



July 24, 2013

Mayor and Members of the City Council  
City of Saratoga Springs, New York  
474 Broadway- City Hall  
Saratoga Springs, New York 12866-2296

Dear Mayor and Members of the City Council

We are pleased to present this report related to our audit of the financial statements of the City of Saratoga Springs, New York (City) for the year ended December 31, 2012. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the Mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP, CPAs

Willard G. Reynolds

WGR/dmc

**CITY OF SARATOGA SPRINGS, NEW YORK**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE  
Year Ended December 31, 2012**

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

**Our Responsibilities and the Planned Scope and Timing of the Financial Statement Audit**

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated April 15, 2013.

**Accounting Policies and Practices**

**Preferability of Accounting Policies and Practices**

Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practices.

**Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. Following is a description of accounting standards the City adopted during the year to comply with accounting principles generally accepted in the United States of America (U.S. GAAP):

Effective January 1, 2012, the City adopted Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Effective January 1, 2012, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

Adoption of these accounting standards did not significantly impact the City's financial statements.

**Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Management's Judgments and Accounting Estimates**

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A, Summary of Significant Accounting Estimates.

**Audit Adjustments**

Audit adjustments recorded by the City are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE  
Year Ended December 31, 2012**

**Uncorrected Misstatements**

There were no uncorrected misstatements in the financial statements.

**Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Based on our experience with some other governmental clients, we suggested to the Commissioner of Finance and Director of Finance that they might want to consider changing the City's reporting basis from generally accepting accounting principles to the regulatory basis as prescribed by the Comptroller's Office. We advised that this change might save the City considerable time and effort. After discussion and analysis, they decided that the City's current reporting format is more in compliance with the spirit of the reporting standards and that factor was worth the additional effort. We understand and agree with this decision.

**Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

**Significant Issues Discussed with Management**

No significant issues arising from the audit were discussed with or the subject of correspondence with management.

**Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

**Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting**

Our consideration of internal control over financial reporting was for the limited purpose of expressing an opinion on the financial statements, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses or significant deficiencies.

**Significant Written Communications Between Management and Our Firm**

Copies of significant written communications between our firm and the management of the City, including the representation letter provided to us by management, are attached as Exhibit C.

We will be pleased to respond to any questions you have about these matters. We appreciate the opportunity to be of continued service to the City.

This letter is intended solely for the information and use of the Mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP



Willard G. Reynolds

WGR/dmc

## CITY OF SARATOGA SPRINGS, NEW YORK

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES  
Year Ended December 31, 2012

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's December 31, 2012, financial statements:

Estimate	Accounting Policy	Estimation Process
Estimates are made by management for the allowance for doubtful accounts for the General Fund, accounts receivable and parking tickets, and the Special Grant Fund rehabilitation loans receivable.	Receivables are reduced to their net realizable value. An allowance for uncollectible receivables is recorded as a contra asset and a corresponding expense.	Management will perform a calculation at year-end to determine what portion of the outstanding receivable balances may be uncollectible.
Estimates for useful lives of capital assets and depreciation expense methods.	At the time an asset is inventoried, its useful life and acquisition date are determined in compliance with the capital asset policy, and entered into the fixed asset system accordingly. The depreciation expense is recorded annually for financial statement preparation.	All capital assets are depreciated using the straight-line method over the estimated useful lives determined.
The estimate for other postemployment benefits (OPEB).	The City recognizes a net OPEB obligation in long-term liabilities for its single-employer defined benefit healthcare plan it offers retirees and their spouses.	The estimate is developed with the assistance of an actuarial firm using assumptions applied to census and plan information provided by the City.

We have evaluated management's significant accounting estimates noted above as part of our audit, and concluded that management's estimates and the estimation process appear reasonable in the context of the financial statements taken as a whole.

