



**FREDETTE, SANKOWSKI & COMPANY**  
Certified Public Accountants

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MEMBERS OF  
AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

THE NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Agency Officers and Members  
City of Mechanicville Town of Stillwater  
Industrial Development Agency

We have audited the summary statement of net assets of the City of Mechanicville Town of Stillwater Industrial Development Agency included in the annual report filing as of December 31, 2007 and the related summary statement of revenues, expenses and changes in net assets for the year then ended. These financial statements are the responsibility of the City of Mechanicville Town of Stillwater Industrial Development Agency management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the government standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the U.S. General Accounting Office. 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 City of Mechanicville Town of Stillwater Industrial Development Agency as of December 31, 2007 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information included in pages 17-18 of the annual report filing are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Mechanicville Town of Stillwater Industrial Development Agency. Certain information as further described in the second and third paragraphs of note 4 to the financial statements has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

June 20, 2008

*Fredette, Sankowski & Company*

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CITY OF MECHANICVILLE TOWN OF STILLWATER  
INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements  
December 31, 2007

1. Summary of Significant Accounting Policies

The financial statements of the City of Mechanicville Town of Stillwater Industrial Development Agency (Agency) have been prepared in conformity with generally accepted accounting principles. Significant accounting policies are:

Organization and Purpose - The Agency was created in 1980 by the Boards of the involved municipalities under the provisions of General Municipal Law Article 18-A of New York State for the purpose of encouraging economic growth in the boundries of these municipalities. The Agency is exempt from Federal, New York and local income taxes. The Agency, although established by the Boards of the involved municipalities, is a separate entity and operates independently of each of the municipalities.

Basis of Accounting - The accounts of the Agency are maintained on the accrual basis of accounting.

2. Industrial Revenue Bond and Note Transactions

All of the industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this conduit financing service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized upon issuance of the bonds or notes. At December 31, 2007 the amount of refinanced bonds and mortgages outstanding totaled \$4,715,674. (See page #12 of the annual report).

The Agency has not issued any of its own obligations through December 31, 2007.

(continued)

CITY OF MECHANICVILLE TOWN OF STILLWATER  
INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued  
December 31, 2007

3. Investments of Cash

The Agency's investment policies are governed by New York Statutes. In addition, the Agency has its own written investment policy. Agency monies must be deposited in FDIC insured commercial banks or trust companies located in the State. The funds can be deposited into demand, money market accounts and certificates of deposit. Collateral is required for all of the invested funds not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Deposits at December 31, 2007 totaled \$5,773 and were covered by FDIC insurance.

4. Annual Report Filing

Beginning in 2007 the Agency is required to file its annual report in a specific on-line format called the Public Authorities Reporting Information System (PARIS). Such report is filed with the State budget agency which oversees the operations of various State authorities, including Industrial Development Agencies. The PARIS reporting format is also in accordance with the NYS Comptroller's requirements.

Certain required project information included in project data in pages 17-18 of the report such as project name, address, purpose, total project costs and either the taxable or non taxable status of bonds or the total for lease projects are available from data provided to the Agency by the project companies. Data relating to jobs at the site before IDA status as well as the estimate of jobs to be created and retained is also available from these same project records. Property tax exemptions and PILOT billings are available from the Agency's records for each of the projects.

Certain information included in conduit debt on page 12 and the project data (pages 17-18) is reported based on data that is provided by each project company at December 31 each year. This data includes conduit debt increases and payments during the calendar year and December 31 conduit debt balances as well as full time equivalent (FTE's) of jobs at the project at December 31 and any FTE construction jobs created on any applicable construction projects during the calendar year. Also, project companies report the amount of sales tax and any mortgage recording tax savings as a result of IDA status for projects closed during the year ended December 31.

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CITY OF MECHANICVILLE TOWN OF STILLWATER  
INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued  
December 31, 2007

Note 4 Annual Report Filing, continued

Certain other required responses in the annual report including those related to federal tax status for straight lease projects and the last 4 questions on each page regarding the last year for reporting (first of 4) and the responses for the following 3 questions which are specifically driven by the established reporting software, may or may not be responded to accurately. The response to the first of 4 questions when answered as a no (n) drives the software to no's (n's) for the following three questions, which may or may not be accurate as noted.

Average estimated salary data is noted as -0- for each project because a response is required by the reporting program. The project companies whose projects have closed in years through the year 2007 have not been required to provide such data, therefore, the Agency is not able to provide a response other than -0- in the annual report filing for such estimated salary data.



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REPORTS ON COMPLIANCE AND INTERNAL CONTROLS

Agency Officers and Members  
City of Mechanicville Town of Stillwater  
Industrial Development Agency

We have examined the financial statements of the City of Mechanicville Town of Stillwater Industrial Development Agency as of and for the year ended December 31, 2007 and have issued our report thereon dated June 20, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, issued by the U.S. General Accounting Office. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the City of Mechanicville Town of Stillwater Industrial Development Agency for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Compliance with laws and regulations applicable to the City of Mechanicville Town of Stillwater Industrial Development Agency is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Mechanicville Town of Stillwater Industrial Development Agency's compliance with certain provisions of laws and regulations. However, the objective of the audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the City of Mechanicville Town of Stillwater Industrial Development Agency has complied in all material respects with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Mechanicville Town of Stillwater Industrial Development Agency had not complied, in all material respects, with these provisions.

(continued)

## Reports on Compliance and Internal Controls

We did not make an evaluation of internal accounting control as a part of our examination because the Agency's size is such that its Treasurer and an assistant are responsible for all its accounting, financial and administrative matters. Agency management has determined that it is not cost effective to achieve maximum controls. We concluded that the audit was performed much more efficiently by expanding substantive audit tests and thus placed very little reliance on any internal control system.

This report is intended solely for the information and use of management and to meet the requirements of auditing standards for governmental financial and compliance audits and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which is a matter of public record.

June 20, 2008

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We have examined the financial statements of the City of Mechanicville Town of Stillwater Industrial Development Agency as of and for the year ended December 31, 2007 and have issued our report thereon dated June 20, 2008. As a part of our procedures, we also reported on the Agency's compliance with laws and regulations and controls. As discussed in the compliance and controls report, we did not make an evaluation of internal accounting control because a Treasurer and an assistant are responsible for all of its accounting and financial matters. We concluded that the audit was performed more efficiently by expanding substantive audit tests, relying little on controls.

The management of the City of Mechanicville Town of Stillwater Industrial Development Agency is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the accounting principles and practices mandated by government standards for financial and compliance audits. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

A material weakness is a reportable condition in which the design or operation of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing assigned functions. We noted no matters involving the internal control structure and its operation that we considered to be a material weakness as defined above based on our expanded substantive audit tests.

This report is intended solely for the information and use of management and to meet the requirements of auditing standards for governmental financial and compliance audits and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which is a matter of public record.

June 20, 2008

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