

**CLAYTON LOCAL DEVELOPMENT  
CORPORATION**

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**DECEMBER 31, 2011**



# BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

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TO THE BOARD OF DIRECTORS  
CLAYTON LOCAL DEVELOPMENT CORPORATION  
CLAYTON, NEW YORK

We have audited the accompanying statements of financial position of Clayton Local Development Corporation, (a nonprofit organization) as of December 31, 2011 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Clayton Local Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements. The financial statements as of December 31, 2010, were audited by Sovie & Bowie CPA, PC, who merged with Bowers & Company CPAs PLLC as of January 1, 2012, and whose report dated May 15, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Bowers & Company*

Watertown, New York  
April 16, 2012

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**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 AND 2010**

	<b><u>ASSETS</u></b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash	\$ 5,116	\$ 12,781
Accounts receivable	1,026	-
Grants receivable	261,809	384
Utility deposit	100	100
Land held for sale	188,674	188,674
Land improvements	243,033	243,033
Equipment, less accumulated depreciation of \$1,667 and \$1,159, respectively	<u>157</u>	<u>665</u>
Total Assets	<b><u>\$ 699,915</u></b>	<b><u>\$ 445,637</u></b>

**LIABILITIES AND NET ASSETS**

**Liabilities:**

Accounts payable	2,923	2,030
Grants payable	248,280	-
Deferred revenue	-	6,174
Short-term loan	15,000	5,000
Notes payable	<u>181,000</u>	<u>181,000</u>
Total Liabilities	<b><u>447,203</u></b>	<b><u>194,204</u></b>

**Net Assets:**

Unrestricted	<u>252,712</u>	<u>251,433</u>
Total Net Assets	<b><u>252,712</u></b>	<b><u>251,433</u></b>
Total Liabilities and Net Assets	<b><u>\$ 699,915</u></b>	<b><u>\$ 445,637</u></b>

**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2011**  
**WITH COMPARATIVE TOTALS AT DECEMBER 31, 2010**

	<b><u>2011</u></b>	<b><u>2010</u></b>
<b><u>Support and Revenue:</u></b>		
Grant revenue	\$ 377,570	\$ 33,529
In-kind donations	<u>14,230</u>	<u>14,230</u>
 Total Support and Revenue	 <u>391,800</u>	 <u>47,759</u>
 <b><u>Expenses:</u></b>		
Program Service:		
Local Development	362,680	13,897
Supporting Service:		
Management and General	<u>27,841</u>	<u>43,587</u>
 Total Expenses	 <u>390,521</u>	 <u>57,484</u>
 Change in net assets	 1,279	 (9,725)
 Net assets at beginning of year	 <u>251,433</u>	 <u>261,158</u>
 Net assets at end of year	 <u>\$ 252,712</u>	 <u>\$ 251,433</u>

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2011**  
**WITH COMPARATIVE TOTALS AT DECEMBER 31, 2010**

	<b><u>Program Service</u></b>			
	<b><u>Local</u></b>	<b><u>Management</u></b>		<b><u>Total</u></b>
	<b><u>Development</u></b>	<b><u>and General</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Riverwalk project expense	\$ -	\$ -	\$ -	\$ 5
NY Main Street program delivery	333,314	-	333,314	-
Management fee	18,220	17,305	35,525	32,369
Legal and accounting fees	31	53	84	9,396
Meals	336	-	336	-
Fees and permits	128	160	288	-
Office supplies	36	25	61	80
Office expense	7,293	6,937	14,230	14,230
Printing and advertising	-	195	195	608
Travel and training	784	-	784	-
Professional fees	2,255	2,815	5,070	-
Other administrative expense	24	102	126	586
Depreciation and amortization	<u>259</u>	<u>249</u>	<u>508</u>	<u>210</u>
Total	<u>\$ 362,680</u>	<u>\$ 27,841</u>	<u>\$ 390,521</u>	<u>\$ 57,484</u>

