

BATAVIA DEVELOPMENT CORPORATION
REPORT TO THE BOARD OF DIRECTORS
MARCH 31, 2018

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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	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 9, 2018. 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 and planned audit response to 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 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."

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.
Letter Communicating an Other Matter	We have separately communicated an other matter identified during our audit of the financial statements. This communication is attached as Exhibit A.
Certain Written Communication Between Management and Our Firm	Copies of material written communication between our firm and the management of the Corporation, including the representation letter provided to us by management, is attached as Exhibit B.

**Batavia Development Corporation
Summary of Significant Accounting Estimates
Year Ended March 31, 2018**

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, 2018 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.

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.

Summary of GASB Statement No. 87, *Leases*

This Statement issued in June 2017 will be effective for the Corporation with its fiscal year ending December 31, 2020. 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 December 15, 2019. Earlier application is encouraged.

EXHIBIT A - LETTER COMMUNICATING AN OTHER MATTER



Letter Communicating an Other Matter

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

This letter includes comments and suggestions with respect to a matter that came to our attention in connection with our audit of the financial statements of the Batavia Development Corporation (the Corporation) as of and for the year ended March 31, 2018. This item is offered as constructive suggestion to be considered part of the ongoing process of modifying and improving the Corporation's practices and procedures.

OTHER MATTER

Bank Reconciliations and Journal Entries

Observation

The Corporation does not currently have someone sign off on their bank reconciliations and journal entries after they are independently reviewed.

Recommendation

We recommend that the bank reconciliations and journal entries be formally signed and dated after the review.

This letter is intended solely for the information and use of management, Board of Directors, others within the Corporation, 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 26, 2018

EXHIBIT B - CERTAIN WRITTEN COMMUNICATION
BETWEEN MANAGEMENT AND OUR FIR

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

July 26, 2018

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, Ellicott Station, LLC (ESL), as of and for the years ended March 31, 2018 and 2017, 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 May 9, 2018, 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, 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.
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. The fair value of property purchased from the City of Batavia in accordance with Government Accounting Standards Board Statement No. 72;
 - b. Net position; and
 - c. All significant estimates known to management that are required to be disclosed.
 - d. Accounting 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 entity 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 are aware of no 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.

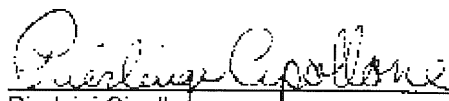
- e. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report 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, if applicable.
10. 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 Mary Valle, Treasurer, 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


Pierluigi Cipollone
President


Mary Valle
Treasurer