



September 8, 2021

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) as of and for the year ended December 31, 2020. 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 continue to be of service to the City.

Very truly yours,

BST & Co. CPAs, LLP

A handwritten signature in black ink that reads "Brendan K. Kennedy". The signature is written in a cursive style with a long, sweeping underline.

Brendan K. Kennedy, Partner

BKK/ldb

TABLE OF CONTENTS

Required Communications	1-3
Significant Accounting Estimates	4-5
Recorded Audit Adjustments	6
<u>EXHIBITS</u>	
Exhibit A - Significant Written Communications Between Management and Our Firm	7
• Representation Letter	

REQUIRED COMMUNICATIONS

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 May 19, 2021. 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 are descriptions of a new accounting policy and a new accounting standard that was adopted by the City during the year ended December 31, 2020:

- Effective January 1, 2020, the City changed its accounting policy related to reporting the activities of the Water and Sewer Funds. The Water and Sewer Funds are supported by user charges in addition to interfund transfers from the City's governmental activities, primarily from the General Fund, to sustain operations. In addition, the City is reliant on Federal and State grants to assist in financing critical Water and Sewer Fund infrastructure requirements. Management and those charged with governance determined accounting for Water and Sewer related activities within the City's governmental activities provides a more accurate representation of the structure and intent, given these activities are partially funded by general government resources and the City's current rate structure does provide the necessary resources to fund all capital and employee benefit obligations of the Water and Sewer Funds.



REQUIRED COMMUNICATIONS - CONTINUED

Accounting Policies and Practices - Continued

Adoption of, or Change in, Accounting Policies - Continued

- Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of this criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. As a result of the adoption of this statement, the City reports fiduciary net position within the City's Custodial Fund at December 31, 2020 and a statement of changes in fiduciary net positions reports the additions and deductions from the City's Custodial Fund for the year then ended.

Significant or Unusual Transactions

The following are descriptions of a significant transactions we identified during our audit:

- Issuance of \$7,428,164 in general public improvement serial bonds to finance various projects at an interest rate ranging from 1.400% - 2.375%.
- Issuance of \$6,180,000 in public improvement refunding serial bonds at a premium of \$912,214 to refund the City's 2011 statutory installment bonds and 2020 general obligation serial bonds at fixed interest rates ranging from 2.00% - 5.00%.
- Issuance of \$5,000,000 tax anticipation note at a fixed interest rate of 0.30%.
- Issuance of \$6,300,000 tax anticipation note at a fixed interest rate of 0.15%.

We did not identify any other 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 Summary of Significant Accounting Estimates.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the City are shown in the list of Recorded Audit Adjustments.

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



REQUIRED COMMUNICATIONS - CONTINUED

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 A.



SIGNIFICANT ACCOUNTING ESTIMATES

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, 2020 financial statements:

Significant Accounting Estimates	
Estimate	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.
Accounting Policy	Receivables are reduced to their net realizable value. An allowance for uncollectible receivables is recorded as a contra asset and a corresponding expense.
Estimation Process	Management will perform a calculation at year-end to determine what portion of the outstanding receivable balances may be uncollectible
Significant Accounting Estimates	
Estimate	Estimates for useful lives of capital assets and depreciation expense methods.
Accounting Policy	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.
Estimation Process	All capital assets are depreciated using the straight-line method over the estimated useful lives determined
Significant Accounting Estimates	
Estimate	The estimate for other postemployment benefits (OPEB).
Accounting Policy	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.
Estimation Process	The estimate is developed with the assistance of an actuarial firm using assumptions applied to census and plan information provided by the City

Significant Accounting Estimates - Continued

Estimate	The estimate for the net pension liability.
Accounting Policy	The City recognizes its proportionate share of the New York State and Local Employees' 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.
Estimation Process	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.

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.

RECORDED AUDIT ADJUSTMENTS

Description	Effect - Increase (Decrease)				
	Assets/Deferred Outflows of Resources	Liabilities/Deferred Inflows of Resources	Fund Balance/ Net Position	Revenue	Expenditures/ Expenses
General Fund To implement GASB 84	\$ 973,420	\$ 973,420	\$ -	\$ -	\$ -
Custodial Fund To implement GASB 84	(973,420)	(973,420)	-	-	-
Water Fund To adjust deferred revenue	-	168,711	-	(168,711)	-
Sewer Fund To adjust deferred revenue	-	220,524	-	(220,524)	-
City Center Fund To adjust parking related capital assets and related debt	17,273,559	10,834,102	2,011,611	-	(4,427,846)
To adjust depreciation	(57,579)	-	-	-	57,579
Total Statement of Activities Effect			<u>3,981,032</u>	<u>\$ (389,235)</u>	<u>\$ (4,370,267)</u>
Total Statement of Net Position Effect	<u>\$ 17,215,980</u>	<u>\$ 11,223,337</u>	<u>\$ 5,992,643</u>		