CITY OF SARATOGA SPRINGS, NEW YORK

SUMMARY OF RECORDED AUDIT ADJUSTMENTS  
Year Ended December 31, 2012

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenditure
Governmental Activities					
To adjust accrued compensated absences liability	\$ -	\$ 150,699	\$ -	\$ -	\$ 150,699
To adjust due to ERS balance	-	977,926	(977,926)	-	-
Business-type Activities					
To adjust due to ERS balance	-	(324,603)	324,603	-	-
 Total Government-Wide Statement of Activities Effect			(150,699)	\$ -	\$ 150,699
 Total Government-Wide Statement of Net Position Effect	\$ -	\$ 804,022	\$ (804,022)		

**CITY OF SARATOGA SPRINGS, NEW YORK**  
**SIGNIFICANT WRITTEN COMMUNICATIONS BETWEEN**  
**MANAGEMENT AND OUR FIRM**  
**Year Ended December 31, 2012**

Representation Letter



**CITY OF SARATOGA SPRINGS**  
OFFICE OF COMMISSIONER OF FINANCE

**MICHELE D. CLARK-MADIGAN**  
COMMISSIONER OF FINANCE

474 Broadway - City Hall  
Saratoga Springs, New York 12866-2296  
518-587-3550  
Fax 518-580-0781

M. LYNN BACHNER  
Deputy Commissioner

CHRISTINE GILLMETT-BROWN  
Director of Finance

KAMERON KLIPPEL  
Receiver of Taxes

CATHERINE LOZIER  
Principal Account Clerk

FLORENCE C. WHEELER  
Payroll Administrator

July 24, 2013

Bollam, Sheedy, Torani & Co. LLP, CPAs  
26 Computer Drive West  
Albany, New York 12205

This representation letter is provided in connection with your audit of the financial statements of the City of Saratoga Springs, New York (City) which comprise of the statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended December 31, 2012. We confirm that we are responsible for the fair presentation of the financial statement of net position; statement of revenues, expenses and changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of your independent auditor's report, the following representations made to you during your audit:

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated April 15, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

The City's accounting principles and the practices and methods followed in applying them, are as disclosed in the financial statements, and there have been no changes during the year ended December 31, 2012, in the City's accounting principles and practices, except as noted herein.

2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
6. There are no organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, that are:

- a. Component units.
  - b. Other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
  - c. Jointly governed organizations in which we participated.
7. We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
  8. We have properly classified all funds and activities.
  9. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria.
  10. We are responsible for compliance with laws and regulations applicable to the City, including adopting, approving, and amending budgets.
  11. The following have been properly recorded and/or disclosed in the financial statements:
    - a. Related-party transactions, as defined in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
    - b. The fair value of investments.
    - c. Debt issue provisions.
    - d. All leases and/or material amounts of rental obligations under long-term leases.
    - e. All significant estimates and/or material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position No. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
    - f. The effect on the financial statements of any accounting pronouncements which have been issued, but which we have not yet adopted.
    - g. Net positions and/or fund balance classifications.

*Information Provided*

12. We have provided you with:
  - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
  - b. Additional information that you have requested from us for the purpose of the audit.

- c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the Board of Directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - e. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
    - 1) Statutory, regulatory, or contractual provisions or requirements, and
    - 2) Financial reporting practices that could have a material effect on the financial statements.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
  14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
  15. We have no knowledge of allegations of fraud or suspected fraud affecting the City's financial statements involving:
    - a. Management.
    - b. Employees who have significant roles in the internal control.
    - c. Others where the fraud could have a material effect on the financial statements.
  16. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements received in communications from employees, former employees, or others.
  17. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
  18. We know of no violations of state or federal statutory or regulatory provisions, grants or other contractual provisions, or of provisions of local ordinances.
  19. We disclosed to you all known actual or possible pending or threatened litigation and claims whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 62.
  20. We have disclosed to you the identity of the City's related parties and all related-party relationships and transactions of which we are aware.
  21. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize, and report financial data.
  22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
  23. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private or to special assessment bond holders that is not disclosed in the financial statements.

24. We have no plans or intentions that may materially affect the carrying value or classification of assets.
25. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions and disclosures have been made:
  - a. To reduce receivables to their estimated net collectible amounts.
  - b. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2012, and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2012.
  - c. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through December 31, 2012.
  - d. For environmental clean-up obligations.
26. There are no:
  - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a “potentially responsible party” by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
  - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement 62 or GASB Statement No. 10.
  - d. Guarantees, whether written or oral, under which the City is contingently liable.
  - e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
  - f. Line-of-credit or similar arrangements.
  - g. Agreements to repurchase assets previously sold.
  - h. Security agreements in effect under the Uniform Commercial Code.
  - i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - j. Contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
  - k. Liabilities which are subordinated in any way to any other actual or possible liabilities.
  - l. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
  - m. Authorized but unissued bonds or notes.

