

C LAYTON LOCAL DEVELOPMENT
CORPORATION

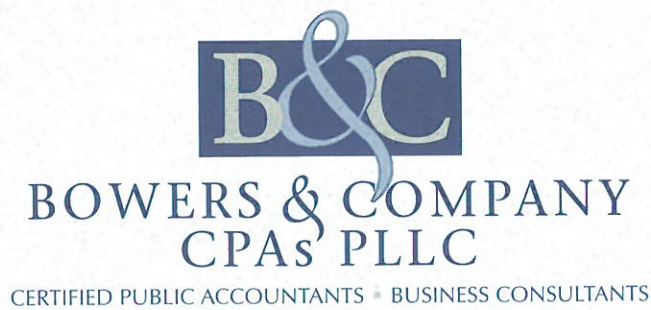
FINANCIAL STATEMENTS

December 31, 2016

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CLAYTON LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 3, 2017, 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.

Burns & Company

Watertown, New York
February 3, 2017

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

December 31, 2016 with Comparative Totals for 2015

ASSETS		
	2016	2015 (Restated)
Cash	\$ 4,606	\$ 5,230
Grants Receivable	156,446	30,627
Utility Deposit	100	100
Equipment, Net	<u>72,857</u>	<u>85,000</u>
TOTAL ASSETS	<u><u>\$ 234,009</u></u>	<u><u>\$ 120,957</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 2,584	\$ 2,484
Note Payable	<u>190,788</u>	<u>37,350</u>
Total Liabilities	<u>193,372</u>	<u>39,834</u>
NET ASSETS		
Unrestricted	<u>40,637</u>	<u>81,123</u>
Total Net Assets	<u>40,637</u>	<u>81,123</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 234,009</u></u>	<u><u>\$ 120,957</u></u>

See notes to financial statements.

CLAYTON LOCAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016 with Summarized Totals for 2015

	2016 Unrestricted	2015 (Summarized) (Restated)
SUPPORT AND REVENUE		
Grant Revenue	\$ 153,319	\$ 135,627
Contracted Services	<u>10,000</u>	<u>10,000</u>
Total Support and Revenue	<u>163,319</u>	<u>145,627</u>
EXPENSES		
Program Service:		
Local Development	193,236	63,105
Supporting Service:		
Management and General	<u>10,569</u>	<u>12,205</u>
Total Expenses	<u>203,805</u>	<u>75,310</u>
Change in Net Assets	(40,486)	70,317
Net Assets, Beginning of Year as Restated	<u>81,123</u>	<u>10,806</u>
Net Assets, End of Year	<u>\$ 40,637</u>	<u>\$ 81,123</u>

See notes to financial statements.

CLAYTON LOCAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016 with Summarized Totals for 2015

	Program Service Local Development	Management and General	Totals 2016	2015 (Summarized) (Restated)
Grant Promotional Advertising	\$ 153,438	\$ 0	\$ 153,438	\$ 37,350
Leased Management Fee	26,460	3,550	30,010	29,815
Legal Fees	103	14	117	130
Fees and Permits	0	50	50	50
Office Expense	986	133	1,119	1,100
Printing and Advertising	106	3	109	204
Professional Fees	0	5,218	5,218	5,000
Other Administrative Expense	0	1,601	1,601	1,661
Depreciation Expense	12,143	0	12,143	0
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TOTAL FUNCTIONAL EXPENSES	<u>\$ 193,236</u>	<u>\$ 10,569</u>	<u>\$ 203,805</u>	<u>\$ 75,310</u>

See notes to financial statements.

CLAYTON LOCAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2016 with Comparative Totals for 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (40,486)	\$ 70,317
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	12,143	0
(Increase) in Operating Assets:		
Grants Receivable	<u>(125,819)</u>	<u>(30,627)</u>
Net Cash Provided By (Used In) Operating Activities	<u>(154,162)</u>	<u>39,690</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	<u>0</u>	<u>(85,000)</u>
Net Cash Used In Investing Activities	<u>0</u>	<u>(85,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	<u>153,538</u>	<u>37,350</u>
Net Cash Provided By Financing Activities	<u>153,538</u>	<u>37,350</u>
Net Decrease in Cash	(624)	(7,960)
Cash, Beginning of Year	<u>5,230</u>	<u>13,190</u>
Cash, End of Year	<u>\$ 4,606</u>	<u>\$ 5,230</u>

See notes to financial statements.

CLAYTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 with Comparative Totals For 2015

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. 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 with Comparative Totals For 2015

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.

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.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 with Comparative Totals For 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 2013, 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.

Statement of Cash Flows

There were no noncash investing activities during 2016 and 2015

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, 2015, from which the summarized information was derived.

Date of Management's Review

Management has evaluated subsequent events through February 3, 2017.

NOTE 3 – CREDIT RISK

The Corporation maintains cash deposits in local federally insured banks. At times the balances in these accounts may be in excess of federally insured limits. At December 31, 2016 and 2015 there were no deposits in excess of FDIC coverage.

CLAYTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 with Comparative Totals For 2015

NOTE 4 – NOTE PAYABLE

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 \$190,788 and \$37,350 as of December 31, 2016 and 2015, respectively.

NOTE 5 – 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, 2016 and 2015.

NOTE 6 – CONCENTRATIONS

During the year ended December 31, 2016, the Corporation recognized \$153,319 as grant revenue. \$125,819 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 82% of the total grant revenue for the 2016 fiscal year.

During the year ended December 31, 2015, the Corporation recognized \$135,627 as grant revenues. \$85,000 was used to purchase equipment for the Wood Boat Brewery LLC for craft beverage production through a USDA Rural Business Enterprise Grant. This made up 63% of the total grant revenue for the 2015 fiscal year. Grant monies of \$30,627 were used for the purpose of funding various initiatives with the purpose of growing tourism in Jefferson County under the Craft Beverage Industry Tourism Promotion Grant Program. This made up 23% of the total grant revenue for the 2015 fiscal year.

NOTE 7 – 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 \$109 and \$204 for the years ended December 31, 2016 and 2015, respectively.

CLAYTON LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 with Comparative Totals For 2015

NOTE 8 – 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:

	2016	2015
Town of Clayton, New York		
Grant Revenue	\$ 17,500	\$ 10,000
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	109	195

The LDC also has a management leasing agreement with Clayton Improvement Association (CIA) to provide professional staffing and support services to the LDC. CIA charged the LDC for the cost of compensating the leased employees. The leased management Fee was \$30,010 and \$29,815 for the years ended December 31, 2016 and 2015, respectively.

NOTE 9 – RESTATEMENT OF NET ASSETS

Certain adjustments were made for the year ended December 31, 2016 to correct errors discovered in the recording of grant revenues and expenses. The effect of the restatement is an increase in 2015 net earnings of \$50,227.



**BOWERS & COMPANY
CPAs PLLC**

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**

**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, 2016, 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 3, 2017.

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, 2016-01.

Compliance and Other Matters

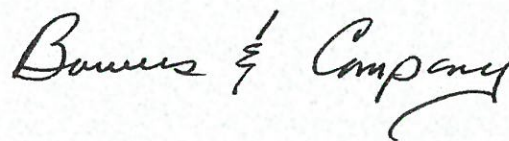
As part of obtaining reasonable assurance about whether Clayton Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 3, 2017

CLAYTON LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2016

Significant Deficiencies

2016-01 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 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,

