

REPORT TO THE BOARD OF DIRECTORS

BATAVIA DEVELOPMENT CORPORATION

MARCH 31, 2020

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Trust earned.



June 25, 2020

Members of the Board of Directors
Batavia Development Corporation
One Batavia City Centre
Batavia, New York 14020

Members of the Board:

We are pleased to present this report related to our audit of the basic financial statements of the Batavia Development Corporation, New York (the Corporation) for the year ended March 31, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Corporation's financial reporting process.

This report is intended solely for the information and use of the Corporation Board and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the Corporation.

Very truly yours,

Freed Maxick CPAs, P.C.

Freed Maxick CPAs, P.C.

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Contents

	<u>Page</u>
Required Communications	1-2
Summary of Recorded Audit Adjustments	3
Recently Issued Accounting Standards	4
<i>Exhibit A</i> – Letter Communicating a Material Weakness in Internal Control Over Financial Reporting	5-7
<i>Exhibit B</i> – Significant Written Communications Between Management and Our Firm Representation Letters	8

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditors Communications with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Area	Comments
Our Responsibilities with Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated April 9, 2020. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of significant risks of material misstatement.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Corporation. The Corporation did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.
	Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
	Management's Judgments and Accounting Estimates We are not aware of any significant accounting estimates noted during our audit.
Basis of Accounting	The financial statements were prepared on assumption that the entity will continue as a going concern.
Audit Adjustments	Audit adjustments, other than misstatements that are clearly trivial, proposed by us and recorded by the Corporation are shown on the attached "Summary of Recorded Audit Adjustments."
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Required Communications (Continued)

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Letter Communicating a Material Weakness in Internal Control Over Financial Reporting

We have separately communicated a material weakness in internal control over financial reporting identified during our audit of the financial statements as required by *Government Auditing Standards*. This communication is attached as Exhibit A.

Significant Written Communication Between Management and Our Firm

A copy of the representation letter provided to us by management is attached as Exhibit B.

Batavia Development Corporation
Summary of Recorded Audit Adjustments
Year Ended March 31, 2020

Number	Date	Name	Account No	Debit	Credit
AJE #1	3/31/2020	Accounts Payable	2000 ENT01		12,642
	3/31/2020	Professional Services	7000 ENT01	12,642	
		To reverse a reversing entry and adjust accounts payable and professional services expense account to actual as of 3/31/2020.			
AJE #2	3/31/2020	Unearned Revenue	2200 ENT01		20,000
	3/31/2020	Grant Revenue - COB Opportunity Zone Fund	4000.10 ENT01	20,000	
		To reclassify Opportunity Zone Fund money received as unearned revenue as the related conditions of the funds have not been met as of 3/31/2020.			

Recently Issued Accounting Standards

The GASB has issued several statements not yet implemented by the Corporation. The Corporation's management has not yet determined the effect these Statements will have on the Corporation's financial statements. However, the Corporation plans to implement all standards by the required dates. The Statement which might impact the Corporation is as follows:

Summary of GASB Statement No. 87, *Leases*

This Statement, issued in June 2017, will be effective for the Corporation with its fiscal year ending March 31, 2023. This Statement better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

**EXHIBIT A – LETTER COMMUNICATING A MATERIAL WEAKNESS IN
INTERNAL CONTROL OVER FINANCIAL REPORTING**

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**Letter Communicating a Material Weakness in
Internal Control Over Financial Reporting**

June 25, 2020

To Management and the Board of Directors
Batavia Development Corporation
Batavia, New York

In planning and performing our audit of the financial statements of Batavia Development Corporation (the Corporation) as of and for the year ended March 31, 2020, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Corporation's internal control to be a material weakness:

MATERIAL WEAKNESS

Accounting and Financial Reporting - Liabilities

Observation

During our audit of the Corporation we noted that legal services, performed prior to March 31, 2020 in the amount of \$28,591, were not recorded as accounts payable. In addition, the Corporation received a \$20,000 grant from the City of Batavia and recorded those funds as revenue. However, the requirements within the agreement were not met as of March 31, 2020 and, therefore, the funds should have been reclassified as unearned revenue as of yearend.

Recommendation

We recommend that the Corporation inquire of the attorney at yearend to obtain a listing of any outstanding legal fees for proper recognition for financial reporting purposes. In addition, we would recommend the Corporation review their funding sources to ensure all revenue has met the requirements to be considered earned as of yearend.

Potential Effects

Accounts payable and related expenditures were understated by \$28,591. Also, unearned revenue was understated and revenues were overstated by \$20,000 as of March 31, 2020. For an overall overstatement of net position by \$48,591.

Management Response

BDC Management has been made aware of substantial adjusting entries needed to correct our financial statements at our fiscal year end. The adjusting entries were caused by non-invoiced professional services for the fiscal year 19-20 that were not recorded properly for the work performed from April 2019 – March 2020. To correct this action, we will request an invoice, or outstanding services statement from all of our professional services for any work performed in the fiscal year that has not been invoiced yet. We will request these figures the final day of our fiscal year, March 31st.

