

**C** LAYTON LOCAL DEVELOPMENT  
CORPORATION

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***FINANCIAL STATEMENTS***

December 31, 2013

# Table of Contents

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## CLAYTON LOCAL DEVELOPMENT CORPORATION

INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	3
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
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 <i>GOVERNMENT AUDITING STANDARDS</i>	14



# BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT**

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### **BOARD OF DIRECTORS CLAYTON LOCAL DEVELOPMENT CORPORATION**

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, 2013, 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.

1200 AXA Tower I, 100 Madison Street, Syracuse, NY 13202 Phone: 315.234.1100 • Fax 315.234.1111  
167 Polk Street, Suite 340, Watertown, NY 13601 Phone: 315.788.7690 • Fax 315.788.0966  
145 Clinton Street, Watertown, NY 13601 Phone: 315.788.5490 • Fax 315.788.7147

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

## **Opinion**

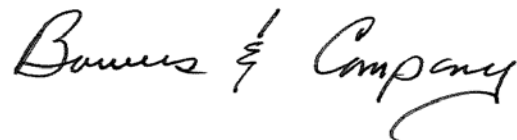
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clayton Local Development Corporation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Clayton Local Development Corporation's 2012 financial statements, and our report dated February 15, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, 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 21, 2014, 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 black ink that reads "Banner & Company". The signature is written in a cursive, flowing style.

Watertown, New York  
February 21, 2014

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

December 31, 2013 with Comparative Totals for 2012

<b>ASSETS</b>		
	<b>2013</b>	<b>2012</b>
Cash	\$ 158,107	\$ 6,633
Accounts Receivable	5,000	9,569
Grants Receivable	9,424	0
Utility Deposit	100	100
Due From Town	0	210,150
Land Held for Sale	0	188,674
Land Improvements	0	243,033
Equipment, Net	0	52
<b>TOTAL ASSETS</b>	<u><u>\$ 172,631</u></u>	<u><u>\$ 658,211</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 4,968	\$ 2,558
Grants Payable	18,848	0
Deferred Revenue	126,640	0
Refundable Deposits	0	210,150
Short-Term Debt	0	15,000
Long-Term Debt	0	181,000
Total Liabilities	<u>150,456</u>	<u>408,708</u>
<b>NET ASSETS</b>		
Unrestricted	<u>22,175</u>	<u>249,503</u>
Total Net Assets	<u>22,175</u>	<u>249,503</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 172,631</u></u>	<u><u>\$ 658,211</u></u>

See notes to financial statements.

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**CLAYTON LOCAL DEVELOPMENT CORPORATION**

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**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2013 with Summarized Totals at December 31, 2012

	<b>2013</b>	<b>2012</b>
	<b>Unrestricted</b>	
<b>SUPPORT AND REVENUE</b>		
Grant Revenue	\$ 143,360	\$ 161,157
Contracted Services	11,067	18,544
In-Kind Donations	10,068	14,230
Contributions	123,360	0
Miscellaneous	12	0
Loss on Sale of Property & Equipment	<u>(208,716)</u>	<u>0</u>
Total Support and Revenue	<u>79,151</u>	<u>193,931</u>
<b>EXPENSES</b>		
Program Service:		
Local Development	299,819	161,722
Supporting Service:		
Management and General	<u>6,660</u>	<u>35,418</u>
Total Expenses	<u>306,479</u>	<u>197,140</u>
Change in Net Assets	(227,328)	(3,209)
Net Assets, Beginning of Year	<u>249,503</u>	<u>252,712</u>
Net Assets, End of Year	<u>\$ 22,175</u>	<u>\$ 249,503</u>

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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, 2013 with Summarized Totals at December 31, 2012

