

C LAYTON LOCAL DEVELOPMENT
CORPORATION

FINANCIAL STATEMENTS

December 31, 2017

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CLAYTON LOCAL DEVELOPMENT CORPORATION

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BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF CLAYTON LOCAL DEVELOPMENT CORPORATION

Report on the Financial Statements

We have audited the accompanying financial statements of Clayton Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clayton Local Development Corporation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

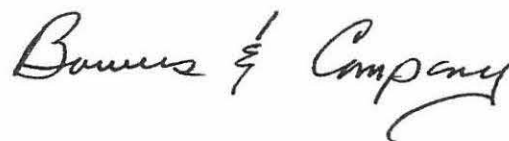
As discussed in Note 10 to the financial statements, the December 31, 2016 net assets have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Clayton Local Development Corporation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2018, on our consideration of Clayton Local Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clayton Local Development Corporation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned to the right of the main body of text.

Watertown, New York
February 14, 2018

CLAYTON LOCAL DEVELOPMENT CORPORATION**AUDITED FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION**

December 31, 2017 with Comparative Totals for 2016

ASSETS		
	2017	2016 (Restated)
Cash	\$ 2,732	\$ 4,606
Grants Receivable	-	182,000
Utility Deposit	100	100
Equipment, Net	<u>60,714</u>	<u>72,857</u>
TOTAL ASSETS	<u><u>\$ 63,546</u></u>	<u><u>\$ 259,563</u></u>
LIABILITIES		
Accounts Payable	\$ 2,584	\$ 2,584
Note Payable	<u>-</u>	<u>182,000</u>
Total Liabilities	<u>2,584</u>	<u>184,584</u>
NET ASSETS		
Unrestricted:		
Unrestricted	59,462	74,979
Board Designated	<u>1,500</u>	<u>-</u>
Total Unrestricted Net Assets	<u>60,962</u>	<u>74,979</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 63,546</u></u>	<u><u>\$ 259,563</u></u>

See notes to financial statements.

CLAYTON LOCAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017 with Summarized Totals for 2016

	2017 Unrestricted	2016 (Summarized) (Restated)
SUPPORT AND REVENUE		
Grant Revenue	\$ 20,000	\$ 178,873
Contracted Services	10,000	10,000
Lease Revenue	4,675	-
Contributions	<u>1,500</u>	<u>40,000</u>
 Total Support and Revenue	 <u>36,175</u>	 <u>228,873</u>
 EXPENSES		
Program Service - Local Development	39,230	224,448
Management and General	<u>10,962</u>	<u>10,569</u>
 Total Expenses	 <u>50,192</u>	 <u>235,017</u>
 Change in Net Assets	 (14,017)	 (6,144)
 Net Assets, Beginning of Year as Restated	 <u>74,979</u>	 <u>81,123</u>
 Net Assets, End of Year	 <u><u>\$ 60,962</u></u>	 <u><u>\$ 74,979</u></u>

See notes to financial statements.

CLAYTON LOCAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017 with Summarized Totals for 2016

	Program Service Local Development	Management and General	2017	Totals 2016 (Summarized) (Restated)
Fees and Permits	\$ -	\$ 50	\$ 50	\$ 50
Grant Promotional Advertising	10	-	10	184,650
Insurance	-	1,337	1,337	1,590
Leased Management Fee	25,754	4,161	29,915	30,010
Legal Fees	-	-	-	117
Office Expense	945	153	1,098	1,119
Postage	12	2	14	11
Printing and Advertising	366	59	425	109
Professional Fees	-	5,200	5,200	5,218
Depreciation Expense	12,143	-	12,143	12,143
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUNCTIONAL EXPENSES	\$ 39,230	\$ 10,962	\$ 50,192	\$ 235,017
	<hr/>	<hr/>	<hr/>	<hr/>

See notes to financial statements.

