

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

***FINANCIAL STATEMENTS***

***DECEMBER 31, 2016***

**CITY OF MECHANICVILLE TOWN OF STILLWATER**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
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*DECEMBER 31, 2016*

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**CUSACK & COMPANY**  
**Certified Public Accountants LLC**  
7 AIRPORT PARK BOULEVARD  
LATHAM, NEW YORK 12110  
(518) 786-3550  
FAX (518) 786-1538  
E-MAIL ADDRESS: CPAS@CUSACKCPAS.COM  
WWW.CUSACKCPAS.COM

MEMBERS OF:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:  
NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
City of Mechanicville Town of Stillwater  
Industrial Development Agency  
Mechanicville, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Mechanicville Town of Stillwater Industrial Development Agency (the "Agency") which comprise the statement of net position as of December 31, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year 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 the 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 Agency'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 entity'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 Agency as of December 31, 2016, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Management has omitted management's discussion and analysis. Such information is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2017 on our consideration of the 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 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* in considering the Agency's internal control over financial reporting and compliance.

## **Emphasis of Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. As discussed in Note 3 to the financial statements, the Agency may not be able to continue as a going concern due to a lack of funds. This condition raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
March 7, 2017

**CITY OF MECHANICVILLE TOWN OF STILLWATER**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*STATEMENT OF NET POSITION*  
*DECEMBER 31, 2016*

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**Assets**

Assets:	
Cash	\$ 2,403
Total Assets	<u>\$ 2,403</u>

**Liabilities and Net Position**

Accrued Expense	\$ 1,179
Net Position:	
Net Position, Unrestricted	<u>\$ 1,224</u>
Total Liabilities and Net Position	<u>\$ 2,403</u>

**CITY OF MECHANICVILLE TOWN OF STILLWATER**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION*  
*FOR THE YEAR ENDED DECEMBER 31, 2016*

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Revenues:	
Administrative Fees	\$ -
Total Revenues	<u>-</u>
Expenses:	
Professional Fees	4,200
Miscellaneous	<u>1,828</u>
Total Expenses	<u>6,028</u>
Change in Net Assets	(6,028)
Net Position at Beginning of Year	<u>7,252</u>
Net Position at End of Year	<u><u>\$ 1,224</u></u>

*CITY OF MECHANICVILLE TOWN OF STILLWATER*  
*INDUSTRIAL DEVELOPMENT AGENCY*  
*STATEMENT OF CASH FLOWS*  
*FOR THE YEAR ENDED DECEMBER 31, 2016*

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Cash Flows Used in Operating Activities:

PILOTS Received	\$ 194,725
Payments to Vendors	(6,028)
PILOTS Paid	<u>(193,546)</u>

Cash Used in Operating Activities	(4,849)
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Cash at Beginning of Year	<u>7,252</u>
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Cash at End of Year	<u><u>\$ 2,403</u></u>
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Reconciliation of Operating Income to Net Cash

Used in Operating Activities:

Change in Position	\$ (6,028)
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Increase in Accrued Expenses	<u>1,179</u>
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Cash Used in Operating Activities	<u><u>\$ (4,849)</u></u>
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Purpose*

The City of Mechanicville Town of Stillwater Industrial Development Agency (the 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 governing boards of the municipalities appoint the Agency's governing board.

The Agency's function is to authorize the issuance of industrial development revenue bonds for industrial development projects and to assist businesses in acquiring or constructing various facilities in order to provide job opportunities and increase economic welfare. In return for its efforts, the Agency receives application and closing fees related to this business financing.

A summary of the significant accounting policies applied in the accompanying financial statements follows:

*Accounting Method*

The Agency's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for public authorities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position.

Revenues are recognized when earned and expenses are recognized when incurred.

*Estimates*

In preparing financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Cash*

The Agency's investment policy and statutes authorize the Agency to maintain deposits with FDIC-insured commercial banks located within the state. The Agency is authorized to use demand accounts, money market accounts and certificates of deposit. Collateral is required for all deposits not covered by federal deposit insurance. As of December 31, 2016, all of the Agency's deposits were fully insured.

*Industrial Development Revenue Bonds and Note Transactions*

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by these payments. The bonds and notes are not obligations of the Agency, the City, the Town, or New York State. The Agency does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. There were no industrial bonds issued and outstanding at December 31, 2016.

*Tax Status*

The Agency is exempt from federal, state, and local income taxes.

*Subsequent Events*

In preparing the financial statements and notes thereto, the Agency considered subsequent events or transactions as to any potential material impact on operations or financial position occurring through March 7, 2017, the date the financial statements were available to be issued. No such events or transactions were identified.

**2. FEE SHARING AGREEMENT**

The Agency has an agreement with Saratoga Economic Development Corporation (SEDC) in which administrative fees for project costs up to \$10 million are shared equally and administrative fees for project costs from \$10 to \$20 million are shared with 75% to the Agency and 25% to SEDC. During 2016 the Agency had no shared fees.

*CITY OF MECHANICVILLE TOWN OF STILLWATER*  
*INDUSTRIAL DEVELOPMENT AGENCY*  
*NOTES TO FINANCIAL STATEMENTS (CONTINUED)*  
*DECEMBER 31, 2016*

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**3. GOING CONCERN**

As of December 31, 2016 the Agency's net position was \$1,224. The past several years have not generated any administrative fee revenues. These conditions raise substantial doubt about the Agency's ability to continue as a going concern.

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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***

Board of Directors  
City of Mechanicville Town of Stillwater  
Industrial Development Agency  
Mechanicville, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Mechanicville Town of Stillwater Industrial Development Agency (the "Agency"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 7, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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. 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. We did identify a deficiency in internal control that we consider to be a significant deficiency:

*Outsourcing of Financial Statement Preparation Process to Your Auditors*

Statement on Auditing Standards “Communicating Internal Control Related Matters Identified in an Audit” issued by the American Institute of Certified Public Accountants requires the reporting of a significant deficiency if the Organization does not employ an individual with the necessary qualifications to prepare a complete set of financial statements and related footnotes in accordance with generally accepted accounting principles. The City of Mechanicville Town of Stillwater Industrial Development Agency does not employ such a person. Governance and management have been advised of this previously and have concluded that the cost to rectify this comment would exceed the benefit.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency’s financial statements are free from 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 Agency’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 Agency’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CUSACK & COMPANY, CPA’S LLC**

Latham, New York  
March 7, 2017

***CITY OF MECHANICVILLE TOWN OF STILLWATER***  
***INDUSTRIAL DEVELOPMENT AGENCY***  
*SCHEDULE OF CURRENT YEAR FINDINGS*  
*FOR THE YEAR ENDED DECEMBER 31, 2016*

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See “Outsourcing of Financial Statement Preparation Process to Your Auditor” note on page 10.