Due to the nature of a grant received, but not realized to the nature of the grant funding, it was booked as operating revenue in error. It should be viewed as unearned revenue until the purpose of the grant has been committed and executed. If said funds are not used in the fiscal year, they should not be viewed as operational, but unearned revenue until our grant commitment is sufficed. When a grant is awarded and received by the BDC, but the funds have not been expended, it should be discussed with the independent auditors the best method of presenting these on our financials and financial statements to ensure compliance with GAAP and other accounting principles.

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

Freed Maxick CPAs, P.C.

Batavia, New York
June 25, 2020

EXHIBIT B - SIGNIFICANT WRITTEN COMMUNICATION
BETWEEN MANAGEMENT AND OUR FIRM

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**BATAVIA DEVELOPMENT CORPORATION
ONE CITY CENTRE
BATAVIA, NEW YORK 14020**

June 25, 2020

Freed Maxick CPAs, P.C.
One Evans Street
Batavia, New York 14020

This representation letter is provided in connection with your audit of the financial statements of the Batavia Development Corporation (the Corporation) and its wholly owned subsidiary, Creek Park Batavia, LLC (CPL) as of and for the years ended March 31, 2020 and March 31, 2019, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of the auditor's report:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated April 9, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with the City of Batavia, New York, and the CPL, for which the nature and significance of their relationship with the Corporation are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, including interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Deposits and investment securities category of custodial credit risk.
 - b. Net position.
 - c. All significant estimates known to management that are required to be disclosed.
 - d. The effect on the financial statements of GASB pronouncements which have been issued, but which we have not yet adopted.

9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
11. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

12. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the Corporation from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of the governing board and committees of board members, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of allegations of fraud or suspected fraud, affecting the Corporation's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
18. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
19. We have disclosed to you the identity of the Corporation's related parties and all the related-party relationships and transactions of which we are aware.
20. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Corporation's ability to record, process, summarize and report financial data.
21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
22. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

23. With respect to supplementary information presented in relation to the financial statements as a whole:
- a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.
 - e. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

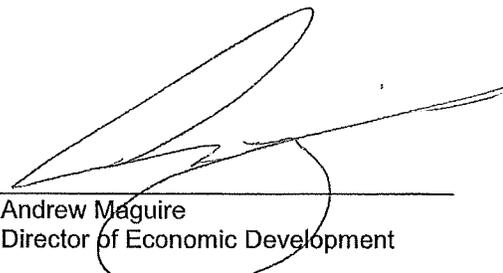
Compliance Considerations

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm that management:

1. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
2. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
3. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
4. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
5. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
6. Is responsible for 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.
7. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
8. Has a process to track the status of audit findings and recommendations, if applicable.
9. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
10. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
11. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including all management responsibilities; that we have overseen the services by designating Lori Aratari, President, who possesses suitable skill, knowledge, or experience; to evaluate the adequacy and results of the services performed; and to accept responsibility for the results of the services.

Batavia Development Corporation

Lori Aratari
President



Andrew Maguire
Director of Economic Development

**BATAVIA DEVELOPMENT CORPORATION
ONE CITY CENTRE
BATAVIA, NEW YORK 14020**

June 25, 2020

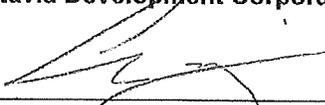
Freed Maxick CPAs, P.C.
One Evans Street
Batavia, New York 14020

In connection with your examination of the Batavia Development Corporation's (the Corporation), compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") during the period of April 1, 2019 through March 31, 2020 in accordance with standards established by the American Institute of Certified Public Accountants, we confirm to the best of our knowledge and belief, the following representations made to you during the course of your engagement:

1. We are responsible for the Corporation's compliance with the Investment Guidelines.
2. We are responsible for establishing and maintaining effective internal control over the Corporation's compliance with the Investment Guidelines.
3. We have performed an evaluation of the Corporation's compliance with the Investment Guidelines. Based on our evaluation, the Corporation has complied with the Investment Guidelines during the period April 1, 2019 through March 31, 2020 based on the criteria referred to under New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law.
4. There has been no known noncompliance with the Investment Guidelines during the period April 1, 2019 through March 31, 2020 or through the date of this letter.
5. There are no known communications from regulatory agencies, internal auditors, or other practitioners concerning the Corporation's possible noncompliance with the Investment Guidelines received by us during the period April 1, 2019 through March 31, 2020 or through the date of this letter.
6. We have made available to you all documentation related to the Corporation's compliance with the Investment Guidelines.
7. There has been no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where fraud could have a material effect on the Corporation's compliance with the Investment Guidelines.
8. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation received in communications from employees, former employees, analysts, regulators, short sellers, or others.
10. We have responded fully to all inquiries made to us by you during your engagement.

11. During the course of your engagement you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Batavia Development Corporation



Signature

Title

DIRECTOR OF ECONOMIC DEVELOPMENT