CLAYTON LOCAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017 with Comparative Totals for 2016

	2017	2016 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (14,017)	\$ (6,144)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	12,143	12,143
(Increase) Decrease in Operating Assets:		
Grants Receivable	<u>182,000</u>	<u>(151,373)</u>
Net Cash Provided By (Used In) Operating Activities	<u>180,126</u>	<u>(145,374)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	-	144,750
Payments on Note Payable	<u>(182,000)</u>	<u>-</u>
Net Cash Provided By (Used In) Financing Activities	<u>(182,000)</u>	<u>144,750</u>
Net Decrease in Cash	(1,874)	(624)
Cash, Beginning of Year	<u>4,606</u>	<u>5,230</u>
Cash, End of Year	<u>\$ 2,732</u>	<u>\$ 4,606</u>

See notes to financial statements.

CLAYTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals For 2016

NOTE 1 – NATURE OF OPERATIONS

Clayton Local Development Corporation, (the “Corporation”), operates to relieve and reduce unemployment; to promote and provide for additional and maximum employment; to better and maintain job opportunities; to carry on research for the purpose of aiding the communities of the Town and Village of Clayton, New York by attracting business opportunities to said communities or encouraging the development of new, or retention of existing, business opportunities in the communities; lessening the burdens of government; and to act in the public interest including, promoting reuse of brownfield sites within the Town and Village of Clayton, New York.

The Corporation generates revenue primarily from grants and by providing grant administrative services through partnerships with the Town and Village of Clayton, New York.

The Corporation’s operations are concentrated in the Town and Village of Clayton, New York and such territory in proximity to these municipalities in which the use of the Corporation’s funds will have substantial positive impact on the economic welfare and prosperity of the Town and Village of Clayton, New York and its inhabitants.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation’s financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Corporation reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Corporation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals For 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Corporation's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Corporation considers the restriction met when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

CLAYTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals For 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefitted based on estimates of time and effort.

Equipment

Equipment has been recorded at cost. Repairs and maintenance not prolonging the useful life of assets are charged to expense in the year incurred and improvements, which extend the useful life of assets, are capitalized. Assets are depreciated over their estimated useful lives using the straight-line depreciation method. Generally, equipment, which has a cost of \$500 or more at the date of acquisition and has an expected useful life of greater than one year, is capitalized.

Tax Status and Open Tax Years

The Corporation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision has been made for federal or state taxes.

The Corporation has adopted the provisions of FASB ASC 740, *Income Taxes*. In determining the recognition of uncertain tax positions, the Corporation applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities.

The Corporation recognizes potential liabilities associated with anticipated tax audit issues that may arise during an examination. Interest and penalties that are anticipated to be due upon examination are recognized as accrued interest and other liabilities with an offset to interest and other expense. The Corporation analyzed its tax positions taken on their Federal and State tax returns for the open tax years 2014, 2015, and 2016. Based on this analysis, the Corporation determined that there were no uncertain tax positions and that the Corporation should prevail upon examination by the taxing authorities.

CLAYTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals For 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Statement of Cash Flows

There were no noncash investing or financing activities during 2017 and 2016.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Subsequent Events

Subsequent events were evaluated through February 14, 2018, which is the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash and cash equivalent balances at Watertown Savings Bank. At December 31, 2017 and 2016 there was not any balance that was in excess of FDIC coverage.

NOTE 4 – EQUIPMENT

Equipment consists of the following as of December 31:

	2017	2016
Equipment	\$ 85,000	\$ 85,000
Accumulated Depreciation	<u>(24,286)</u>	<u>(12,143)</u>
Equipment, Net	<u>\$ 60,714</u>	<u>\$ 72,857</u>

CLAYTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals For 2016

NOTE 4 – EQUIPMENT - Continued

The Corporations equipment is being leased to the Wood Boat Brewery LLC under an agreement signed March 1, 2015, terminating on March 1, 2022. Lease payments are received annually over the seven-year useful life period, beginning on March 1, 2017 in the amount of \$4,675. The lease agreement contains a bargain purchase option at the end of the lease term.