	<b>Program Service Local Development</b>	<b>Management and General</b>	<b>2013 Total</b>	<b>2012 Total</b>
Grants Paid	\$ 246,720	\$ 0	\$ 246,720	\$ 136,686
Management Fee	33,823	2,978	36,801	39,360
Legal Fees	0	203	203	0
Fees and Permits	0	60	60	125
Office Supplies	0	129	129	574
Office Expense	8,775	1,774	10,549	14,499
Printing and Advertising	0	715	715	234
Travel and Training	0	268	268	0
Professional Fees	4,402	388	4,790	5,417
Other Administrative Expense	16	142	158	140
Bad Debt	6,034	0	6,034	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation	299,770	6,657	306,427	197,035
Depreciation Expense	49	3	52	105
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 299,819</u>	<u>\$ 6,660</u>	<u>\$ 306,479</u>	<u>\$ 197,140</u>

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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, 2013 with Comparative Totals for 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets (Deficit)	\$ (227,328)	\$ (3,209)
Adjustments to Reconcile Change in Net Income to Net Cash Provided By Operating Activities:		
Depreciation Expense	52	105
Loss on Disposal of Property and Equipment	208,716	0
(Increase) Decrease in Operating Assets:		
Accounts Receivable	4,569	(8,543)
Grants Receivable	(9,424)	261,809
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	2,410	(365)
Grants Payable	18,848	(248,280)
Deferred Revenue	126,640	0
Net Cash Provided By Operating Activities	<u>124,483</u>	<u>1,517</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Property and Equipment, Net	222,991	0
Due From Town	210,150	(210,150)
Refundable Deposits	<u>(210,150)</u>	<u>210,150</u>
Net Cash Provided By Investing Activities	<u>222,991</u>	<u>0</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short-Term Debt	(15,000)	0
Long-Term Debt	<u>(181,000)</u>	<u>0</u>
Net Cash Used In Financing Activities	<u>(196,000)</u>	<u>0</u>
Net Increase in Cash	151,474	1,517
Cash, Beginning of Year	<u>6,633</u>	<u>5,116</u>
Cash, End of Year	<u><u>\$ 158,107</u></u>	<u><u>\$ 6,633</u></u>

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See notes to financial statements.



## **CLAYTON LOCAL DEVELOPMENT CORPORATION**

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### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 with Comparative Totals For 2012

#### **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 account. 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.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 with Comparative Totals For 2012

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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.

**Property and Equipment**

Equipment purchases are capitalized at cost and depreciated using the straight-line method over a useful life of five or seven years. Land held for sale and associated land improvements associated are capitalized at cost. Depreciation is not recorded on these assets since they have not been placed into service. The Corporation does not have a formal capitalization policy.

**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.

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## CLAYTON LOCAL DEVELOPMENT CORPORATION

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### NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals For 2012

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#### 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 2010, 2011, and 2012. 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.

##### **Donated Facilities**

Donated use of the Corporation's facility is recorded at the donor's estimated fair market value at the time of the donation.

##### **Revenue Recognition on Real Estate Activities**

The Corporation recognizes revenue from real estate activities under the full accrual method.

##### **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, 2012, from which the summarized information was derived.

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#### NOTE 3 – CASH

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The Corporation maintains its cash balances at financial institutions in Clayton, New York, which at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution. As of December 31, 2013 and 2012, the maximum loss that would have resulted from that risk totaled approximately \$320,844 and \$0, respectively. The Corporation has not experienced any such losses in such accounts.

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CLAYTON LOCAL DEVELOPMENT CORPORATION

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals For 2012

### NOTE 4 – PROPERTY AND EQUIPMENT

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Property and equipment consist of the following at December 31:

	2013	2012
Land and Improvements	\$ -	\$ 431,707
Equipment	1,824	1,824
Less: Accumulated Depreciation	<u>(1,824)</u>	<u>(1,772)</u>
Total	<u>\$ -</u>	<u>\$ 431,759</u>

In February 2013, the Corporation sold its share of the rehabilitated brownfield site, known as the Frink Property, located in Clayton, New York to Clayton Harbor Hotel, LLC and recognized the related refundable deposit of \$210,150 as revenue. Gross proceeds from the sale totaled \$2,101,500 and were divided between the Town of Clayton, New York and the Corporation in accordance with the agreement to share costs associated with the Frink Property dated August 10, 2005. The sale resulted in a net loss of \$208,716 for the Corporation after the repayment of long-term debt associated with the initial purchase of the property totaling \$181,000 and other closing costs.

