

CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY

REGULATORY BASIS
FINANCIAL STATEMENTS

DECEMBER 31, 2008

CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
City of Mechanicville Town of Stillwater
Industrial Development Agency

We have audited the accompanying regulatory basis financial statements of the City of Mechanicville Town of Stillwater Industrial Development Agency, a component unit of both the City of Mechanicville and the Town of Stillwater, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the City of Mechanicville and Town of Stillwater Industrial Development Agency'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 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.

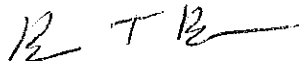
As described in Note 1, the Agency prepared these financial statements using accounting principles prescribed by the New York State Office of the State Comptroller to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America. See that note for the difference between the regulatory basis of accounting and accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of City of Mechanicville Town of Stillwater Industrial Development Agency as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles prescribed by the New York State Office of the State Comptroller.

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2009 on our consideration of the City of Mechanicville Town of Stillwater Industrial Development Agency'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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Board of Directors and State of New York Office of the State Comptroller and is not intended to be and should not be used by anyone other than these specific parties.

May 15, 2009

A handwritten signature in black ink, appearing to read "Bryan T. Basila", with a horizontal line extending to the right.

BRYAN T. BASILA
Certified Public Accountant

TOWN OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY
Balance Sheet
December 31, 2008

Assets	
Cash	\$11,868
Receivables	<u>359</u>
Total assets	<u>\$12,227</u>
Liabilities - accounts payable	2,006
Fund balance	<u>10,221</u>
Total liabilities and fund balance	<u>\$12,227</u>

Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2008

Revenue:	
Administrative Fees	24,000
Municipal grants	4,000
Interest	<u>15</u>
Total revenue	<u>28,015</u>
Expenses:	
Professional service contracts	17,250
Professional accounting and audit	2,515
Other operating expenses	<u>3,982</u>
Total expenses	<u>23,747</u>
Excess of revenue over expenses	4,268
Fund balance at beginning of year	<u>5,953</u>
Fund Balance at end of year	<u>\$10,221</u>

Statement of Cash Flows
For the Year Ended December 31, 2008

Operating activities:	
Excess of revenues over expenses	4,268
Increase in accounts payable	<u>1,827</u>
Net cash provided by operating activities	<u>6,095</u>
Net increase in cash	6,095
Cash at beginning of year	<u>5,773</u>
Cash at end of year	<u>\$11,868</u>

See accompanying notes and independent auditor's report.

CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements
December 31, 2008

1. Organization and Significant Accounting Policies

Business Activity

The City of Mechanicville Town of Stillwater Industrial Development Agency (Agency) was created in 1980 by the respective Boards governing these municipalities under the provisions of General Municipal Law Article 18-A of New York State for the purpose of encouraging economic growth in the City of Mechanicville and Town of Stillwater. The Agency is a component unit of both the municipalities. The governing Boards of those municipalities appoint the Agency's governing board and also account for the Agency's transactions.

Basis of Accounting

The financial statements of the City of Mechanicville Town of Stillwater Industrial Development Agency have been prepared in conformity with accounting principles prescribed by the New York State Office of the State Comptroller for complying with General Municipal Law, Section 859, in which every Industrial Development Agency is required to make an annual financial report. The most significant difference between this regulatory basis of accounting and generally accepted accounting principles (GAAP) is that the Government Accounting Standards Board (GASB) Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" need not be implemented to meet the requirements of General Municipal Law. GASB 34 would require significant additional changes including:

- . Government-Wide Reporting
- . Focus on Funds
- . Changes in Budgetary Reporting
- . Full Accrual Accounting Including Depreciation
- . Management Discussion and Analysis
- . Capitalization of Infrastructure Assets

Management has considered adopting GASB 34 and determined that auditing the financial statements utilizing the Comprehensive Basis of Accounting as prescribed by the State Comptroller as described above, as opposed to GAAP, makes fiscal sense for the Agency.

Income Taxes

The Agency operates as an independent entity and is exempt from Federal, New York State and local income taxes.

(continued)

See independent auditors' report.

CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements, Continued
December 31, 2008

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 assets or liabilities resulting from completed bond and note issues in its accounts because 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 the closing and issuance of bonds, notes or straight lease transactions. At December 31, 2008 there were no bonds and notes (issued in the name of the Agency) on open projects.

The Agency has not issued any of its own obligations through December 31, 2008.

3. Investment of Cash

The Agency's investment policies are governed by New York Statutes, as well as the Agency's own investment policy. Agency monies must be deposited in FDIC insured commercial banks or trust companies located in New York State in demand, savings, money market accounts and certificates of deposit. Collateral is required for all 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 the State and its localities.

Deposits at December 31, 2008 totaling \$11,868 were covered by FDIC insurance.

4. Annual Report Filing

The Agency is required to file an 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.

(continued)

See independent auditor's report.

CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements, Continued
December 31, 2008

4. Annual Report Filing (continued)

Supplemental information in the annual report filing for project data including general project information, project location, applicant information as well as certain project employment information is available from initial data provided to the Agency by the project companies. Current project employment at December 31, 2008 and construction jobs during 2008 for projects in the construction phase are also provided by the project companies. Property tax exemptions and PILOTS paid are available from the Agency's records.

Conduit debt is reported based on amounts provided by each project company at December 31, 2008, including increases and payments during the year and conduit debt calendar year end balances. Project companies report the amount of sales tax savings as a result of IDA status for projects in the construction phase and also mortgage recording savings at each project's financial closing and such amounts are included as additional project tax exemptions.

Average estimated salary data is noted as -0- for each project because a response is required by the reporting program. Companies whose projects closed in years through the year 2007 were not required to provide such data, therefore, the Agency is unable to provide a more appropriate response for such estimated salary data.

The required reporting for straight lease projects was revised to annual lease payment in 2008 (from total lease amount in 2007). As the reporting did not require annual lease payment be provided for projects closed through 2007, the amount reported as annual lease payment is actually the total lease amount for those projects. No projects closed during 2008.

See independent auditors' report.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
City of Mechanicville Town of Stillwater
Industrial Development Agency

We have audited the regulatory basis financial statements of the City of Mechanicville Town of Stillwater Industrial Development Agency, a component unit of those two municipalities, as of and for the year ended December 31, 2008 and have issued our report thereon dated May 15, 2009. 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 Governmental Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City of Mechanicville Town of Stillwater Industrial Development Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

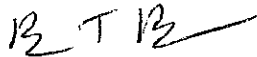
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Mechanicville Town of Stillwater Industrial Development Agency'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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

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

May 15, 2009



BRYAN T. BASILA
Certified Public Accountant