**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2011 AND 2010**

	<b><u>2011</u></b>	<b><u>2010</u></b>
<b><u>Operating Activities:</u></b>		
Change in net assets (deficit)	\$ 1,279	\$ (9,725)
Reconciliation of change in net assets (deficit) to net cash provided by operating activities:		
Depreciation and amortization	508	210
(Increase) decrease in assets:		
Accounts receivable	(1,026)	167
Grants receivable	(261,425)	12,080
Increase in liabilities:		
Accounts payable	893	(8,590)
Grants payable	248,280	-
Deferred revenue	<u>(6,174)</u>	<u>6,174</u>
Net cash provided (used) by operating activities	<u>(17,665)</u>	<u>316</u>
<b><u>Financing Activities:</u></b>		
Short-term loan	<u>10,000</u>	<u>5,000</u>
Increase (decrease) in cash	(7,665)	5,316
Cash at beginning of year	<u>12,781</u>	<u>7,465</u>
Cash at end of year	<u>\$ 5,116</u>	<u>\$ 12,781</u>

**Additional Cash Flow Information:**

Cash paid for interest at December 31, 2011 and 2010:

	<b><u>2011</u></b>	<b><u>2010</u></b>
Interest	\$ <u>-</u>	\$ <u>-</u>

There were no non-cash investing or financing activities during the years ended December 31, 2011 and 2010, respectively.

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**1. Nature of Activities and Significant Accounting Policies:**

**Nature of Activities**

Clayton Local Development Corporation, herein referred to as "the Corporation," operates to relieve and reduce unemployment, to promote and provide for additional and maximum employment, to better and to 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 industry to said communities or encouraging the development and retention of new industry in the communities and lessening the burdens of government and to act in the public interest including promoting re-use of Brownfield Sites within the Town and Village of Clayton, New York.

The Corporation generates revenue through grants obtained by the Corporation as well as through partnerships with the Town and Village of Clayton, New York.

The territory in which the operations of the Corporation are principally conducted is the Town of Clayton and the Village of Clayton, Jefferson County, New York, and such territory in proximity to those municipalities in which the use of the Corporation's funds will have substantial positive impact on the economic welfare and prosperity of the Town of Clayton and the Village of Clayton, New York and its inhabitants.

**Basis of Accounting**

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

**Basis of Presentation**

Financial statement presentation is in accordance with 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.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Grants Receivable**

Grants receivable represents the amounts due from the grant funding source for expenditures incurred prior to year-end but not reimbursed by year-end. Amounts are recorded when the income has been earned.

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**1. Nature of Activities and Significant Accounting Policies – cont'd:**

**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 and land improvements associated with the Frink property are capitalized at cost, but as they have yet to be placed in service, depreciation has not been recorded on these assets. 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.

**Income 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 Financial Accounting Standards Board Codification, "Income Taxes". In determining the recognition of uncertain tax positions, the Corporation applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities.

The Corporation recognizes potential liabilities associated with anticipated tax audit issues that may arise during an examination. Interest and penalties that are anticipated to be due upon examination are recognized as accrued interest and other liabilities with an offset to interest and other expense. The Corporation analyzed its tax positions taken on their Federal and State tax returns for the open tax years 2008, 2009, and 2010. Based on our 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 facility is reflected in the financial statements based on the donor's estimated fair market value at the time of the donation.

**2. Cash:**

The Organization maintains cash balances at one local financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

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### 3. Property and Equipment:

Property and equipment consists of the following:

	<u>2011</u>	<u>2009</u>
Land and improvements	\$ 431,707	\$ 431,707
Equipment	1,824	1,824
Accumulated depreciation	<u>(1,667)</u>	<u>(1,159)</u>
Total	<u>\$ 431,864</u>	<u>\$ 432,372</u>

### 4. Donated Facilities:

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. The estimated value of this contribution is broken down by type as follows:

Utility service (\$100/month)	\$ 1,200
Phone service (\$100/month)	1,200
Copying service (\$140/month)	1,680
Computer/IT service (\$65/month)	780
Rent (\$600/month)	7,200
Trash service (\$10/month)	120
Sewer/Water service (\$40/month)	480
Heat (\$131/month)	<u>1,570</u>
Total	<u>\$14,230</u>

This arrangement constitutes a related party transaction since the Corporation and Town of Clayton, New York are partners in multiple agreements.

### 5. Long-Term Debt:

The Corporation entered into a shared interest free liability with the Town of Clayton, New York in the amount of \$362,000 dated June 8, 2004 for the purchase of the Fink Property located in Clayton, New York.