### NOTE 5 – DONATED FACILITIES

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The Corporation receives support in the form of the use of an office, office equipment such as scanners, faxes, and telephones, as well as ancillary services such as trash removal and heat from the Town of Clayton, New York. During the year ended December 31, 2013, the Corporation closed its office and began contracting with another Organization for administrative services. The estimated value of this contribution is broken down by type as follows:

Utility Service	\$ 100/Month	\$ 800
Phone Service	\$ 100/Month	800
Copying Service	\$ 140/Month	1,120
Computer/IT Service	\$ 65/Month	520
Rent	\$ 600/Month	4,800
Trash Service	\$ 10/Month	80
Sewer/Water Service	\$ 40/Month	320
Heat	\$ 138/Month	<u>1,107</u>
Total		<u>\$ 9,547</u>

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## CLAYTON LOCAL DEVELOPMENT CORPORATION

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### NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals For 2012

#### NOTE 6 – LONG-TERM DEBT

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During the year ended December 31, 2013 the Corporation extinguished all of its long-term debt. Please refer to Note 4 for more details.

#### NOTE 7 – SHORT-TERM DEBT

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During the year ended December 31, 2013 the Corporation repaid the advance from the Town of Clayton, New York, thereby extinguishing all of its short-term debt.

#### NOTE 8 – 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 9 – 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, 2012 through May 31, 2013 and June 1, 2013 through May 31, 2014.

#### NOTE 10 – CONCENTRATIONS

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The Corporation received \$123,360 from the Northern Borders Regional Commission and the Clayton Harbor Hotel, LLC during the year ending December 31, 2013, as a grant and local matching donation to perform infrastructure improvements in the Village of Clayton, New York. These amounts together represent 86% of the Corporation's revenue before the loss on sale of property and equipment.

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**CLAYTON LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 with Comparative Totals For 2012

**NOTE 11 – CONTINGENT LIABILITIES**

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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.

**NOTE 12 – 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:

	2013	2012
<b>Town of Clayton, New York</b>		
Grant Revenue	\$ 10,000	\$ 10,000
Donated Use of Facilities	9,547	14,230
Reimbursement for Sale Proceeds Collected on Behalf of Town	1,874,546	0
Office Supplies Expense	1,093	574
Repayment of Short-Term Loan	15,000	0
<b>Village of Clayton, New York</b>		
Grant Revenue	10,000	10,000
Contracted Services Revenue	11,067	10,000
Grants Paid Expense	246,720	0
Utilities Expense	244	0
<b>Board Member</b>		
Grants Paid Expense	0	50,000
<b>Riverside Media Group</b>		
Donated Logo	521	0
Printing and Advertising Expense	715	195

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**CLAYTON LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 with Comparative Totals For 2012

**NOTE 12 – RELATED PARTY TRANSACTIONS - Continued**

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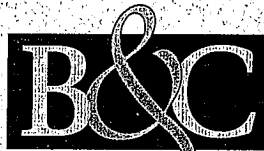
The Corporation had the following balances with related parties at December 31:

	<b>2013</b>	<b>2012</b>
<b>Town of Clayton, New York</b>		
Accounts Receivable	\$ 0	\$ 6,248
Deposit Receivable	0	210,150
Short-Term Loan Payable	0	15,000
<b>Village of Clayton, New York</b>		
Accounts Receivable	5,000	921
Grants Payable	18,848	0

**NOTE 13 – SUBSEQUENT EVENTS**

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Subsequent events were evaluated through February 21, 2014, the date the financial statements were available to be issued.



## 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**

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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, 2013, 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 21, 2014.

#### **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 the Organization'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiencies in internal control, described below that we consider to be a significant deficiency.

### **Preparation of Financial Statements**

In accordance with accounting standards SAS 115, should management choose to allow the auditors to prepare the Organization's financial statements, including full footnote disclosure, instead of preparing the statements themselves, this is considered an internal control deficiency. While it is common practice for the auditors to prepare the financial statements for many organizations, the standard requires us to communicate to those charged with governance this choice to have the auditors prepare the financial statements as a significant deficiency or material weakness. This is to ensure that you understand that the auditors, not management, have prepared the financial statements and allow those charged with governance the ability to determine whether the cost of implementing an appropriate control to prepare financial statements outweighs the benefit that could be gained. 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.