- n. Risk financing activities.
  - o. Derivative financial instruments.
  - p. Special and extraordinary items.
  - q. Deposits and investment securities categories of risk.
  - r. Arbitrage rebate liabilities.
  - s. Impaired capital assets.
  - t. Obsolete, damaged, or excess inventories.
  - u. Investments, intangibles, or other assets which have permanently declined in value.
27. The City has satisfactory title to all owned assets.
28. Net positions invested in capital assets, net of related debt; restricted; and unrestricted and fund balances are properly classified and, when applicable, approved.
29. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
30. Revenues are appropriately classified in the statements of activities within program revenues and general revenues.
31. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
32. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, which are included in the summarized schedule of posted adjustments and will post all adjustments accordingly. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.
33. In considering the disclosures that should be made about risks and uncertainties, we have concluded that concentration of credit risk is required.
34. With respect to the required supplementary information presented in the financial statements as a whole:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
35. We are responsible for determining that significant events or transactions that have occurred since the statement of net position date and through July 24, 2013 have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of net position date and through July 24, 2013, that would require recognition or disclosure in the financial statements. We further represent that as of July 24, 2013, the financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the financial statements had been obtained.

36. Effective January 1, 2012, we adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Effective January 1, 2012, we adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

37. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

*Government Auditing Standards*

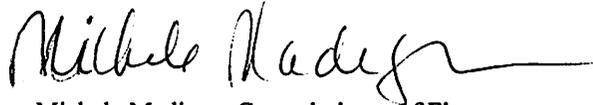
38. We are responsible for compliance with laws and regulations applicable to the City, including the requirement of adopting, approving, and amending budgets.
39. We have identified and disclosed to you:
- a. All laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
  - b. Violations and possible violations of laws, regulations, and provisions of contracts and other agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
40. We have taken timely and appropriate action to evaluate and address fraud, illegal acts, violations of provisions of contracts or other agreements, or abuse that has been reported.
41. We have implemented a process to track the status of audit findings and recommendations.
42. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the correction action taken to address significant findings and recommendations.
43. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned correction actions for the report, if any.
44. In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:
- a. We are responsible for complying, and we have complied, with the requirements of OMB Circular A-133.
  - b. We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
  - c. We are responsible for establishing and maintaining, and we have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.

- d. We have prepared the Schedule of Expenditures of Federal Awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
- e. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- g. We have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- h. We believe that we have complied with the direct and material compliance requirements.
- i. We have made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- j. We have provided you our interpretations of any compliance requirements that are subject to varying interpretations.
- k. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of your report.
- l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of your report.
- m. We are responsible for taking corrective action on audit findings of the compliance audit.
- n. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- o. We have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- p. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report.
- q. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by us with regard to significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance is audited.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

- s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal City or pass-through entity, as applicable.
  - t. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133, except as noted in the schedule of findings and questioned costs.
  - u. We have issued management decisions timely after the receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and we have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
  - v. We have considered the results of subrecipient audits and have made any necessary adjustments to our own books and records.
  - w. We have charged costs to federal awards in accordance with applicable cost principles.
  - x. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
  - y. We have accurately completed appropriate sections of the data collection form. We further acknowledge our responsibility for the complete, accurate, and timely filing of the data collection form with the Federal Audit Clearinghouse.
  - z. We have disclosed all contracts or other agreements with service organizations.
  - aa. We have disclosed to you all communications from service organizations relating to noncompliance at those organizations.
45. The undersigned have overseen the services provided by BST Advisors, LLC and have established and maintained internal controls, including the monitoring of ongoing activities related to the non-attest services of adjusting journal entries.

Very truly yours,

CITY OF SARATOGA SPRINGS, NEW YORK



Michele Madigan, Commissioner of Finance



Christine Gillmett-Brown, Director of Finance