The Corporation is responsible for half of the loan, \$181,000, which is due in full to Jefferson County at the time of sale of the property or December 31, 2009, whichever shall occur first.

In July 2009 an extension agreement was made with Jefferson County extending the due date of the interest free loan to as late as December 31, 2011. In January 2012, a second extension agreement was made with Jefferson County extending the due date of the interest free loan to as late as December 31, 2014.

Maturities of long-term debt over the next two years are estimated as follows:

December 31, 2012	\$ ---
2013	---
2014	<u>181,000</u>
	<u>\$181,000</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**6. Short-Term Loan:**

The Corporation received an advance from the Town of Clayton, New York in August 2011 in the amount of \$5,000 and November 2011 in the amount of \$10,000. This amount represents a short term loan and was made free of interest. In January 2012, \$5,000 of this advance was repaid.

The advance loan from the Town of Clayton to the Corporation constitutes a related party transaction.

**7. Grants:**

Clayton Local Development Corporation entered into a grant agreement with the New York State Housing Trust Fund Corporation on August 31, 2010 effective for twenty-four months ending on August 31, 2012.

Under this agreement the Corporation will assist qualified local Main Street property owners in meeting the requirements of the New York Main Street Project. The Corporation will act as an intermediary for the transfer of funds from the New York State Housing Trust Fund Corporation to the property owners. The Corporation's duties include acting as an administrator of the grant agreement.

This agreement requires the Corporation to take all necessary steps to ensure that owners of properties improved under the program maintain the structures and facades in good condition up to five years from the final disbursement of funds. The Corporation must also take all necessary steps to ensure the streetscape enhancements are maintained in good condition during the same period. The Corporation must require every owner of an assisted property to execute a declaration that the owner will at all times maintain the assisted property in good condition as well as market any residential units improved to person defined as low income under Article XXVI of the New York Private Housing Finance Law.

The Corporation is required to submit to the New York State Housing Trust Fund Corporation requests for disbursements in an appropriate manner established by the New York State Housing Trust Fund Corporation. Additionally, the Corporation shall not request disbursement of funds under the agreement until the funds are needed for payment of incurred eligible costs.

The Corporation is required to maintain a separate bank account to receive reimbursements to be paid to property owners as well as administrative funds. All funds designated as reimbursable to property owners must be maintained in this separate bank account and paid directly to the property owners. No such restrictions are placed on administrative funds.

Please refer to the awarded budget below for amounts of available funds:

**Activity(ies)**

Building Renovation	\$410,000
Streetscape	60,000
Admin	<u>30,000</u>
	<u>\$500,000</u>

**8. Subsequent Events:**

Subsequent events were evaluated through April 16, 2012, the date the financial statements were available to be issued.

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**9. Related Party Transactions:**

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

In addition to items discussed above and in notes 6 and 7, the Corporation enters into a related party transaction to receive grants from the Town and Village of Clayton, New York each for \$10,000. Please see the schedule of receipts below:

	<u>2011</u>	<u>2010</u>
Town of Clayton	\$10,000	\$10,000
Village of Clayton	<u>10,000</u>	<u>10,000</u>
Total	<u>\$20,000</u>	<u>\$20,000</u>

**10. Memorandum of Understanding:**

The Corporation has entered into two Memorandums of Understanding with the Town of Clayton, New York with respect to the Riverwalk 2 and Riverwalk 2.5 Grants. Under both Memorandums the Corporation is responsible for performing grant administration which is defined as involving the preparation of project status reports and delivery of products. Each Memorandum provides for reimbursement for the Corporation's time not to exceed the amount of \$6,000. The Town of Clayton, New York remains responsible for funding both projects. In November 2011, the Corporation entered into an agreement with the Village of Clayton, New York to perform grant-writing efforts reimbursable up to \$10,000 during the period June 1, 2011 through May 31, 2012.

**11. Advertising:**

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

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

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

April 16, 2012

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, 2011, and have issued our report thereon dated April 16, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 29, 2011. 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 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Corporation 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 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 of fixed assets 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.