Management has decided the cost of implementing this control outweighs the benefit to be gained.

### **Compliance and Other Matters**

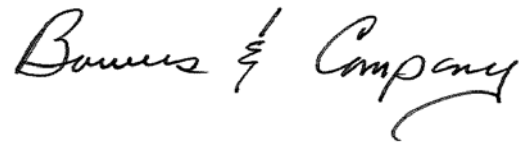
As part of obtaining reasonable assurance about whether Clayton Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

A handwritten signature in cursive script that reads "Bonner & Company". The signature is written in black ink and is positioned to the right of the date and location text.

Watertown, New York  
February 21, 2014



## BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

February 21, 2014

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, 2013, and have issued our report thereon dated February 21, 2014. 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 11, 2013. 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 2013. 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 expense is based on estimated useful lives. We evaluated the key factors and assumptions used to develop the estimated useful lives 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 10 to the financial statements the Organization's concentrations in geographic region and revenue sources.

1200 AXA Tower I, 100 Madison Street, Syracuse, NY 13202 Phone: 315.234.1100 • Fax 315.234.1111  
167 Polk Street, Suite 340, Watertown, NY 13601 Phone: 315.788.7690 • Fax 315.788.0966  
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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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. 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 21, 2014.

*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.

*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.

Board of Directors of  
Clayton Local Development Corporation  
February 21, 2014  
Page 3

This information is intended solely for the use of the Board of Directors 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*

Client: 04000218.100 - Clayton Local Development Corporation  
Engagement: 2013 - Clayton Local Development Corporation  
Trial Balance: RP 02.01 - TB Database  
Workpaper: RP 03.03 - Proposed Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<hr/>				
<b>Proposed JE # 14</b>		<b>X 01.04</b>		
To reclassify prior period deferred liability and revenue.				
0501	Net Assets		5,000.00	
0410	Deferred Grant Revenue			5,000.00
<b>Total</b>			<u><b>5,000.00</b></u>	<u><b>5,000.00</b></u>

Client: 0400218.100 - Clayton Local Development Corporation  
Engagement: 2013 - Clayton Local Development Corporation  
Trial Balance: RP 02.01 - TB Database  
Workpaper: RP 03.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To reverse prior year accrual, correct beginning balance per prior audit, net balances due from the same entity, write off uncollectible balances and record current year unbilled receivable.				
0502	Retained Earnings		646.00	
1009	Riverwalk 2.0 NYDOS Income		350.00	
2121	Boating Infrastructure Grant Pr: Bad Debt		1,170.00	
2221	CDBG: Bad Debt		453.00	
2421	Frink Park/Riverwalk Monument P: Bad Debt		2,362.00	
2521	Frink Planning: Bad Debt		959.00	
2621	Norther Border Regional Commission: Bad Debt		193.00	
2921	Riverwalk 2.0 NYDOS C006914: Bad Debt		897.00	
0201	Accounts Receivable			2,030.00
1016	Village Income - Contracted Services			5,000.00
<b>Total</b>			<b>7,030.00</b>	<b>7,030.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
To reverse prior year accounts payable accrual and to remove balances due to rounding.				
0402	Accounts Payable		2,558.00	
1000	Miscellaneous Income			3.00
2103	Boating Infrastructure Grant Pr:Officer Compensation			315.00
2203	CDBG:Officer Compensation			2,030.00
2303	CLDC:Officer Compensation			175.00
2403	Frink Park/Riverwalk Monument P:Officer Compensation			35.00
<b>Total</b>			<b>2,558.00</b>	<b>2,558.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
To record current year accounts payable identified during the search for unrecorded liabilities.				
2303	CLDC:Officer Compensation		4,968.00	
0402	Accounts Payable			4,968.00
<b>Total</b>			<b>4,968.00</b>	<b>4,968.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
To reclassify Krog local matching funds for Northern Borders Regional Commission grant from grants receivable to revenue and deferred revenue.				
0209	Grant Receivable:Krog local match		250,000.00	
0410	Deferred Grant Revenue			126,640.00
1019	Donations			123,360.00
<b>Total</b>			<b>250,000.00</b>	<b>250,000.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
To reclassify the proceeds of the Frink Sale according to the LDA & Agreements with the Town of Clayton.				
0408	Due to County		181,000.00	
0409	Refundable Deposits		210,150.00	
1017	Frink Property		30,000.00	
1017	Frink Property		208,716.00	
2319	CLDC:Frink Property Sale		1,747,509.00	
0208	Due From Town			210,150.00
0303	Land & Building			188,674.00
0304	Rehab Costs			243,032.00
0403	Due To Other Governments			362,000.00
0405	Due to Town			23,647.00
2308	CLDC:Legal			2,202.00
2310	CLDC:Printing/Advertising			160.00
2311	CLDC:Professional Fees			1,279.00
2314	CLDC:Meals			80.00
2317	CLDC:Utilities - Sewer & Water			244.00
3018	Riverwalk 2.5 NYPRHP:Project Administration			12,000.00
3319	Frink Property Sale			1,333,907.00
<b>Total</b>			<b>2,377,375.00</b>	<b>2,377,375.00</b>
<b>Adjusting Journal Entries JE # 6</b>				
To adjust NBRC grant receivable to actual and record current year NBRC grant revenue.				
0210	Grant Receivable:NBRC		123,360.00	
1020	Northern Borders Regional Commission Grant Revenue			123,360.00

