



**CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY**

**REGULATORY BASIS
FINANCIAL STATEMENTS**

DECEMBER 31, 2011

2011
12/31/11

**CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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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, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Mechanicville 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, 2011 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 March 21, 2012 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 provision 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.

Very Truly Yours,
STARK & BASILA
Certified Public Accountants, PC

Bryan T. Basila
BRYAN T. BASILA, CPA

Dated: March 21, 2012

CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY

Balance Sheet
December 31, 2011

Assets	
Current Assets:	
Cash (Includes petty cash)	\$ 17,017
Receivables	359
Total Assets	\$ 17,376
Liabilities	
Accounts Payable	\$ 2,974
Total Liabilities	2,974
Fund Balance	14,402
Total Liabilities and Fund Balance	\$ 17,376

Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2011

Revenues:	
Administrative Fees	\$ 30,000
Total Revenue	30,000
Expenses:	
Administrative fees paid to Saratoga Economic Development Corp	15,000
Professional fees	2,968
Accounting and audit	2,200
Other operating expenses	2,044
Total Expenses	22,212
Excess Revenues over Expenses	7,788
Fund Balance at beginning of year	6,614
Fund Balance at end of year	\$ 14,402

Statement of Cash Flows
For the Year Ended December 31, 2011

Operating Activities:	
Excess of revenues over expenses	\$ 7,788
Increase (decrease) in accounts payable	2,968
Net cash provided (used) by operating activities	10,756
Cash in money market accounts at beginning of year	6,261
Cash in money market accounts at end of year	\$ 17,017

See accompanying notes and independent auditor's report.

CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements
December 31, 2011

NOTE 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 Article 18-A of the General Municipal Law of the State of New York for the purpose of encouraging economic growth in the City of Mechanicville and Town of Stillwater. The Agency is a component unit of both municipalities. The governing boards of the municipalities appoint the Agency's governing board and also account for the Agency's transactions.

The following is a summary of significant accounting policies of the Agency.

Basis of Accounting

The financial statements of the Agency have been prepared in conformity with accounting principles prescribed by the New York State Office of the State Comptroller (OSC) for complying with General Municipal Law, Section 859 in which every Industrial Development Agency is required to make an annual financial report. This regulatory basis of accounting and reporting varies from generally accepted accounting principles in the United States of America ("GAAP") as set by the Governmental Accounting Standards Board ("GASB"). The most significant difference between this regulatory basis of accounting and GAAP is that 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 Major Funds
- Changes in Budgetary Reporting
- Full Accrual Accounting Including Depreciation
- Management's Discussion and Analysis
- Capitalization of Infrastructure Assets

Management has considered the costs and benefits of adopting GASB 34 and determined that auditing the financial statements utilizing an Other Comprehensive Basis of Accounting as prescribed by the State Comptroller and 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.

Subsequent Events

Management has evaluated subsequent events or transactions through March 21, 2012, the date the financial statements were available to be issued. No such events or transactions were identified.

CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements
December 31, 2011

NOTE 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 are 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 the Agency's primary function is to arrange the financing between the borrowing companies and the bond and note holders and funds arising there from are controlled by trustees or banks acting as fiscal agents.

For providing this conduit financing service, the Agency receives project administration fees from the borrowing companies. These fees are recognized as income upon the closing and issuance of bonds, notes, or straight lease transactions. At December 31, 2011, there were no bonds and notes (issued in the name of the Agency) on open projects.

The agency had not issued any of its own obligations through December 31, 2011.

NOTE 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 certificate 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, 2011 totaling \$16,917 were covered by FDIC insurance as required.

NOTE 4—ANNUAL REPORT FILING

The OSC requires the Agency to file an annual report in a comprehensive on-line format known as the Public Authorities Reporting Information System (PARIS). Supplemental information in the Agency's PARIS filing, including general information, location, and projected employment data, is sourced from initial information provided by the project companies. Employment data at December 31, 2011 and construction jobs created for those projects in the construction phase, as well as average estimated salary data, is also provided by the project companies. Average estimated salary data is reported as -0- for projects which closed as of December 31, 2007 as such projects are not required to provide such data.

CITY OF MECHANICVILLE TOWN OF STILLWATER
INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements

December 31, 2011

NOTE 4—ANNUAL REPORT FILING (Continued)

Property tax exemptions and payments in lieu of taxes (PILOTS) are included based on the data in the Agency's records. Conduit debt outlined in Note 2 is reported based on amounts provided by those project companies with outstanding project bonds, including any increases and payments made during the calendar year resulting in the balances as of the end of the calendar year. Project companies report the amount of sales tax savings as a result of IDA status for projects during construction and mortgage recording tax savings at closing as additional project tax exemptions.

The required reporting for straight lease projects as of December 31, 2011 did not include annual lease payments for projects closed as of December 31, 2007, therefore the amount reported as annual lease payments is -0- for years through December 31, 2007. This is consistent with OSC reporting requirements.

NOTE 5—BUDGET OFFICE DETERMINATION ON AGENCY STATUS

The State of New York Authorities Budget Office issued a letter on October 17, 2011 to the Mechanicville-Stillwater Industrial Development Agency regarding the termination of the Agency due to General Municipal Law Section 882, which states whenever all of the bonds or notes issued by the Agency shall have been redeemed or cancelled, the agency shall cease to exist and all rights, titles and interest and all obligations and liabilities thereof vested in or possessed by the agency shall thereupon vest in and be possessed by the municipality. The Agency disagreed with the State of New York and maintains it is an active Industrial Development Agency.

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See independent auditors' report.

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Independent Auditor's 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 both the City of Mechanicville and Town of Stillwater, as of and for the year ended December 31, 2011, and have issued our report thereon dated March 21, 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

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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mechanicville Town of Stillwater Industrial Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Mechanicville Town of Stillwater Industrial Development Agency'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 Agency'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 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 grants, 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 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 the specified parties.

Very truly yours,
STARK & BASILA
Certified Public Accountants, PC

Bryan T. Basila

BRYAN T. BASILA, CPA

Dated: March 21, 2012