

**HILTON LOCAL DEVELOPMENT
CORPORATION, NEW YORK**

FINANCIAL STATEMENTS

For The Years Ended December 31, 2013 and 2012

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

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
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Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Hilton Local Development Corporation, New York, which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities, and cash flows for the years 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 Corporation'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 Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hilton Local Development Corporation, New York as of December 31, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2014 on our consideration of the Hilton Local Development Corporation, New York'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 the Hilton Local Development Corporation, New York's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Raymond F. Wager, CPA, P.C." The signature is written in a cursive style with a large, stylized initial 'R'.

April 8, 2014

**HILTON LOCAL DEVELOPMENT
CORPORATION, NEW YORK**
Statement of Financial Position
December 31, 2013 and 2012

<u>ASSETS:</u>	<u>2013</u>	<u>2012</u>
<u>Current Assets -</u>		
Cash	\$ 63,497	\$ 52,525
Accounts receivable	8,290	3,000
Total Current Assets	\$ 71,787	\$ 55,525
<u>Capital Assets -</u>		
Land	\$ 16,250	\$ 16,250
Building	282,140	282,140
Less: accumulated depreciation	(57,986)	(50,722)
Total Capital Assets, Net	\$ 240,404	\$ 247,668
TOTAL ASSETS	\$ 312,191	\$ 303,193
 <u>LIABILITIES:</u>		
<u>Current Liabilities -</u>		
Unearned revenue	\$ 700	\$ 700
Mortgage payable	11,620	10,941
Security deposits	2,500	2,500
Due to other governments	41,808	41,808
Total Current Liabilities	\$ 56,628	\$ 55,949
<u>Noncurrent Liabilities -</u>		
Mortgage payable	\$ 201,335	\$ 213,990
Total Noncurrent Liabilities	\$ 201,335	\$ 213,990
TOTAL LIABILITIES	\$ 257,963	\$ 269,939
 <u>NET ASSETS:</u>		
<u>Unrestricted</u>		
Net investment in capital assets	\$ 11,199	\$ 6,487
Operations	43,029	26,767
TOTAL NET ASSETS	\$ 54,228	\$ 33,254
TOTAL LIABILITIES AND NET ASSETS	\$ 312,191	\$ 303,193

(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, 2013 and 2012

<u>OPERATING REVENUES:</u>	<u>2 0 1 3</u>	<u>2 0 1 2</u>
Rental of real property	\$ 48,290	\$ 44,560
TOTAL OPERATING REVENUES	\$ 48,290	\$ 44,560
<u>OPERATING EXPENSES:</u>		
Taxes	\$ 166	\$ 236
Insurance	3,107	2,833
Interest expense	14,675	16,406
Legal expense	800	2,138
Miscellaneous	1,315	1,210
TOTAL OPERATING EXPENSES	\$ 20,063	\$ 22,823
NET OPERATING INCOME	\$ 28,227	\$ 21,737
NONOPERATING REVENUES (EXPENSES)		
Interest income, other	\$ 11	\$ 34
Depreciation	(7,264)	(7,264)
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ (7,253)	\$ (7,230)
NET INCOME	\$ 20,974	\$ 14,507
NET ASSETS - BEGINNING OF YEAR	33,254	18,747
NET ASSETS - END OF YEAR	\$ 54,228	\$ 33,254

(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, 2013 and 2012

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2013</u>	<u>2012</u>
Receipts from rentals	\$ 43,000	\$ 40,300
Payments to suppliers/other governments	(5,388)	(6,417)
Interest expense	(14,675)	(16,406)
Net Cash Provided (Used) by Operating Activities	<u>\$ 22,937</u>	<u>\$ 17,477</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest income	\$ 11	\$ 34
Repayment of mortgage payable	(11,976)	(10,245)
Net Cash Provided (Used) by Investing Activities	<u>\$ (11,965)</u>	<u>\$ (10,211)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 10,972	\$ 7,266
BEGINNING CASH AND CASH EQUIVALENTS	<u>52,525</u>	<u>45,259</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 63,497</u></u>	<u><u>\$ 52,525</u></u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Operating Income	<u>\$ 28,227</u>	<u>\$ 21,737</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:		
(Increase)/decrease in accounts receivable	\$ (5,290)	\$ (2,460)
Increase/(decrease) in security deposit	-	(2,500)
Increase/(decrease) in unearned revenues	-	700
Total Adjustments	<u>\$ (5,290)</u>	<u>\$ (4,260)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 22,937</u></u>	<u><u>\$ 17,477</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, 2013

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, 2013 and 2012 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 a not-for-profit corporation organized pursuant to Sections 402 and 1411 of the New York State Not-for-Profit Corporation law and is, therefore, exempt from income taxes. The Corporation is also exempt from Federal reporting requirements under Internal Revenue Procedure 95-48, 1995-2 C.B. 418 as a governmental unit or affiliate of a governmental unit described in the procedure.

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>1/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>12/31/2013</u>
Land	\$ 16,250	\$ -	\$ -	\$ 16,250
Building	282,140	-	-	282,140
Accumulated Depreciation	(50,722)	(7,264)	-	(57,986)
Total	\$ 247,668	\$ (7,264)	\$ -	\$ 240,404

Depreciation expense for the years ended 2013 and 2012 totaled \$7,264.

IV. Due To Other Governments:

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

	<u>2013</u>	<u>2012</u>
Total Due To Other Governments	\$ 41,808	\$ 41,808

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 Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2013</u>
Building	\$ 279,106	7.00%	2025	<u>\$ 212,955</u>

Future debt service payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 11,620	\$ 11,293
2015	13,470	11,361
2016	14,244	10,587
2017	15,126	9,704
2018	16,030	8,800
2019-25	142,465	31,347
Total	<u>\$ 212,955</u>	<u>\$ 83,092</u>

VI. **Unrestricted Net Assets:**

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

	<u>2013</u>	<u>2012</u>
Net capital assets	\$ 240,404	\$ 247,668
Cash earmarked to pay back the Village of Hilton for capital loans	25,558	25,558
Less: mortgage	(212,955)	(224,931)
Less: loan (Village of Hilton)	<u>(41,808)</u>	<u>(41,808)</u>
Total Net Investment in Capital Assets	<u>\$ 11,199</u>	<u>\$ 6,487</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. The total rental income received for 2013 and 2012 totaled \$38,000 and \$33,660, respectively.

IX. Commitments and Contingencies:

A. Litigation

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

B. Subsequent Events

The Corporation has evaluated subsequent events through April 8, 2014, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure that have not been incorporated into these financial statements.

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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***

Independent Auditors' Report

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

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 the Hilton Local Development Corporation, New York, which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Hilton Local Development Corporation, New York's financial statements, and have issued our report thereon dated April 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hilton Local Development Corporation, New York's internal control over financial reporting 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 the Hilton Local Development Corporation, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hilton Local Development Corporation, New York'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 Corporation'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hilton Local Development Corporation, New York'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*.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April 8, 2014