Client: 04000218.100 - Clayton Local Development Corporation  
Engagement: 2013 - Clayton Local Development Corporation  
Trial Balance: RP 02.01 - TB Database  
Workpaper: RP 03.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Total			123,360.00	123,360.00



Client: 04000218.100 - Clayton Local Development Corporation  
Engagement: 2013 - Clayton Local Development Corporation  
Trial Balance: RP 02.01 - TB Database  
Workpaper: RP 03.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 7</b>		<b>A 01.04</b>		
To reclassify cash transfer by check expensed to grant project administration and to record the additional cash for the undeposited check being held.				
0103	General Checking Account WSB		12,000.00	
2918	Riverwalk 2.0 NYDOS C006914:Project Administration			12,000.00
<b>Total</b>			<b>12,000.00</b>	<b>12,000.00</b>
<b>Adjusting Journal Entries JE # 8</b>		<b>I 01.02</b>		
To record current year depreciation expense based on management's allocation.				
2100	Boating Infrastructure Grant Pr:Depreciation Expense		2.00	
2300	CLDC:Depreciation Expense		3.00	
2400	Frink Park/Riverwalk Monument P:Depreciation Expense		1.00	
2600	Northern Boarder Regional Commis: Depreciation Expense		1.00	
3000	Riverwalk 2.5 NYPRHP:Depreciation Expense		1.00	
3200	Clayton Planning Board: Krog-hotel development: Depreciation		2.00	
3400	Program Delivery: Depreciation Expense		43.00	
0302	Equipment:Accumulated Depreciation			52.00
2200	CDBG: Depreciation Expense			1.00
<b>Total</b>			<b>53.00</b>	<b>53.00</b>
<b>Adjusting Journal Entries JE # 9</b>		<b>X 01.07</b>		
To record donated logo.				
2310	CLDC:Printing/Advertising		520.00	
1005	In-Kind Contributions			520.00
<b>Total</b>			<b>520.00</b>	<b>520.00</b>
<b>Adjusting Journal Entries JE # 10</b>		<b>X 01.05</b>		
To reclassify revenue from grant writing services to contracted services from grants.				
1013	Village Income		5,000.00	
1016	Village Income - Contracted Services			5,000.00
<b>Total</b>			<b>5,000.00</b>	<b>5,000.00</b>
<b>Adjusting Journal Entries JE # 11</b>		<b>Y 01.01</b>		
To reclassify officer compensation between program delivery and management and general.				
2103	Boating Infrastructure Grant Pr:Officer Compensation		1,173.00	
2203	CDBG:Officer Compensation		202.00	
2603	Northern Border Regional Commis:Officer Compensation		123.00	
2703	NY Main Street Project:Officer Compensation		70.00	
2903	Riverwalk 2.0 NYDOS C006914:Officer Compensation		87.00	
3003	Riverwalk 2.5 NYPRHP:Officer Compensation		472.00	
3403	Program Delivery: Officer Compensation		210.00	
3403	Program Delivery: Officer Compensation		30,096.00	
2303	CLDC:Officer Compensation			32,433.00
<b>Total</b>			<b>32,433.00</b>	<b>32,433.00</b>
<b>Adjusting Journal Entries JE # 12</b>		<b>X 01.06</b>		
To reclassify grants expenses paid to and on behalf of grant recipient for the Northern Borders Regional Commission Grant.				
2616	Northern Borders Regional Commission: Program Delivery		246,720.00	
2411	Frink Park/Riverwalk Monument P:Professional Fees			18,848.00
2611	Northern Border Regional Commis:Professional Fees			227,872.00
<b>Total</b>			<b>246,720.00</b>	<b>246,720.00</b>
<b>Adjusting Journal Entries JE # 13</b>		<b>X 01.06</b>		
To reverse check paid after year end for NBRC grant, but recorded as paid on 12/31/2013.				
0104	CLDC NBRC Account		18,848.00	
0411	Grants Payable			18,848.00
<b>Total</b>			<b>18,848.00</b>	<b>18,848.00</b>
<b>Adjusting Journal Entries JE # 15</b>		<b>Y 01.02</b>		
To record donated use of facilities and management's allocation of the related expense.				
2102	Boating Infrastructure Grant Pr:Office expense		409.00	

