



August 22, 2016

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, 2015. 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,

BST & Co. CPAs, LLP

Brendan K. Kennedy, Partner

BKK/dmc



## City of Saratoga Springs, New York

### Communication With Those Charged With Governance Year Ended December 31, 2015

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 With Regard to the Financial Statement Audit**

Our responsibilities under 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 have been described to you in our arrangement letter dated February 10, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

#### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.

#### **Accounting Policies and Practices**

##### **Preferability of Accounting Policies and Practices**

Under generally accepted accounting 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 policy changes related to accounting standards the City adopted during the year to comply with accounting principles generally accepted in the United States of America (U.S. GAAP):

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements for Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

# City of Saratoga Springs, New York

## Communication With Those Charged With Governance Year Ended December 31, 2015

### Accounting Policies and Practices - Continued

#### Adoption of, or Change in, Accounting Policies - Continued

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of statement No. 68.

The City adopted these accounting standards effective January 1, 2015. As a result of adopting these accounting standards and guidance, the City now reports its proportionate share of the net pension liability, along with related deferred outflows of resources, deferred inflows of resources, and pension expense, as determined by the State and Local Employees' Retirement System. The adoption of GASB 68 is retroactive. Accordingly, the City's December 31, 2014 governmental and business-type activities net position increased and decreased by \$163,652 and \$122,250, respectively.

#### 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 proposed by us and recorded by the City are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.



# City of Saratoga Springs, New York

## Communication With Those Charged With Governance Year Ended December 31, 2015

### **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.

### **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.



## City of Saratoga Springs, New York

### Summary of Significant Accounting Estimates Year Ended December 31, 2015

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 determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's December 31, 2015 financial statements:

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Estimation Process</u>
<p>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.</p>	<p>Receivables are reduced to their net realizable value. An allowance for uncollectible receivables is recorded as a contra asset and a corresponding expense.</p>	<p>Management will perform a calculation at year-end to determine what portion of the outstanding receivable balances may be uncollectible.</p>
<p>Estimates for useful lives of capital assets and depreciation expense methods.</p>	<p>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.</p>	<p>All capital assets are depreciated using the straight-line method over the estimated useful lives determined.</p>
<p>The estimate for other post-employment benefits (OPEB).</p>	<p>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.</p>	<p>The estimate is developed with the assistance of an actuarial firm using assumptions applied to census and plan information provided by the City.</p>
<p>The estimate for the net pension liability.</p>	<p>The City recognizes its proportionate share of the New York State and Local Employee's Retirement System and the New York State and Local Police and Fire Retirement System net pension liabilities and the related deferred inflows and outflows of resources.</p>	<p>The City's net pension liabilities are estimated by the New York State Office of the State Comptroller using census data supplied by participating employers and various actuarial assumptions, including but not limited to, rate of return, mortality, and inflation. The City's proportionate percentage of the liabilities is determined on an annual basis.</p>

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, 2015

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenditure
Capital Projects Fund					
To adjust uncollectible receivable	\$ (22,538)	\$ (22,538)	\$ -	\$ -	\$ -
Total Statement of Revenues, Expenses, and Changes in Net Position Effect			-	\$ -	\$ -
Total Statement of Net Position Effect	\$ (22,538)	\$ (22,538)	\$ -		

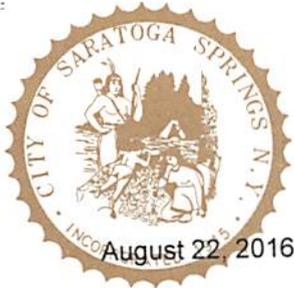


**City of Saratoga Springs, New York**

Significant Written Communications  
Between Management and our Firm  
Year Ended December 31, 2015

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. GILMETT-BROWN  
Director of Finance

KAMERON D. KLIPPEL  
Receiver of Taxes

CATHERINE E. LOZIER  
Benefits Administrator

FLORENCE C. WHEELER  
Payroll Administrator

BST & Co. CPAs, 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 ended December 31, 2015, 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, that as of August 22, 2016:

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated February 10, 2016, 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 transactions and interfund transactions, including interfund accounts and advances receivable and payable, interfund transfers, have been recorded in accordance with the economic substance of the transaction and 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 direct or indirect, legal or moral, obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
9. We have no knowledge of any uncorrected misstatements in the financial statements.

10. We agree with the findings of specialists in evaluating the other postemployment benefits obligation and net pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
11. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line-of-credit, or similar arrangements have been properly disclosed.

*Information Provided*

12. 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 City from whom you determined it necessary to obtain audit evidence; and
  - d. Minutes of the meetings of the City Council, and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
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 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, analysts, regulators, short sellers, or others.
17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing the financial statements.
18. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
19. We have disclosed to you the identity of the City's related parties and all the related-party relationships and transactions of which we are aware.
20. 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.

21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
22. We believe that the actuarial assumptions and methods used to measure pension liabilities, including other postemployment benefit obligations and costs for financial accounting purposes are appropriate in the circumstances.
23. We have not completed the process of evaluating the effect that will result from adopting the guidance in GASB Statements No. 72 and No. 75, as discussed in the notes to the financial statements. The City is, therefore, unable to disclose the effect that adopting the guidance in GASB Statements No. 72 and No. 75 will have on its net position and the changes in net position when such guidance is adopted.

*Compliance Considerations*

24. In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:
  - a. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
  - b. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City.
  - c. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
  - d. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
  - e. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
  - f. Is responsible 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.
  - g. Acknowledges its responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
  - h. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that you report.
  - i. Has a process to track the status of audit findings and recommendations.
  - j. Has identified for you previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
  - k. Has provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.



- l. Management has 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 the auditor's report.**
- m. Management has 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 our report.**
- n. Management is responsible for taking corrective action on audit findings of the compliance audit.**
- o. Management has provided you with all information on the status of the follow-up on prior audit findings by federal awarding or State DOT agencies and pass-through entities, including all management decisions.**
- p. Management has 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.**
- q. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report or stating that there were no such known instances.**
- r. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by your report.**
- s. 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.**
- t. 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 or State DOT agency or pass-through entity, as applicable.**
- u. Management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.**
- v. Management has charged costs to federal awards in accordance with applicable cost principles and the Uniform Guidance.**

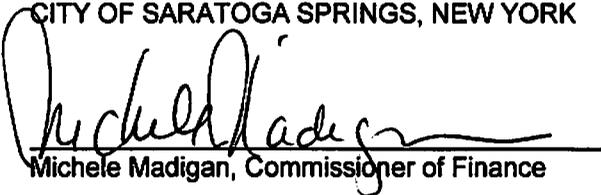
***Supplementary Information***

- 26. 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. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
27. With respect to Management's Discussion and Analysis, other postemployment benefits - schedule of funding progress, the schedule of proportionate share of net pension liability, and schedule of pension contributions, presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
- 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 have changed from those used in the prior period due to the adoption of GASB No. 68 and No. 71, as described in Note 1 of the financial statements.
28. 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