

**C** LAYTON LOCAL DEVELOPMENT  
CORPORATION

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*FINANCIAL STATEMENTS*

December 31, 2015

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**BOWERS & COMPANY**  
**CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

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**BOARD OF DIRECTORS**

**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, 2015, 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.

**Auditor's 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 auditor's 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, 2015, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Clayton Local Development Corporation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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 1, 2016, 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.

*Bowers & Company*

Watertown, New York  
February 1, 2016

CLAYTON LOCAL DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

December 31, 2015 with Comparative Totals for 2014

	ASSETS	
	2015	2014
Cash	\$ 5,230	\$ 13,190
Grants Receivable	37,350	0
Note Receivable	28,050	0
Utility Deposit	100	100
<b>TOTAL ASSETS</b>	<b>\$ 70,730</b>	<b>\$ 13,290</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 2,484	\$ 2,484
Note Payable	37,350	0
Total Liabilities	39,834	2,484
<b>NET ASSETS</b>		
Unrestricted	30,896	10,806
Total Net Assets	30,896	10,806
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 70,730</b>	<b>\$ 13,290</b>

See notes to financial statements.

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**CLAYTON LOCAL DEVELOPMENT CORPORATION**

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**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2015 with Summarized Totals for 2014

	2015 Unrestricted	2014 (Summarized)
<b>SUPPORT AND REVENUE</b>		
Grant Revenue	\$ 142,350	\$ 146,825
Contracted Services	10,000	10,000
Contributions	0	126,640
Miscellaneous	0	700
	<hr/>	<hr/>
Total Support and Revenue	152,350	284,165
<b>EXPENSES</b>		
Program Service:		
Local Development	120,055	284,535
Supporting Service:		
Management and General	12,205	10,999
	<hr/>	<hr/>
Total Expenses	132,260	295,534
Change in Net Assets	20,090	(11,369)
Net Assets, Beginning of Year	10,806	22,175
	<hr/>	<hr/>
Net Assets, End of Year	\$ 30,896	\$ 10,806
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See notes to financial statements.

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**CLAYTON LOCAL DEVELOPMENT CORPORATION**

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**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2015 with Summarized Totals for 2014

	<b>Program Service Local Development</b>	<b>Management and General</b>	<b>2015</b>	<b>Totals 2014 (Summarized)</b>
Grants Paid	\$ 56,950	\$ 0	\$ 56,950	\$ 253,466
Grant Promotional Advertising	37,350	0	37,350	0
Management Fee	24,573	5,242	29,815	29,811
Legal Fees	107	23	130	602
Fees and Permits	0	50	50	35
Office Expense	907	193	1,100	225
Printing and Advertising	168	36	204	1,395
Professional Fees	0	5,000	5,000	4,950
Other Administrative Expense	0	1,661	1,661	50
Bad Debt	0	0	0	5,000
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 120,055</b>	<b>\$ 12,205</b>	<b>\$ 132,260</b>	<b>\$ 295,534</b>

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See notes to financial statements.

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**CLAYTON LOCAL DEVELOPMENT CORPORATION**

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**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2015 with Comparative Totals for 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 20,090	\$ (11,369)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	0	5,000
Grants Receivable	(37,350)	9,424
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	0	(2,484)
Grants Payable	0	(18,848)
Deferred Revenue	0	(126,640)
Net Cash (Used In) Operating Activities	<u>(17,260)</u>	<u>(144,917)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Issuance of Note Receivable	<u>(28,050)</u>	<u>0</u>
Net Cash (Used In) Investing Activities	<u>(28,050)</u>	<u>0</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Note Payable	<u>37,350</u>	<u>0</u>
Net Cash Provided By Financing Activities	<u>37,350</u>	<u>0</u>
Net (Decrease) in Cash	(7,960)	(144,917)
Cash, Beginning of Year	<u>13,190</u>	<u>158,107</u>
Cash, End of Year	<u>\$ 5,230</u>	<u>\$ 13,190</u>

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See notes to financial statements.



## CLAYTON LOCAL DEVELOPMENT CORPORATION

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### NOTES TO FINANCIAL STATEMENTS

December 31, 2015 with Comparative Totals For 2014

#### NOTE 1 – NATURE OF OPERATIONS

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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

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##### **Basis of Accounting**

The Corporation’s financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned rather than received, and expenses are recognized when incurred, rather than when the obligation is paid.

