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BATAVIA DEVELOPMENT CORPORATION
REPORT TO THE BOARD OF DIRECTORS
MARCH 31, 2017

XXXXX, 2017

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, 2017. 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. Also, included is a summary of recently issued accounting standards that may affect future financial reporting by the Corporation.

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.

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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 reporting process.

| Area | Comments |
|--|---|
| Our Responsibilities with Regard to the Financial Statement Audit | <p>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 May 4, 2017. 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.</p> |
| Overview of the Planned Scope and Timing of the Financial Statement Audit | <p>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.</p> |
| Accounting Policies and Practices | <p>Preferability of Accounting Policies and Practices</p> <p>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.</p> <p>Adoption of, or Change in, Accounting Policies</p> <p>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.</p> |
| | <p>Significant or Unusual Transactions</p> <p>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.</p> |
| | <p>Management's Judgments and Accounting Estimates</p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates."</p> |

Basis of Accounting

The financial statements were prepared on assumption that the entity will continue as a going concern.

Audit Adjustments

The audit adjustment proposed by us and recorded by the Corporation is shown on the attached "Summary of Recorded Audit Adjustments."

Uncorrected Misstatements

There were no uncorrected misstatements noted during our audit.

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.

Certain Written Communications Between Management and Our Firm

A copy of significant written communication between our firm and the management of the Corporation is the representation letter and is attached as Exhibit A.

Batavia Development Corporation
Summary of Significant Accounting Estimates
Year Ended March 31, 2017

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Batavia Development Corporation's March 31, 2017 financial statements:

| Area | Accounting Policy | Management's Estimation Process | Basis of our conclusions on Reasonableness of Estimate |
|---------------------------|---|--|---|
| Donated Properties | The Batavia Development Corporation's donated properties are valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. | Management has described the valuation techniques used for valuing the donated properties at fair value in the financial statements. | Management's process to evaluate fair value appears reasonable. |

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Batavia Development Corporation
Year End: March 31, 2017
Summary of Recorded Audit Adjustments
Date: 4/1/2016 To 3/31/2017

| Number | Date | Name | Account No | Debit | Credit |
|---|-----------|---|------------|------------|------------|
| Net Income (Loss) Before Adjustments | | | | | |
| AJE #1 | 3/31/2017 | Property | 1100 | 167,120.00 | |
| AJE #1 | 3/31/2017 | Non-Operating Revenue - Property Donation | 5900.02 | | 167,120.00 |
| Adjustment to record the property donation at the FMV of \$167,200. | | | | 167,120.00 | 167,120.00 |

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 Statements which might impact the Corporation are as follows:

Summary of GASB Statement No. 84, *Fiduciary Activities*

This Statement issued in January 2017 will be effective for the Corporation beginning with its fiscal year ending March 31, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Summary of GASB Statement No. 85, *Omnibus 2017*

This Statement issued in March 2016 will be effective for the Corporation beginning with its fiscal year ending March 31, 2019. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements.

Specifically, this Statement addresses topics regarding (1) blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, (2) reporting amount previously reported as goodwill and "negative" goodwill, (3) classifying real estate held by insurance entities, (4) measuring certain money market investments and participating interest earning investment contracts at amortized cost, (5) timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, (6) recognizing on-behalf payments for pensions or OPEB in employer financial statements, (7) classifying employer-paid member contributions for OPEB, (8) simplifying certain aspects of the alternative measurement method for OPEB, and (9) accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

EXHIBIT A - CERTAIN WRITTEN COMMUNICATION
BETWEEN MANAGEMENT AND OUR FIRM