

DRESCHER & MALECKI LLP

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June 28, 2023

Board of Directors of the
Batavia Development Corporation:

We have audited the consolidated financial statements of the Batavia Development Corporation and its wholly owned subsidiary Creek Park LLC (collectively referred to as the "Corporation"), as of and for the year ended March 31, 2023, and have issued our report thereon dated June 28, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 26, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the consolidated financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate; and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation is included in Note 2 to the consolidated financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended March 31, 2023.

During the year ended March 31, 2023, the Corporation implemented GASB Statements GASB Statements No. 87, *Leases*; No. 91, *Conduit Debt Obligations*; and No. 93, *Replacement of Interbank Offered Rates*. The implementation of GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 91 improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate ("IBOR"). The implementation of GASB Statements No. 87, 91, and 93 did not have a material impact on the Corporation's financial position or results from operations.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We are not aware of any significant estimates related to the years ended March 31, 2023.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We encountered no significant unusual transactions throughout our audit.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the consolidated financial statements as a whole. Management has corrected all identified material misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The proposed adjusting journal entries for the year ended March 31, 2023 were brought to the attention of, and corrected by, management, are attached to the management representation letter dated June 28, 2023 as Exhibit I (copy attached).

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated June 28, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Corporation's auditors.

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This report is intended solely for the information and use of the Corporation's Board and management, and is not intended to be and should not be used by anyone other than these specified parties.

Drescher + Malecki LLP

June 28, 2023

BATAVIA DEVELOPMENT CORPORATION

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June 28, 2023

Drescher & Malecki LLP
3083 William Street, Suite 5
Buffalo, New York 14227

This representation letter is provided in connection with your audit of the consolidated financial statements of the Batavia Development Corporation and its wholly owned subsidiary Creek Park LLC (collectively referred to as the "Corporation"), which comprise the statements of financial position as of March 31, 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements, for the purpose of expressing an opinion on whether the consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 28, 2023:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 26, 2023, for the preparation and fair presentation of the consolidated financial statements referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the consolidated financial statements and the related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the consolidated financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- There are no identified material uncorrected misstatements.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All components of net position are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
- All interfund and intra-equity transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- All required supplementary information is measured and presented within the prescribed guidelines.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the consolidated financial statements, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.
- We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the Corporation's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the consolidated financial statements.

- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's consolidated financial statements communicated by employees, former employees, analysts, regulators, or others.
- We have no knowledge of any noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing the consolidated financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the consolidated financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the Corporation is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.

- Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
- Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Supplementary Information in Relation to the Financial Statement as a Whole

With respect to the Supplementary Information accompanying the consolidated financial statements:

- We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.
- We believe that the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations, underlying those measurements or presentations, are reasonable in the circumstances.
- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
- We acknowledge our responsibility to present the supplementary information with the audited consolidated financial statements or, if the supplementary information will not be presented with the audited consolidated financial statements, to make the audited consolidated financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

Other Specific Representations

- The Corporation has not completed the process of evaluating the impact that will result from adopting, effective for the year ending March 31, 2023, No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*, and No. 99, *Omnibus 2022*, effective for the year ending March 31, 2024, No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, and No. 101, *Compensated Absences*, effective for the year ending March 31, 2025. The Corporation is, therefore, unable to disclose the impact that adopting GASB Statements No. 94, 96, 96, 100 and 101 will have on its financial position and results of operations when such statements are adopted.
- Management agrees with the proposed adjusting journal entries as presented in Exhibit I.
- Management has evaluated subsequent events through June 28, 2023, which is the date the consolidated financial statements are available for issuance, and have determined there are no subsequent events, that require disclosure under generally accepted accounting principles.
- The Corporation has determined that they are not a component unit of the City of Batavia, New York.

- During the year ended March 31, 2023, the Corporation coordinated a reimbursable pass-through grant agreement with the New York State Office of Community Renewal. The Corporation passed-through \$110,000 and \$100,000 to Just Chez Realty, LLC and Waggoner Holdings, LLC, respectively, which are reported as non-operating revenues and expenses. Similarly, during the year ended March 31, 2022, the Corporation coordinated a reimbursable pass-through grant agreement with the New York State Office of Community Renewal. The Corporation passed-through \$27,200 and \$137,600 to Vance Group, LLC and AGRV Properties, Inc., respectively, which are reported as non-operating revenues and expenses.
- In addition to the audit services, Drescher & Malecki LLP has assisted the Corporation in preparing the Corporation's consolidated financial statements for the years ended March 31, 2023 and 2022. With respect to the nonattest services provided, the Corporation has performed the following:
 - Made all management decisions and performed all management functions.
 - Designated Lisa Neary, City of Batavia Deputy Director of Finance, who we believe has suitable skill, knowledge, and/or experience to oversee this service.
 - Evaluated the adequacy and results of the services performed.
 - Evaluated and accepted responsibility for the results of the services performed.
 - Established and maintained internal controls, including monitoring ongoing activities.
- The Corporation's management understands that Drescher & Malecki LLP has not performed any management functions or made management decisions on behalf of the Corporation. Any nonattest services were performed in accordance with the applicable professional standards issued by the American Institute of Certified Public Accountants.
- In connection with the audit of the consolidated financial statements *of the Corporation*, which comprise the statement of financial position as of March 31, 2022 and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, for the purpose of expressing an opinion as to whether the Corporation presents fairly, in all material respects, the financial position, results of operations, and cash flows of the Corporation in conformity with U.S. GAAP we were previously provided with a representation letter under date of June 22, 2022. No information has come to our attention that would cause us to believe that any of those previous representations should be modified.



Tammy Hathaway, Director of Economic Development
Batavia Development Corporation

The Batavia Development Corporation is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. Send your completed complaint from or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Ave, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or by email at program.intake@usda.gov.

Batavia Development Corporation
Proposed Adjusting Journal Entries
Year Ended March 31, 2023

Exhibit I

Account	Description	Debit	Credit
Proposed Adjusting Journal Entry JE # 1			
For reporting purposes only: to record prior year ending net position and unearned revenues to balance trial balance and match prior year financial statements			
001.9000	Equity	\$ -	\$ 190,846
002.9000	Equity	-	100
001.7000	Professional services	12,643	-
Total		12,643	190,946
Proposed Adjusting Journal Entry JE # 2			
For reporting purposes only: to accrue additional payable.			
002.7000	Professional services	1,140	-
002.2000	Accounts payable	-	1,140
Total		\$ 1,140	\$ 1,140