45,629
(Increase) decrease in assets:	
Accounts receivable	25,400
Increase (decrease) in liabilities:	
Accounts payable	8,736
Accrued expenses	766
Deferred revenue	(339,142)
Net Cash Provided by Operating Activities	<u>\$ 35,260</u>

See accompanying notes to financial statements.

TROY COMMUNITY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Troy Community Land Bank Corporation (the Land Bank), founded in 2014, is a nonprofit organization, whose purpose is to redevelop vacant, abandoned and under-utilized properties through community partnerships and strategic planning. The goal of the Land Bank is to encourage economic growth, long-term sustainability and new opportunities for all of Troy's residents and businesses so as to build stronger neighborhoods and a greater quality of life.

The Land Bank is a supporting organization for the City of Troy, but is a separate non-related entity.

Summary of Significant Accounting Policies

This summary of significant accounting policies of the Land Bank is presented to assist in understanding the Land Bank's financial statements. The financial statements and notes are representations of the Land Bank's management, which is responsible for their integrity and objectivity.

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Land Bank is determined by its measurement focus. The transactions of the Land Bank are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position. Net position is segregated into three classes of net position:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation.
- Restricted net position has externally placed constraints on use.
- Unrestricted net position consists of assets and liabilities that do not meet the definition of "restricted net position" or "net investment in capital assets."

Cash

The Land Bank's investment policies are governed by New York State statutes. The Land Bank monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within New York State. The Land Bank is authorized to use demand accounts, money market accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State and its localities. Certificates of deposit purchased with a maturity of three months or less are considered cash equivalents.

TROY COMMUNITY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Deposits are categorized as either (1) insured by FDIC insurance, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the Land Bank's name, or (3) uncollateralized. See Note 2.

Revenue Recognition

Revenues are recognized when earned, and expenses are recognized when incurred. The Land Bank distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the Land Bank. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Land Bank has been awarded grants from the New York State Office of Attorney General (OAG) in the aggregate amount of approximately \$1.25 million to promote community revitalization efforts and execute projects through December 31, 2017. Payments under the grants are based on estimated needs of the Land Bank on a quarterly basis or based upon project budgets. Revenues under the grants are recognized as eligible project expenditures are incurred.

Deferred Revenue

Deferred revenue consists of funds received from grantors prior to the Land Bank incurring eligible expenses under those grants. Revenue will be recognized when eligible expenses are incurred.

On Behalf of Payments

Salaries and benefits paid by the City of Troy on behalf of the Land Bank for administrative personnel are reflected as in-kind donations in the statement of revenue, expenses and changes in net position.

Income Taxes

The Land Bank is operating as a tax exempt entity under Section 501(c)(3) of the Internal Revenue Code and has applied to the Internal Revenue Service (IRS) for recognition.

The Land Bank has adopted the recognition requirements for uncertain income tax positions as required by GAAP. Under Accounting Standards Codification (ASC) Section 740, *Income Taxes*, the tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. Management of the Land Bank is not aware of any events that could jeopardize tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements.

The Land Bank is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**TROY COMMUNITY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property Held for Resale

Property held for resale is carried at cost. Donated property held for resale is carried at its fair value as of the date of the gift which is typically the assessed value of the property.

Property and Equipment

Property and Equipment are carried at cost less accumulated depreciation. Depreciation of property and equipment is computed using straight-line methods at rates based on estimated useful lives.

	<u>Years</u>
Leasehold Improvements	15
Furniture	7
Computer and Office Equipment	5
Vehicles	5
Software	3

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the years ended December 31, 2016 was \$157.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

Implementation of New Accounting Standards

The Land Bank has adopted all current Statements of the GASB that are applicable. At December 31, 2016, the Land Bank implemented the following new standards issued by GASB:

GASB has issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016.

GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ending December 31, 2016.

Neither standard had any impact on the Land Bank.

Future Changes in Accounting Standards

GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ending December 31, 2017.

TROY COMMUNITY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Future Changes in Accounting Standards

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishing new accounting and financial reporting requirements for OPEB plans, effective for the year ending December 31, 2017.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending December 31, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*.

GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, effective for the year ending December 31, 2017.