##### **Basis of Presentation**

Financial statement presentation is in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not for Profit Organizations*. Under ASC 958-205, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

## CLAYTON LOCAL DEVELOPMENT CORPORATION

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### NOTES TO FINANCIAL STATEMENTS

December 31, 2015 with Comparative Totals For 2014

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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.

##### **Notes Receivable**

Notes receivable are carried at face plus accrued interest, if any. Management determines notes are past due under the contractual method. Overdue notes are placed on non-accrual status when management determines there is a substantial doubt as to the total collectability of the note. Notes are written off when all collection efforts have been exhausted.

##### **Bad Debts**

The Corporation has elected not to establish a reserve for bad debts since all receivables are deemed collectible. An allowance will be established when an event occurs in the future that would necessitate a reserve.

##### **Tax Status**

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.

## CLAYTON LOCAL DEVELOPMENT CORPORATION

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### NOTES TO FINANCIAL STATEMENTS

December 31, 2015 with Comparative Totals For 2014

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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##### **Tax Status - Continued**

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 2012, 2013, and 2014. 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.

##### **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, 2014, from which the summarized information was derived.

#### NOTE 3 – CASH

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Cash held by the Corporation at December 31, 2015 and 2014 was adequately insured and collateralized.

#### NOTE 4 – NOTE RECEIVABLE

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The Corporation has an outstanding note receivable due from Wood Boat Brewery LLC for equipment purchased through the Rural Business Enterprise Grant (RBEG) in the amount of \$28,050 and \$0 at December 31, 2015 and 2014, respectively. The note will be collected in principal installments of \$4,675 per year for 6 years, beginning in 2017 and bears no interest.

## CLAYTON LOCAL DEVELOPMENT CORPORATION

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### NOTES TO FINANCIAL STATEMENTS

December 31, 2015 with Comparative Totals For 2014

#### NOTE 5 – NOTE PAYABLE

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The Corporation's note payable consists 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 in the amount of \$37,350 and \$0 as of December 31, 2015 and 2014, respectively.

#### NOTE 6 – MEMORANDA OF UNDERSTANDING

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The Corporation entered into agreements with the Village of Clayton, New York to perform grant writing efforts reimbursable up to \$10,000 during the periods June 1, 2014 through May 31, 2015 and June 1, 2015 through May 31, 2016.

#### NOTE 7 – CONCENTRATIONS

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During the year ended December 31, 2015, the Corporation recognized \$122,350 as grant revenues. \$85,000 was used to purchase equipment and make a note receivable for the Wood Boat Brewery LLC for craft beverage production. The remaining \$37,350 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.

The Village and Town of Clayton, New York provide annual stipends to the Corporation totaling \$30,000, which account for the remaining 20% of the Corporation's total support and revenue. Although there are no current indications that the Village or Town of Clayton, New York intends to discontinue these stipends, if this funding is discontinued in the future, the Corporation would have difficulty continuing as a going concern.

#### NOTE 8 – CONTINGENCIES

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The Corporation classified the Executive Director as an independent contractor for payroll tax purposes until July 1, 2013, however, according to IRC §3121(d)(1), "any officer of a corporation" is considered an employee. If the Corporation were subject to a payroll audit it is possible that the Internal Revenue Service could require the Corporation to retroactively reclassify the Executive Director as an employee and remit any payroll taxes due, including interest and penalties. The Corporation has not recorded a contingent liability in the financial statements, but estimates the resultant liability to be approximately \$19,000.

## CLAYTON LOCAL DEVELOPMENT CORPORATION

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### NOTES TO FINANCIAL STATEMENTS

December 31, 2015 with Comparative Totals For 2014

#### NOTE 8 – CONTINGENCIES - Continued

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Financial awards from federal, state, and local government entities in the form of grants are subject to special audit. Such audits could result in claims against the Corporation for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

#### NOTE 9 – ADVERTISING

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The Corporation uses advertising to notify the public of grant opportunities and to make public announcements. Advertising costs are expensed as incurred.

#### NOTE 10 – RELATED PARTY TRANSACTIONS

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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.