Client: **04000218.100 - Clayton Local Development Corporation**  
Engagement: **2013 - Clayton Local Development Corporation**  
Trial Balance: **RP 02.01 - TB Database**  
Workpaper: **RP 03.01 - Adjusting Journal Entries Report**

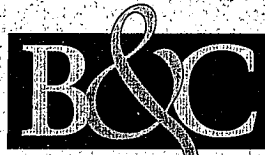
Account	Description	W/P Ref	Debit	Credit
2302	CLDC:Office Expense		773.00	
2402	Frink Park/Riverwalk Monument P:Office Expense		202.00	
2602	Northern Border Regional Commis:Office Expense		100.00	
2702	NY Main Street Project:Office Expense		18.00	
2902	Riverwalk 2.0 NYDOS C006914:Office Expense		59.00	
3002	Riverwalk 2.5 NYPRHP:Office Expense		122.00	
3202	Clayton Planning Board: Krog-hotel development: Office Expense		277.00	
3402	Program Delivery: Office Expense		7,862.00	
1005	In-Kind Contributions			9,548.00
2202	CDBG:Office Expense			274.00
<b>Total</b>			<b>9,822.00</b>	<b>9,822.00</b>

**Adjusting Journal Entries JE # 16**

**Y 01.02**

To allocate professional fees expense based on management fees.

2111	Boating Infrastructure Grant Pr:Professional Fees		205.00	
2411	Frink Park/Riverwalk Monument P:Professional Fees		101.00	
2611	Northern Border Regional Commis:Professional Fees		50.00	
2711	NY Main Street Project:Professional fees		9.00	
2911	Riverwalk 2.0 NYDOS C006914:Professional Fees		30.00	
3011	Riverwalk 2.5 NYPRHP: Professional Fees		61.00	
3211	Clayton Planning Board: Krog-hotel development: Professional Fees		139.00	
3411	Program Delivery: Professional Fees		3,945.00	
2211	CDBG:Professional Fees			138.00
2311	CLDC:Professional Fees			4,402.00
<b>Total</b>			<b>4,540.00</b>	<b>4,540.00</b>



## BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

February 21, 2014

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, 2013 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 several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 21, 2014, on the financial statements of Clayton Local Development Corporation.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the Corporation's management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are 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 21, 2014  
Page 2

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.

*Bowers & Company*

Watertown, New York