*Difficulties Encountered in Performing the Audit*

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

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*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 April 16, 2012.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

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

Very Truly Yours,

*Burns & Company*

Clayton Local Development Corporation  
Adjusting Journal Entries  
December 31, 2011

Num	Date	Name	Memo	Account	Debit	Credit
SB 2011-1	12/31/2011		To reclassify Officer Compensation from December 2010 to Officer Compensation.	CLDC:Administrative/Clerical	2,030.00	
SB 2011-1	12/31/2011		To reclassify Officer Compensation from December 2010 to Officer Compensation.	CLDC:Officer Compensation		2,030.00
					<u>2,030.00</u>	<u>2,030.00</u>
SB 2011-2	12/31/2011		To reclassify NY Main Street Project Officer Compensation from CLDC Officer Compensation.	NY Main Street Project:Officer Compensation	455.00	
SB 2011-2	12/31/2011		To reclassify NY Main Street Project Officer Compensation from CLDC Officer Compensation.	CLDC:Officer Compensation		455.00
					<u>455.00</u>	<u>455.00</u>
SB 2011-3	12/31/2011		To reclassify NY Main Street Project Officer Compensation from CLDC Officer Compensation.	CLDC:Officer Compensation	263.00	
SB 2011-3	12/31/2011		To reclassify NY Main Street Project Officer Compensation from CLDC Officer Compensation.	NY Main Street Project:Officer Compensation		263.00
					<u>263.00</u>	<u>263.00</u>
SB 2011-4	12/31/2011		To reclassify accounting fees classified to Office Expense and to allocate accounting and legal ...	NY Main Street Project:Professional fees	1,635.38	
SB 2011-4	12/31/2011		To reclassify accounting fees classified to Office Expense and to allocate accounting and legal ...	NY Main Street Project:Legal fees	31.08	
SB 2011-4	12/31/2011		To reclassify accounting fees classified to Office Expense and to allocate accounting and legal ...	CLDC:Professional Fees	2,814.62	
SB 2011-4	12/31/2011		To reclassify accounting fees classified to Office Expense and to allocate accounting and legal ...	CLDC:Legal		31.08
SB 2011-4	12/31/2011		To reclassify accounting fees classified to Office Expense and to allocate accounting and legal ...	CLDC:Office Expense		4,450.00
					<u>4,481.08</u>	<u>4,481.08</u>
SB 2011-5	12/31/2011		To record payable to Kristi Dippel, Executive Director for underpayment on invoice and to adjust...	Frink Park/Riverwalk Monument P:Officer Compensati	157.50	

**Clayton Local Development Corporation**  
**Adjusting Journal Entries**  
**December 31, 2011**

Num	Date	Name	Memo	Account	Debit	Credit
SB 2011-5	12/31/2011		To record payable to Kristi Dippel, Executive Director for underpayment on invoice and to adjust...	Riverwalk 2.0 NYDOS C006914:Officer Compensation	245.00	
SB 2011-5	12/31/2011		To record payable to Kristi Dippel, Executive Director for underpayment on invoice and to adjust...	Boating Infrastructure Grant Pr:Officer Compensation	402.50	
SB 2011-5	12/31/2011		To record payable to Kristi Dippel, Executive Director for underpayment on invoice and to adjust...	NY Main Street Project:Officer Compensation	1,207.50	
SB 2011-5	12/31/2011	Kristi Dippel	To record payable to Kristi Dippel, Executive Director for underpayment on invoice and to adjust...	Accounts Payable		35.00
SB 2011-5	12/31/2011		To record payable to Kristi Dippel, Executive Director for underpayment on invoice and to adjust...	CLDC:Officer Compensation		1,977.50
					2,012.50	2,012.50
SB 2011-6	12/31/2011		To record accounts payable to Kristi Dippel, Executive Director from invoice that was miscalcula...	CLDC:Officer Compensation	35.00	
SB 2011-6	12/31/2011		To record accounts payable to Kristi Dippel, Executive Director from invoice that was miscalcula...	Frink Park/Riverwalk Monument P:Officer Compensation	105.00	
SB 2011-6	12/31/2011	Kristi Dippel	To record accounts payable to Kristi Dippel, Executive Director from invoice that was miscalcula...	Accounts Payable		140.00
					140.00	140.00
SB 2011-7	12/31/2011		To reclassify Officer Compensation per invoice.	NY Main Street Project:Officer Compensation	1,330.00	
SB 2011-7	12/31/2011		To reclassify Officer Compensation per invoice.	Boating Infrastructure Grant Pr:Officer Compensation		35.00
SB 2011-7	12/31/2011		To reclassify Officer Compensation per invoice.	CLDC:Officer Compensation		1,295.00
					1,330.00	1,330.00
SB 2011-8	12/31/2011		To reclassify Officer Compensation per invoice.	NY Main Street Project:Officer Compensation	997.50	
SB 2011-8	12/31/2011		To reclassify Officer Compensation per invoice.	CLDC:Officer Compensation		997.50
					997.50	997.50