GASB has issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the year ending December 31, 2018.

GASB has issued Statement No. 82, *Pensions Issues an Amendment of GASB Statements 67, 68 and 73*, effective for the year ending December 31, 2017.

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending December 31, 2019.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending December 31, 2019.

GASB has issued Statement No. 85, *Omnibus 2017*, effective for the year ending December 31, 2018.

GASB has issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the year ending December 31, 2018.

The Land Bank will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

2. CASH AND CASH EQUIVALENTS

The bank balances for cash and cash equivalents at December 31, 2016 were as follows:

Checking – Payroll	\$ 7,541
Checking – General	103,184
OAG Funding	112,526
Financial Institutions Donation	40,421
Money Market Account	<u>30,006</u>
Total	<u>\$ 293,678</u>

TROY COMMUNITY LAND BANK CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. CASH AND CASH EQUIVALENTS

The insured and collateralized status of the year-end bank balances were as follows:

Status of Bank Balances

Covered by federal deposit insurance	\$ <u>250,000</u>
Collateralized and held in the Land Bank's name	\$ <u>150,147</u>
Uncollateralized	\$ <u>-</u>

3. COMMITMENTS

On March 8, 2016, the Land Bank entered into an agreement with Habitat for Humanity to work together as co-developers to bring about the renovation of properties that are purchased with the New York State Office of Attorney General (OAG) grant funds. This agreement is effective through December 31, 2016, the OAG grant agreement termination date. Any proceeds from the sale of property will be split fifty/fifty between the Land Bank and Habitat for Humanity.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 5, 2017, which is the date these financial statements were available to be issued, and have determined that there are no subsequent events that require recording or disclosure.

**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**

Board of Directors
Troy Community Land Bank Corporation

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 Troy Community Land Bank Corporation (the Land Bank), which comprise the statement of net position as of December 31, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Land Bank'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 Land Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Land Bank'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 described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Land Bank'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*.

Land Bank's Response to Findings

The Land Bank's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Land Bank'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 Land Bank'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.

Marvin and Company, P.C.

Latham, New York
July 5, 2017

**TROY COMMUNITY LAND BANK CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section I - Summary of Auditor's Results

Financial Statements

- Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? X Yes No
- Significant deficiencies identified? Yes X None Reported
- *Noncompliance material to financial statements?* Yes X No

Section II - Financial Statement Findings

2016-001 Segregation of Duties

Condition

There is a lack of segregation of duties regarding cash disbursements, cash receipts and the reconciliation of bank accounts. The same employee is entering invoices, writing checks, signing checks, receiving and depositing cash receipts, receiving the bank statements, and reconciling the bank accounts.

Criteria

Ideally proper segregation of duties would result in the individuals who record the transactions within QuickBooks be separate from those who have custody, check signing responsibilities, or bank reconciliation responsibilities. When it is not possible to have appropriate segregation of duties there should be compensating controls in place that would prevent or detect misappropriation of assets or errors in financial reporting.

Cause

The Land Bank only has one full time employee, with the rest of the individuals being part-time or volunteers. There is a review of bank statements and bank reconciliations by Board members which is an effective compensating control if the bank statements are received unopened by the Board member and these reviews are documented and done consistently. These reviews were not documented during 2016.

Effect

There could be errors in financial reporting or misappropriation of assets that go undetected during 2016. The lack of documentation of review of bank statements and bank reconciliations do not provide assurance that these reviews occurred during the year or that they were timely.

**TROY COMMUNITY LAND BANK CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section II - Financial Statement Findings

2016-001 Segregation of Duties

Recommendations

Due to the size of the staff and use of volunteers we recommend the review of unopened bank statements be documented with a signature and date on the bank statement of the reviewer. We also recommend the review of the bank reconciliation be documented with a signature and date on the bank reconciliation of the reviewer.

Management's Response

Going forward, the Land Bank will follow the recommendation from above, with the additional step of statement and reconciliation review by an accountant or Board Member who is well-versed in GAAP standards. Land Bank will be having the Board Chair perform this as their treasurer is stepping down. When a new treasurer is put in place, they will take over.

Section III - Compliance Findings

None