The following is a schedule by years of future minimum payments required under the lease:

Year Ending December 31:

2018	\$	4,675
2019		4,675
2020		4,675
2021		4,675
2022		<u>4,675</u>
Total Minimum Lease Payments	\$	<u><u>23,375</u></u>

NOTE 5 – NOTE PAYABLE

The Corporation's note payable consisted of an interest-free note payable to Thousand Islands Regional Tourism Development Corporation, due on completion of the Craft Beverage Industry Tourism Promotion Grant Program. For the year ended Decemebr 31, 2016, the note payable was in the amount of \$182,000. As of December 31, 2017, the grant program has been completed and the note payable had been paid in full.

NOTE 6 – MEMORANDA OF UNDERSTANDING

The Corporation entered into agreements with the Village of Clayton, New York to perform grant writing efforts reimbursable up to \$10,000 for both years ended December 31, 2017 and 2016.

CLAYTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals For 2016

NOTE 7 – CONCENTRATIONS

During the year ended December 31, 2016, the Corporation recognized \$178,873 as grant revenue. \$151,373 was used for the purpose of funding various initiatives with the purpose of growing the tourism in Jefferson County under the Craft Beverage Industry Tourism Promotion Grant Program for 2016. This makes up 85% of the total grant revenue for the 2016 fiscal year.

NOTE 8 – ADVERTISING

The Corporation uses advertising to notify the public of grant opportunities and to make public announcements. Advertising costs were expensed as incurred. Advertising expense was \$425 and \$109 for the years ended December 31, 2017 and 2016, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Corporation's Board of Directors includes officials from the Town and Village of Clayton, New York. Any agreements and arrangements the Corporation maintains with these entities are considered related party transactions.

The Corporation had the following transactions with related parties during the years ended December 31:

	2017	2016
Town of Clayton, New York		
Grant Revenue	\$ 10,000	\$ 17,500
Village of Clayton, New York		
Grant Revenue	10,000	10,000
Contracted Services Revenue	10,000	10,000
Riverside Media Group		
Printing and Advertising Expense	390	109

The Corporation also has a management leasing agreement with Clayton Improvement Association (CIA) to provide professional staffing and support services to the Corporation. CIA charged the Corporation for the cost of compensating the leased employees. The leased management fee was \$29,915 and \$30,010 for the years ended December 31, 2017 and 2016, respectively.

CLAYTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals For 2016

NOTE 10 – RESTATEMENT OF NET ASSETS

Certain adjustments were made for the year ended December 31, 2016 to correctly report grant revenues and expenses, including the matching portion covered by 1000 Islands Regional Tourism Council. The effect of the restatement is an increase in 2016 net assets of \$34,342.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE BOARD OF DIRECTORS OF CLAYTON LOCAL DEVELOPMENT CORPORATION

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clayton Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clayton Local Development Corporation's internal control over financial reporting (internal control) to determine the 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 Clayton Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Clayton Local Development Corporation'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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, 2017-001 and 2017-002.

Compliance and Other Matters

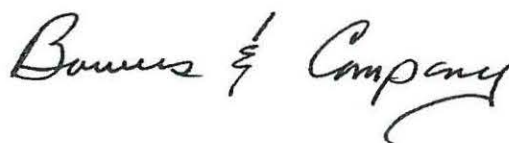
As part of obtaining reasonable assurance about whether Clayton Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Clayton Local Development Corporation's Response to Findings

Clayton Local Development Corporation's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Clayton Local Development Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Watertown, New York
February 14, 2018

CLAYTON LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2017

Significant Deficiency

2017-001 Preparation of Financial Statements

Condition: Management chooses to have the auditor prepare the financial statements, including full footnote disclosures, instead of preparing the financial statements themselves.

Criteria: The preparation of the financial statements by an auditor may be considered an internal control deficiency.

Cause: The Corporation does not have an employee on staff that has the qualifications and training to apply nonprofit generally accepted accounting principles in preparing the financial statements.

Effect: While it is common practice for the auditor to prepare financial statements; management's choice to have the auditor prepare financial statements is a significant deficiency.