EXHIBIT A
SIGNIFICANT WRITTEN COMMUNICATIONS
BETWEEN MANAGEMENT AND OUR FIRM





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

DEIRDRE O'DWYER-LADD
Deputy Commissioner
CHRISTINE A. GILLMETT-BROWN
Director of Finance
LAURA TOWNSEND
Receiver of Taxes
KAMERON D. KLIPPEL
Payroll Administrator
YVETTE SHAVER
Finance Department Assistant

September 8, 2021

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) as of and for the year ended December 31, 2020, 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 September 8, 2021:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 19, 2021, 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 and 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 believe the actuarial assumptions and methods used to measure pension liabilities and costs and other postemployment benefit obligations for financial accounting purposes are appropriate in the circumstances.
11. We agree with the findings of specialists in evaluating our other postemployment benefit obligations and net pension liabilities 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 instruction 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.
12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
13. Arrangements involving restrictions on cash balances have been properly disclosed.
14. We have not completed the process of evaluating the effect that will result from adopting the guidance in Governmental Accounting Standards Board (GASB) Accounting Standards discussed in Note 8. The City is, therefore, unable to disclose the effect that adopting these GASB standards will have on its financial position and the results of operations when such guidance is adopted.
15. We agree with the restatement of the previously issued financial statements as a result of the adoption of Governmental Accounting Standards Board No. 84, *Fiduciary Activities* and the change of method of accounting for Water and Sewer Funds as proprietary funds and business-type activities to special revenue funds and governmental activities, respectively. We are not aware of any other restatements necessary to the previously issued financial statements. We do not believe it is necessary to recall those financial statements and all users of those financial statements will receive a copy of the current year financial statements and independent auditor's report.

Information Provided

16. 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; 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.
17. All transactions have been recorded in the accounting records and are reflected in the financial statements.

18. 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.
19. 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.
20. 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.
21. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing the financial statements.
22. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
23. 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.
24. 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.
25. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
26. We believe 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.

Compliance Considerations

27. 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 U.S. GAAP.
 - 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. Acknowledges its responsibilities as they relate to non-audit services performed by you, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and your audit of the New York State Department of Transportation (State DOT) 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:

1. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance and Draft 43 of NYCRR.
2. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal and State DOT programs.
3. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal and State DOT programs that provides reasonable assurance that the auditee is managing federal and State DOT awards in compliance with federal and State DOT statutes, regulations, and the terms and conditions of the federal and State DOT awards that could have a material effect on its federal and State DOT programs.

4. Management is responsible for the preparation of the schedule of expenditures of federal awards and State DOT awards, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance and State DOT awards in accordance with Draft 43 of NYCRR; believes the schedule of expenditures of federal awards and State DOT awards, including its form and content, is fairly presented in accordance with the Uniform Guidance and Draft 43 of NYCRR; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for such changes has been communicated; and is responsible for any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards and State DOT awards.
5. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance and Draft Part 43 of NYCRR compliance audits.
6. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on the State DOT compliance requirements and on each major program.
7. Management has made available all federal and State DOT awards (including amendments, if any) and any other correspondence relevant to federal and State DOT programs and related activities that have taken place with federal, State DOT agencies or pass-through entities.
8. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal or State DOT awards or stated that there was no such noncompliance.
9. Management believes that the auditee has complied with the direct and material compliance requirements (except for noncompliance it has disclosed to the auditor).
10. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal or State DOT program financial reports and claims for advances and reimbursements.
11. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
12. Management has disclosed to the auditor any communications from federal or State DOT awarding agencies 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.
13. Management has disclosed to the auditor 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 the auditor's report.
14. 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.

15. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.
16. 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 the auditor's report.
17. Federal and State DOT program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
18. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal, State DOT or pass-through entity, as applicable.
19. Management has charged costs to federal and State DOT awards in accordance with applicable cost principles.
20. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.
21. The reporting package does not contain protected personally identifiable information.
22. Management has accurately completed the appropriate sections of the data collection form.
23. If applicable, management has disclosed all contracts or other agreements with service organizations.
24. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

Supplementary Information

25. 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.
 - d. 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 your report thereon.

26. With respect to Management's Discussion and Analysis, budgetary comparison schedules, schedule of other postemployment benefits liability, the schedule of proportionate share of the net pension liability, and schedule of pension contributions, presented as required by the Governmental Accounting Standards Board to supplement the 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 and presentation have not changed from those used in the prior period.
27. 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