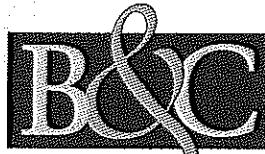
The Corporation had the following transactions with related parties during the years ended December 31:

	2015	2014
<b>Town of Clayton, New York</b>		
Grant Revenue	\$ 10,000	\$ 10,000
<b>Village of Clayton, New York</b>		
Grant Revenue	10,000	10,000
Contracted Services Revenue	10,000	10,000
Grants Paid Expense	0	253,280
<b>Riverside Media Group</b>		
Printing and Advertising Expense	195	395

#### NOTE 11 – SUBSEQUENT EVENTS

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Subsequent events were evaluated through February 1, 2016, the date the financial statements were available to be issued.



**BOWERS & COMPANY**  
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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**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**

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**BOARD OF DIRECTORS**  
**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, 2015, 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 1, 2016.

**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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, 2015-01.

### **Compliance and Other Matters**

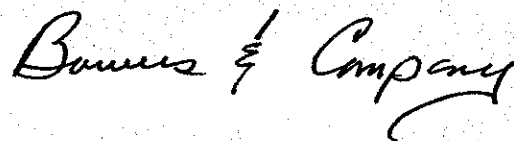
As part of obtaining reasonable assurance about whether Clayton Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 finding identified in our audit is described in the accompanying schedule of findings and responses. Clayton Local Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 1, 2016

**CLAYTON LOCAL DEVELOPMENT CORPORATION**

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**SCHEDULE OF FINDINGS AND RESPONSES**

December 31, 2015

**Significant Deficiencies**

**2015-01      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.

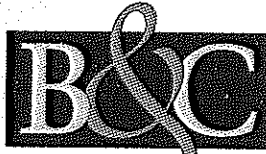
Cause: The Corporation does not have an employee on staff that has the qualifications and training to apply nonprofit generally accepted accounting principles in preparing the financial statements.

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

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.





**BOWERS & COMPANY**  
**CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS · BUSINESS CONSULTANTS

February 1, 2016

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, 2015 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 matter that is an opportunity for strengthening internal controls and operating efficiency. This letter summarizes our comment and suggestion regarding that matter. This letter does not affect our report dated February 1, 2016, on the financial statements of Clayton Local Development Corporation.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion 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 this matter, or to assist you in implementing the recommendation. Our comment is summarized as follows:

***Organizational Structure***

The size of the Corporation's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Corporation to provide enough oversight and independent review functions.

We wish to thank the Executive Director and Board of Directors for their support and assistance during our audit.

To the Board of Directors and Management of  
Clayton Local Development Corporation  
February 1, 2016  
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This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

*Bowman & Company*

Watertown, New York



**BOWERS & COMPANY**  
**CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS · BUSINESS CONSULTANTS

February 1, 2016

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, 2015, and have issued our report thereon dated February 1, 2016. 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 December 1, 2015. 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 2015. 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 contingent liability is based on estimated payroll tax rates. We evaluated the key factors and assumptions used to develop the estimated payroll tax rates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of concentrations in Note 7 to the financial statements discloses the Corporation's concentration of revenue and the effect of this concentration on its ability to continue as a going concern.

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 following 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 auditor's 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 1, 2016.

#### *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 Organization'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.

Clayton Local Development Corporation

February 1, 2016

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*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 Organization'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 adjust beginning net assets to prior period audit.

0210	Grant Receivable		
0201	Accounts Receivable	13,527.00	
0502	Retained Earnings		5,000.00
<b>Total</b>		<u>13,527.00</u>	<u>8,527.00</u>
		<u><b>13,527.00</b></u>	<u><b>13,527.00</b></u>

**Adjusting Journal Entries JE # 2**

To correct Craft Brewery receivables/payables to actual.

0220	Grant Receivable: Craft Beverage Promotion Grant		
0305	Craft Beverage Promotion	56,025.00	
0406	Grants Payable		18,675.00
<b>Total</b>		<u>56,025.00</u>	<u>37,350.00</u>
		<u><b>56,025.00</b></u>	<u><b>56,025.00</b></u>

**Adjusting Journal Entries JE # 5**

To reclassify note receivable from expenses.

0225	RBEG Note Receivable		
3600	USDA RBEG	28,050.00	
<b>Total</b>		<u>28,050.00</u>	<u>28,050.00</u>
		<u><b>28,050.00</b></u>	<u><b>28,050.00</b></u>