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 26, 2026

Bonadio & Co., LLP
Accounting, Consulting & More

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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 Land Bank) as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Land Bank's system of 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 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.

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 Land Bank and is not intended to be and should not be used by anyone other than these specified parties.

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OTHER MATTERS FOR THE CONSIDERATION OF MANAGEMENT

1. PROPERTY VALUATION FORMAL REVIEW

Observation

The Land Bank's property held for sale consists of properties held for rehabilitation, sale, or demolition. When a property is acquired or sold, the Land Bank informally agrees on the value of the property based on the offer for sale price based on the tax assessed value and market conditions. The Land Bank has also adopted an internal policy to determine the market value of properties held for sale at year-end, relying on comparable property values and consideration of the Land Bank's related costs. Due to the unique condition and nature of the properties held, determining market can be challenging and may result in estimates that could change substantially. Although the Land Bank has established a method for valuing these properties, there is currently no formal review process in place to assess the reasonableness, consistency, or accuracy of the valuation determinations for external financial reporting purposes. Without independent or supervisory oversight, the value may lack sufficient objectivity and may not be consistently applied across all properties. Under external financial reporting requirements, each property must be valued at the lower of cost or market.

Recommendation

We recommend the Land Bank adopt a formal policy for reviewing valuation of properties held for sale at year-end for external financial reporting. As a part of this policy, we recommend an annual review by the Board of Directors. A Board-level review would provide an additional layer of governance and oversight, ensuring the valuation estimates are consistently applied and aligned with current market conditions and cost considerations. We understand that in many instances these property costs are subsidized by grant funding and that all costs incurred in rehabilitation may not be recoverable upon sale of the property. That is why it's imperative to assess the lower of the ultimate costs or market value for external reporting purposes.

Management Response

Management acknowledges the observation regarding the determination of fair market value for properties held for sale and the need for a more formalized review process. The Land Bank agrees with the recommendation and will develop and implement a formal policy outlining the FMV review process. As part of this policy management will establish an annual review to be performed by the Board of Directors.

2. IMPLEMENTATION OF ACCOUTING SOFTWARE FOR IMPROVED FINANCIAL TRACKING

Observation

The Land Bank currently uses an Excel spreadsheet to record and track all financial transactions, including activity related to grants received and expenditures made. While Excel provides a basic means of organizing information, it does not offer the controls, automation, or reliability of an integrated accounting system. As the Land Bank has grown, so has the complexities of its operations. Relying on a manual spreadsheet increases the risk of data entry errors, inconsistent classifications, limited audit trails, and difficulties in maintaining accurate and timely financial reporting.

Recommendation

We recommend the Land Bank implement the use of formalized accounting software and establish a detailed implementation plan that includes system configuration and staff training. Additionally, we recommend the Land Bank develop written policies and procedures governing the use of the system to ensure consistent and accurate recording of transactions, particularly those related to grant funding. A timely and well-managed implementation will help ensure the Land Bank realizes the full benefits of improved accuracy, efficiency, and control over financial reporting.

Management Response

Management agrees with the recommendation and recognizes the need for an integrated accounting system and has initiated the process of considering QuickBooks as a solution. Implementation efforts will include configuring the system to meet the Land Bank's operational and grant reporting needs and training staff. The Land Bank expects the system to be fully operational during the upcoming fiscal year.