**Clayton Local Development Corporation**  
**Adjusting Journal Entries**  
**December 31, 2011**

<b>Num</b>	<b>Date</b>	<b>Name</b>	<b>Memo</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
SB 2011-9	12/31/2011		To reclassify Officer Compensation per invoice.	NY Main Street Project:Officer Compensation	770.00	
SB 2011-9	12/31/2011		To reclassify Officer Compensation per invoice.	CLDC:Officer Compensation		770.00
					<u>770.00</u>	<u>770.00</u>
SB 2011-10	12/31/2011		To record December 2011 Officer Compensation payable to Kristi Dippel, Executive Director.	CLDC:Officer Compensation	1,190.00	
SB 2011-10	12/31/2011		To record December 2011 Officer Compensation payable to Kristi Dippel, Executive Director.	NY Main Street Project:Officer Compensation	1,137.50	
SB 2011-10	12/31/2011		To record December 2011 Officer Compensation payable to Kristi Dippel, Executive Director.	Boating Infrastructure Grant Pr:Officer Compensation	140.00	
SB 2011-10	12/31/2011		To record December 2011 Officer Compensation payable to Kristi Dippel, Executive Director.	Riverwalk 2.0 NYDOS C006914:Officer Compensation	210.00	
SB 2011-10	12/31/2011		To record December 2011 Officer Compensation payable to Kristi Dippel, Executive Director.	Frink Park/Riverwalk Monument P:Officer Compensation	70.00	
SB 2011-10	12/31/2011	Kristi Dippel	To record December 2011 Officer Compensation payable to Kristi Dippel, Executive Director.	Accounts Payable		2,747.50
					<u>2,747.50</u>	<u>2,747.50</u>



**Clayton Local Development Corporation**  
**Adjusting Journal Entries**  
**December 31, 2011**

Num	Date	Name	Memo	Account	Debit	Credit
SB 2011-11	12/31/2011		To record in-kind donation of the CLDC office from the Town of Clayton and to allocate it based ...	In-Kind Contributions		14,320.00
SB 2011-11	12/31/2011		To record in-kind donation of the CLDC office from the Town of Clayton and to allocate it based ...	Boating Infrastructure Grant Pr:Office expense	770.54	
SB 2011-11	12/31/2011		To record in-kind donation of the CLDC office from the Town of Clayton and to allocate it based ...	NY Main Street Project:Office Expense	5,142.59	
SB 2011-11	12/31/2011		To record in-kind donation of the CLDC office from the Town of Clayton and to allocate it based ...	CLDC:Office Expense	7,026.91	
SB 2011-11	12/31/2011		To record in-kind donation of the CLDC office from the Town of Clayton and to allocate it based ...	Frink Park/Riverwalk Monument P:Office Expense	532.37	
SB 2011-11	12/31/2011		To record in-kind donation of the CLDC office from the Town of Clayton and to allocate it based ...	Riverwalk 2.0 NYDOS C006914:Office Expense	833.58	
SB 2011-11	12/31/2011		To record in-kind donation of the CLDC office from the Town of Clayton and to allocate it based ...	Riverwalk 2.5 NYPRHP:Office Expense	14.01	
					14,320.00	14,320.00
SB 2011-12	12/31/2011		To record NY Main Street Project Income, Expense, Receivable, and Payable.	NY Main Street Project:Program Delivery	333,314.00	
SB 2011-12	12/31/2011		To record NY Main Street Project Income, Expense, Receivable, and Payable.	NY Main Street		343,314.00
SB 2011-12	12/31/2011		To record NY Main Street Project Income, Expense, Receivable, and Payable.	NY Main Street Project	10,000.00	
SB 2011-12	12/31/2011		To record NY Main Street Project Income, Expense, Receivable, and Payable.	Grants Receivable:NY Main Street	248,280.00	
SB 2011-12	12/31/2011		To record NY Main Street Project Income, Expense, Receivable, and Payable.	Grants Payable:NY Main Street		248,280.00
					591,594.00	591,594.00

