



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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, 2016 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 3, 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:

Segregation of Duties

Due to the size of the entity there is limited segregation of duties. The Organization's small staff limits the extent of separation of duties. This presents the risk for both intentional and unintentional errors to be made and go undetected. There is no recommendation to change the current organizational procedures and personnel, only acknowledgement that this is considered a significant deficiency in internal control.

A handwritten signature in cursive script that reads "Bowers & Company".

Watertown, New York
February 3, 2017



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CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

February 3, 2017

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, 2016, and have issued our report thereon dated February 3, 2017. 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 November 28, 2016. 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 2016. 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.

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 6 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 3, 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.

Board of Directors
Clayton Local Development Corporation
February 3, 2017
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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 net assets to actual per PY audit			
0220	Grant Receivable: Craft Beverage Promotion Grant	18,675.00	
0502	Retained Earnings		18,675.00
Total		18,675.00	18,675.00

Adjusting Journal Entries JE # 4			
To adjust rec and payables to actual.			
0220	Grant Receivable: Craft Beverage Promotion Grant	125,819.00	
1030	Craft Beverage Promotion Program	27,619.00	
0406	Grant Payable		153,438.00
Total		153,438.00	153,438.00

Adjusting Journal Entries JE # 5			
To record 2016 Depreciation			
2300	CLDC: Depreciation Expense	12,143.00	
0302	Equipment: Accumulated Depreciation		12,143.00
Total		12,143.00	12,143.00