

**HILTON LOCAL DEVELOPMENT
CORPORATION, NEW YORK**

FINANCIAL STATEMENTS

For The Years Ended December 31, 2011 and 2010

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Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

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and
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INDEPENDENT AUDITORS' REPORT

To the Council Members of
Hilton Local Development
Corporation, New York

We have audited the accompanying statement of financial position of the Hilton Local Development Corporation, New York as of December 31, 2011 and 2010, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Hilton Local Development Corporation, New York's management. 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 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 the Hilton Local Development Corporation, New York as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1 2012 on our consideration of the Hilton Local Development Corporation, New York's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Raymond F. Wager, CPA, PC

March 1, 2012

**HILTON LOCAL DEVELOPMENT
CORPORATION, NEW YORK**

Statement of Financial Position

December 31, 2011 and 2010

<u>ASSETS:</u>	<u>2 0 1 1</u>	<u>2 0 1 0</u>
<u>Current Assets -</u>		
Cash	\$ 45,259	\$ 45,786
Accounts receivable	540	-
Total Current Assets	<u>\$ 45,799</u>	<u>\$ 45,786</u>
<u>Capital Assets -</u>		
Land	\$ 16,250	\$ 16,250
Building	282,140	282,140
Less: accumulated depreciation	(43,458)	(36,194)
Total Capital Assets, Net	<u>\$ 254,932</u>	<u>\$ 262,196</u>
TOTAL ASSETS	<u><u>\$ 300,731</u></u>	<u><u>\$ 307,982</u></u>
 <u>LIABILITIES:</u>		
<u>Current Liabilities -</u>		
Deferred revenue	\$ -	\$ 700
Mortgage payable	10,149	8,875
Security deposits	5,000	5,000
Due to other governments	41,808	41,808
Total Current Liabilities	<u>\$ 56,957</u>	<u>\$ 56,383</u>
<u>Noncurrent Liabilities -</u>		
Mortgage payable	\$ 225,027	\$ 235,268
Total Noncurrent Liabilities	<u>\$ 225,027</u>	<u>\$ 235,268</u>
TOTAL LIABILITIES	<u><u>\$ 281,984</u></u>	<u><u>\$ 291,651</u></u>
 <u>NET ASSETS:</u>		
<u>Unrestricted</u>		
Investment in capital assets, net of related debt	\$ 8,573	\$ 6,870
Operations	10,174	9,461
TOTAL NET ASSETS	<u>\$ 18,747</u>	<u>\$ 16,331</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 300,731</u></u>	<u><u>\$ 307,982</u></u>

(The accompanying notes are an integral part of these financial statements)

**HILTON LOCAL DEVELOPMENT
CORPORATION, NEW YORK**

Statement of Activities

For The Years Ended December 31, 2011 and 2010

<u>OPERATING REVENUES:</u>	<u>2 0 1 1</u>	<u>2 0 1 0</u>
Rental of real property	\$ 41,340	\$ 39,134
TOTAL OPERATING REVENUES	\$ 41,340	\$ 39,134
<u>OPERATING EXPENSES:</u>		
Taxes	\$ 195	\$ 196
Repairs and maintenance	500	2,710
Insurance	4,039	4,118
Interest expense	17,684	19,740
Legal expense	4,308	3,336
Cost of sale of property	-	7,200
Miscellaneous	4,975	-
TOTAL OPERATING EXPENSES	\$ 31,701	\$ 37,300
 NET OPERATING INCOME	 \$ 9,639	 \$ 1,834
NONOPERATING REVENUES (EXPENSES)		
Interest income, other	\$ 41	\$ 9
Gain on sale of real property	-	27,736
Depreciation	(7,264)	(7,264)
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ (7,223)	\$ 20,481
 NET INCOME	 \$ 2,416	 \$ 22,315
 NET ASSETS - BEGINNING OF YEAR	 16,331	 (5,984)
 NET ASSETS - END OF YEAR	 \$ 18,747	 \$ 16,331

(The accompanying notes are an integral part of these financial statements)

**HILTON LOCAL DEVELOPMENT
CORPORATION, NEW YORK**

Statement of Cash Flows

For The Years Ended December 31, 2011 and 2010

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2 0 1 1</u>	<u>2 0 1 0</u>
Receipts from rentals	\$ 40,100	\$ 44,134
Payments to suppliers/other governments	(14,017)	(45,110)
Interest expense	(17,684)	(19,740)
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,399</u>	<u>\$ (20,716)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest income	\$ 41	\$ 9
Repayment of mortgage payable	(8,967)	(8,201)
Net Cash Provided (Used) by Investing Activities	<u>\$ (8,926)</u>	<u>\$ (8,192)</u>
 <u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>		
Sale of property	\$ -	\$ 68,416
Net Cash Provided (Used) by Capital Financing Activities	<u>\$ -</u>	<u>\$ 68,416</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ (527)	 \$ 39,508
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>45,786</u>	 <u>6,278</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u><u>\$ 45,259</u></u>	 <u><u>\$ 45,786</u></u>
 <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Operating Income	<u>\$ 9,639</u>	<u>\$ 1,834</u>
 Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:		
(Increase)/decrease in accounts receivable	\$ (540)	\$ -
Increase/(decrease) in amounts due to Village of Hilton	-	(27,550)
Increase/(decrease) in deferred revenues	(700)	5,000
Total Adjustments	<u>\$ (1,240)</u>	<u>\$ (22,550)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 8,399</u></u>	<u><u>\$ (20,716)</u></u>

(The accompanying notes are an integral part of these financial statements)

**HILTON LOCAL DEVELOPMENT
CORPORATION, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

I. Summary of Significant Accounting Policies:

A. Organization

The Hilton Local Development Corporation, New York (the Corporation) was incorporated on March 2, 2000 under Section 803 of the Not-For-Profit Corporation Law. The mission of the Hilton LDC is to initiate, promote and sustain economic opportunities for businesses and residents, create jobs, improve the quality of life, and promote a healthier community

B. Basis of Accounting

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States. Revenues are recognized when earned and expenses are recognized when incurred.