Recommendation: An appropriate control could be hiring additional staff with the knowledge and ability to prepare the financial statements or hiring another accountant to prepare the financial statement before the audit commences.

**Management's
Response:** The Corporation will continue to have the CPA firm prepare the financial statements. There would be no benefit to preparing the statements internally, and the cost would be prohibitive.

CLAYTON LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES - Continued

December 31, 2017

Significant Deficiency

2017-002 Segregation of Duties

Condition: Due to the size of the Corporation, there is limited segregation of duties related to cash receipts, disbursements, and reconciliations.

Criteria: The Corporation needs to divide and assign tasks among various individuals to reduce the risks of error and fraud.

Cause: The Corporation only has one individual on staff that handles cash receipts, cash disbursements, and who also prepares bank reconciliations.

Effect: The Corporation may be susceptible to both intentional and unintentional errors being made and going undetected.

Recommendation: The Board of Directors should be aware that this condition is a significant deficiency and will be in future years unless the Corporation is able to segregate the duties among various individuals.

**Management's
Response:** The Corporation currently only has one individual that is responsible for cash receipts, cash disbursements, and bank account reconciliations. The Corporation recognizes that this is viewed as a significant deficiency; however, it is not financially feasible at this time to hire additional staff to segregate such duties.



To the Board of Directors and Management of
Clayton Local Development Corporation

In planning and performing our audit of the financial statements of Clayton Local Development Corporation for the year ended December 31, 2017 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 our auditing procedures 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.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls and operating efficiency. This letter summarizes our comment and recommendation regarding the matter. This letter does not affect our report dated February 14, 2018, on the financial statements of Clayton Local Development Corporation.

Internal Financial Reporting and Recordkeeping

It was found that the Corporation's financial statements are maintained on a month-to-month basis using the cash basis and related receivables and payables are not properly accounted for in the accounting system. As the recipient of grant awards, the Corporation's financial statements should reflect gross amounts of related grant revenues and expenses, including matching requirements covered by outside Organizations on the accrual basis of accounting on a monthly basis.

Recommendation

We recommend that the monthly financial statements and records are updated to reflect financial activity on the accrual basis, including recording any necessary receivables and payables, specifically related to grant agreements and related expenditures. Also, when the Corporation receives grant awards, the Corporation needs to ensure it is recording all related revenues and expenditures in accordance with grant agreements, specifically any matching fund requirements which are being supported by an outside Organization.

Board of Directors and Management
Clayton Local Development Corporation
December 31, 2017
Page 2

We will review the status of the comment during our next audit engagement. We have already discussed the comment and recommendation with the Corporation's management and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation.

Burns & Company

Watertown, New York
February 14, 2018



February 14, 2018

To the Board of Directors
Clayton Local Development Corporation

We have audited the financial statements of Clayton Local Development Corporation for the year ended December 31, 2017, and have issued our report thereon dated February 14, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 13, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Clayton Local Development Corporation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on economic useful lives of capital asset classes. We evaluated the key factors and assumptions used to develop the depreciation calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule of material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 14, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Directors
Clayton Local Development Corporation
February 14, 2018
Page 3

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Clayton Local Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company

Attached Material Misstatements:

Adjusting Journal Entries JE # 1

To Post Payable to Correct Liability Account

0406	Grant Payable	83,836.00	
0402	Accounts Payable		83,836.00
Total		83,836.00	83,836.00

Adjusting Journal Entries JE # 2

To record Depreciation for the Current Year

2600	Program Exp: Depreciation Expense	12,143.00	
0302	Equipment: Accumulated Depreciation		12,143.00
Total		12,143.00	12,143.00

Adjusting Journal Entries JE # 3

To adjust related grant accounts to actual

0406	Grant Payable	106,952.00	
0220	Grant Receivable: Craft Beverage Promotion Grant		72,610.00
0501	Net Assets		34,342.00
Total		106,952.00	106,952.00