



August 4, 2014

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

Dear 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, 2013. 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 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 be of service to the City.

Very truly yours,

SaxBST LLP

A handwritten signature in black ink that reads "Willard G. Reynolds".

Willard G. Reynolds

WGR/dmc

## City of Saratoga Springs, New York

### Communication with Those Charged With Governance Year Ended December 31, 2013

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 25, 2014.

#### **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 practice.

##### **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):

Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65). This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statements elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements. As a result of adopting GASB No. 65, the City determined that certain balances no longer met the definition of a liability and those balances have been reclassified to deferred outflows of resources section of the governmental fund balance sheets.

GASB Statement No. 66, *Technical Corrections* (GASB No. 66). This statement establishes clarifications on two recently issued statements, statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements. The adoption of GASB No. 66 did not significantly impact the City's financial statements.

# City of Saratoga Springs, New York

Communication with Those Charged With Governance  
Year Ended December 31, 2013

## Accounting Policies and Practices - Continued

### 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

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

### Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### 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.

### 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.

# City of Saratoga Springs, New York

Communication with Those Charged With Governance  
Year Ended December 31, 2013

## **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.

## **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 B.

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

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,

SaxBST LLP



Willard G. Reynolds

WGR/dmc



## City of Saratoga Springs, New York

### Summary of Significant Accounting Estimates Year Ended December 31, 2013

Accounting estimates are an integral part of the preparation of the 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 determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's December 31, 2013, financial statements:

| <u>Estimate</u>   | <u>Accounting Policy</u>  | <u>Estimation Process</u>   |
|---|---|---|
| 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 post-employment 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**

Significant Written Communications  
Between Management and Our Firm  
Year Ended December 31, 2013

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  
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M. LYNN BACHNER  
Deputy Commissioner

CHRISTINE A. GILLMETT-BROWN  
Director of Finance

KAMERON D. KLIPPEL  
Receiver of Taxes

CATHERINE E. LOZIER  
Benefits Administrator

FLORENCE C. WHEELER  
Payroll Administrator

August 4, 2014

SaxBST LLP  
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 the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information as of and for the year then ended December 31, 2013, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance 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 25, 2014, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
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 and 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.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no knowledge of any uncorrected misstatements in the financial statements.



9. We have identified for you all 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.
10. We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
11. We have properly classified all funds and activities.
12. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria.
13. We are responsible for compliance with laws and regulations applicable to the City, including adopting, approving, and amending budgets.

*Information Provided*

14. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity 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.
15. All transactions have been recorded in the accounting records and are reflected in the financial statements.
16. 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.
17. 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.
18. 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, analysts, regulators, or others.
19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
20. 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 probably of assertion and must be disclosed in accordance with GASB Statement No. 62.
21. 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.
22. 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.
23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. We know of no violations of state or federal statutory or regulatory provisions, grants or other contractual provisions, or of provisions of local ordinances.
25. 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.
26. Net positions invested in capital assets, net of related debt; restricted; and unrestricted and fund balances are properly classified and, when applicable, approved.
27. 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.
28. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
29. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.

*Government Auditing Standards*

30. We are responsible for compliance with laws and regulations applicable to the City, including the requirement of adopting, approving, and amending budgets.
31. 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.
32. 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.
  33. We have implemented a process to track the status of audit findings and recommendations.
  34. 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 corrective action taken to address significant findings and recommendations.
  35. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report, if any.
  36. We have reviewed, approved, and take full responsibility for all adjustments, the financial statements, related notes, and required supplementary information and acknowledge the auditor's role in the preparation of this information.

*Supplementary Information*

37. With respect to the supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
38. In connection with your audit of the federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and your audit of the New York State Department of Transportation awards for compliance with the types of compliance requirements described in preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (Draft Part 43 of NYCRR) we confirm:
  - a. We are responsible for complying, and have complied, with the requirements of Circular A-133 and Draft Part 43 of NYCRR.
  - b. We are responsible for the Schedule of Expenditures of Federal Awards (Schedule), and we have prepared the Schedule in accordance with Circular A-133 Section 310.b and Draft Part 43 of NYCRR. We 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, and property (including donated surplus property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance). We further acknowledge that we are responsible for understanding and complying with the compliance requirements related to the preparation of the Schedule.
  - c. We are responsible for establishing and maintaining, and have established and maintained,


effective internal control over compliance for federal programs that provides reasonable assurance that the City is managing federal and State DOT awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal and State DOT programs.

- d. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of the City's federal and State DOT programs and have complied, in all material respects, with those requirements.
  - 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 federal and State DOT program.
  - f. We have provided you with our interpretations of any compliance requirements that have varying interpretations.
  - g. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal and State DOT awards, including those resulting from other audits or program reviews.
  - h. We have charged costs to federal and State DOT awards in accordance with applicable cost principles.
  - i. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
  - j. Federal and State DOT 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.
  - k. The copies of federal and State DOT program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
  - l. We have accurately completed the appropriate sections of the data collection form.
39. 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.

Very truly yours,

CITY OF SARATOGA SPRINGS, NEW YORK

  
Michele Madigan, Commissioner of Finance

  
Christine Gillmett-Brown, Director of Finance

8/4/14  
Date

8/4/14  
Date