**Clayton Local Development Corporation**  
**Adjusting Journal Entries**  
**December 31, 2011**

Num	Date	Name	Memo	Account	Debit	Credit
SB 2011-13	12/31/2011		To record advance payable to the Town of Clayton.	Town Income	15,000.00	
SB 2011-13	12/31/2011		To record advance payable to the Town of Clayton.	Due to Town		15,000.00
					<u>15,000.00</u>	<u>15,000.00</u>
SB 2011-14	12/31/2011		To record Officer Compensation, Legal Fees, Professional Fees, Office Expense, Postage and Suppl...	NY Main Street		19,702.56
SB 2011-14	12/31/2011		To record Officer Compensation, Legal Fees, Professional Fees, Office Expense, Postage and Suppl...	Unearned Revenue:NYS Main Street Project	6,173.94	
SB 2011-14	12/31/2011		To record Officer Compensation, Legal Fees, Professional Fees, Office Expense, Postage and Suppl...	Grants Receivable:NY Main Street	<u>13,528.62</u>	
					<u>19,702.56</u>	<u>19,702.56</u>
SB 2011-15	12/31/2010		To reverse adjustment made to prior year already accounted for in prior audit.	Riverwalk 2.0 NYDOS Income	12,000.00	
SB 2011-15	12/31/2010		To reverse adjustment made to prior year already accounted for in prior audit.	CLDC:Officer Compensation		12,000.00
					<u>12,000.00</u>	<u>12,000.00</u>
SB 2011-16	12/31/2010		To reverse prior year adjustments made after prior audit. Deemed immaterial for restatement.	Riverwalk 2.0 NYDOS Income	717.50	
SB 2011-16	12/31/2010	Riverwalk 2.0	To reverse prior year adjustments made after prior audit. Deemed immaterial for restatement. To ...	Accounts Receivable		717.50
					<u>717.50</u>	<u>717.50</u>
SB 2011-17	12/31/2010		To reverse prior adjustment made after prior audit. Deemed immaterial for restatement.	Frink Planning Income	582.30	
SB 2011-17	12/31/2010	Frink Property Project	To reverse prior adjustment made after prior audit. Deemed immaterial for restatement.	Accounts Receivable		582.30
					<u>582.30</u>	<u>582.30</u>

**Clayton Local Development Corporation**  
**Adjusting Journal Entries**  
**December 31, 2011**

Num	Date	Name	Memo	Account	Debit	Credit
SB 2011-18	12/31/2010		To reverse prior adjustment made after prior audit. Deemed immaterial for restatement.	Riverwalk 2.5 NYPRHP Income	105.00	
SB 2011-18	12/31/2010	Riverwalk 2.5	To reverse prior adjustment made after prior audit. Deemed immaterial for restatement.	Accounts Receivable		105.00
					105.00	105.00
SB 2011-19	12/31/2011	Frink Property Project	To record revenue earned from aje BS 2011-18 net the py accrual	Accounts Receivable	582.30	
SB 2011-19	12/31/2011	Frink Property Project	To record revenue earned from aje BS 2011-18 net the py accrual	Frink Planning Income		582.30
					582.30	582.30
SB 2011-20	12/31/2011	Riverwalk 2.0	To record revenue earned from aje BS 2011-18	Accounts Receivable	717.50	
SB 2011-20	12/31/2011	Riverwalk 2.0	To record revenue earned from aje BS 2011-18	Riverwalk 2.0 NYDOS Income		717.50
					717.50	717.50
SB 2011-21	12/31/2011	Riverwalk 2.5	To record revenue earned from aje BS 2011-18	Accounts Receivable	105.00	
SB 2011-21	12/31/2011	Riverwalk 2.5	To record revenue earned from aje BS 2011-18	Riverwalk 2.5 NYPRHP Income		105.00
					105.00	105.00
SB 2011-22	12/31/2011		To reverse prior year A/R accrual.	Frink Planning Income	244.29	
SB 2011-22	12/31/2011	Frink Park/Riverwalk	To reverse prior year A/R accrual.	Grant Receivable:Frink Park/Riverwalk Monument P		244.29
					244.29	244.29
SB 2011-23	12/31/2011		To reverse prior year accrual.	Frink Planning Income	105.00	
SB 2011-23	12/31/2011	Frink Property Project	To reverse prior year accrual.	Grant Receivable:Frink Planning		105.00
					105.00	105.00
SB 2011-24	12/31/2011		To reverse prior year accrual.	Riverwalk 2.0 NYDOS Income	35.00	
SB 2011-24	12/31/2011	Riverwalk 2.0	To reverse prior year accrual.	Grant Receivable:Riverwalk 2.0 NYDOS Grant		35.00
					35.00	35.00
SB 2011-25	12/31/2011		To adjust Frink planning bill to actual.	Frink Planning:Meals & Entertainment	2.33	
SB 2011-25	12/31/2011	Bella's	To adjust Frink planning bill to actual.	Accounts Payable		2.33
					2.33	2.33