The Corporation reports information regarding its financial position and activities according to three classes of net assets, unrestricted, temporarily restricted, and permanently restricted net assets. At December 31, 2011 and 2010 all of the Corporation's net assets were unrestricted.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers all highly liquid cash accounts and other temporary investments of three months or less as cash equivalents.

D. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

E. Capital Assets

Capital assets are stated at cost or if donated, at fair value at the date of contribution. The Corporation capitalizes fixed asset purchases greater than \$1,000, which have useful lives greater than one year. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for routine repairs and maintenance are expensed as incurred. Depreciation is computed on a straight-line basis between twenty and forty years.

(I.) (Continued)

F. Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position since events could potentially occur that jeopardize tax-exempt status. Management is not aware of any events that could jeopardize the Corporation's tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements.

II. Cash and Cash Equivalents:

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. While the Corporation does not have a specific policy for custodial credit risk, New York State statutes govern the Corporation's investment policies, as discussed previously in these notes.

The Hilton LDC's bank balances were fully covered by FDIC insurance.

III. Capital Assets:

A summary of the change in capital assets follows:

	<u>Beginning</u> <u>1/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>12/31/2011</u>
Land	\$ 16,250	\$ -	\$ -	\$ 16,250
Building	282,140	-	-	282,140
Accumulated Depreciation	<u>(36,194)</u>	<u>(7,264)</u>	-	<u>(43,458)</u>
Total	<u>\$ 262,196</u>	<u>\$ (7,264)</u>	<u>\$ -</u>	<u>\$ 254,932</u>

Depreciation expense for the year ended 2011 totaled \$7,264.

IV. Due To Other Governments:

Due to other governments represents funds currently borrowed from the Village of Hilton, New York:

	<u>2011</u>	<u>2010</u>
Beginning Balance	\$ 41,808	\$ 69,358
Additions	-	2,450
Payments	<u>-</u>	<u>(30,000)</u>
Total Due To Other Governments	<u>\$ 41,808</u>	<u>\$ 41,808</u>

This represents a non-interest bearing loan from the Village of Hilton, New York.

V. **Mortgage Payable:**

The Corporation entered into a mortgage with Upstate Bank relating to 35-39 Hovey Square, Village of Hilton, New York 14468.

<u>Description</u>	<u>Original</u> <u>Loan</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>12/31/2011</u>
Building	\$ 279,106	7.00%	2035	<u>\$ 235,176</u>

Future debt service payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 10,149	\$ 16,411
2013	10,941	15,619
2014	11,743	14,817
2015	12,604	13,956
2016	13,070	13,490
2017-2025	176,669	62,355
Total	<u>\$ 235,176</u>	<u>\$ 136,648</u>

VI. **Unrestricted Net Assets:**

Unrestricted net assets consisted of investment in capital assets, net of related debt and amounts available for operations:

	<u>2011</u>	<u>2010</u>
Net Capital Assets	\$ 254,932	\$ 262,196
Less: Mortgage	(235,176)	(244,143)
Less: Loan (Village of Hilton)	<u>(11,183)</u>	<u>(11,183)</u>
Total Investment in Capital		
Assets, Net of Related Debt	<u>\$ 8,573</u>	<u>\$ 6,870</u>

VII. **Related Parties:**

The Board of Directors of the Hilton Local Development Corporation, New York are the same individuals on the Village of Hilton, New York's Board of Trustees. The Hilton LDC has a loan for \$41,808 with the Village of Hilton, New York.

VIII. **Lease Agreements:**

- A. Lease agreement starting November 9, 2005 between Hilton LDC and The Summit Federal Credit Union for the rental of land for the purpose for construction and operation of a kiosk for automated teller machines (the "ATM Kiosk"), including drive-up lanes and signage. The terms of the agreement will be for 15 years with an annual fee of \$8,400.

(VIII.) (Continued)

- B.** Lease agreement starting on October 29, 2010 between the Hilton LDC and Fitness Warehouse, Inc. for the rental of #35-39 Hovey Square for the annual amount of \$32,400 which began on November 1, 2010.

IX. Commitments and Contingencies:

A. Litigation

As of the date of this report management is not aware of any pending litigation.

B. Subsequent Event:

On December 13, 2011 the Hilton Local Development Corporation entered into a purchase and sales contract with the Fitness Warehouse, Inc. for the purchase of 35-39 Hovey Square in the Village of Hilton, New York. The total purchase price for the premises totals \$230,000 and the sale is expected to be final in the first quarter of 2012.

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**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***

To the Council Members of
Hilton Local Development Corporation, New York

We have audited the financial statements of the Hilton Local Development Corporation, New York as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 1, 2012. 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.

Internal Control Over Financial Reporting

The management of the Hilton Local Development Corporation, New York is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Hilton Local Development Corporation, New York's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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 Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hilton Local Development Corporation, New York's financial statements are free of 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*.

We noted certain matters that we reported to the management of the Hilton Local Development Corporation, New York in a separate letter dated March 1, 2012.

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

Raymond F. Wager, CPA, PC

March 1, 2012