**Clayton Local Development Corporation**  
**Adjusting Journal Entries**  
**December 31, 2011**

<b>Num</b>	<b>Date</b>	<b>Name</b>	<b>Memo</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
SB 2011-26	12/31/2011		To reverse double recording transfer of funds and to remove from Officer Comp.	Key Bank	250.00	
SB 2011-26	12/31/2011		To reverse double recording transfer of funds and to remove from Officer Comp.	CLDC:Officer Compensation		250.00
					<u>250.00</u>	<u>250.00</u>
SB 2011-27	12/31/2011		To adjust accumulated depreciation to actual per Tax Asset Schedule.	CLDC:Depreciation Expense	248.68	
SB 2011-27	12/31/2011		To adjust accumulated depreciation to actual per Tax Asset Schedule.	Equipment:Accumulated Depreciation		507.51
SB 2011-27	12/31/2011		To adjust accumulated depreciation to actual per Tax Asset Schedule.	Boating Infrastructure Grant Pr:Depreciation Expense	25.38	
SB 2011-27	12/31/2011		To adjust accumulated depreciation to actual per Tax Asset Schedule.	NY Main Street Project:Depreciation Expense	182.70	
SB 2011-27	12/31/2011		To adjust accumulated depreciation to actual per Tax Asset Schedule.	Riverwalk 2.5 NYPRHP:Depreciation Expense	50.75	
					<u>507.51</u>	<u>507.51</u>



## 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 as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Clayton Local Development 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the following deficiency in Clayton Local Development Corporation's internal control to be a significant deficiency:

### Preparation of Financial Statements

In accordance with the Statement on Auditing Standards SAS115, should management choose to allow the auditor's to prepare the Corporation'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 auditor 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 the financial statements outweighs the benefit that could be gained. An appropriate control could be hiring additional staff with knowledge and ability to prepare the financial statements or hiring another accountant to prepare the financial statements before the audit commences.

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Preparation of Financial Statements cont'd

Management has determined the cost of implementing an appropriate control outweighs the benefit that could be gained.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Bowers & Company*

April 16, 2012





## BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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### CLAYTON LOCAL DEVELOPMENT CORPORATION CLAYTON, NEW YORK

In planning and performing our audit of the financial statements of Clayton Local Development Corporation for the year ended December 31, 2011 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. A separate letter dated April 16, 2012 contains our communication of significant deficiencies in the Corporation's internal control. This letter does not affect our report dated April 16, 2012, 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:

#### **Bank Cash Accounts:**

The Corporation does not reconcile bank statements on a monthly basis during the year. Proper internal controls dictate that bank reconciliations be prepared each month to prevent and detect material misstatements in a timely manner.

#### **Personnel:**

During the audit, we noted that the Executive Director is paid by the Corporation; however no designated employees exist, nor are any applicable federal or state employment taxes accrued or remitted. According to IRC §3121(d)(1) "any officer of a corporation" is deemed an employee. We recommend the Corporation adopt a human resource policy to require the consideration of whether payments made to individuals constitute an employer relationship. Information to incorporate in this policy should include reference to the section of the Internal Revenue Code mentioned above. Additionally, the policy should dictate any necessary payroll and benefit requirements as required by law.

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**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.

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

*Bowers & Company*

April 16, 2012