



September 19, 2022

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, 2021. 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, appearing to read 'Jonathan B. Gibbs', with a stylized flourish at the end.

Jonathan B. Gibbs, Partner

JBG/ldb

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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 12, 2022. 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. The City did not adopt any significant new accounting policies, nor have there been any significant changes in existing accounting policies during the current period.

Significant or Unusual Transactions

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

- Issuance of \$6,167,823 in general public improvement serial bonds to finance various projects at an interest rate ranging from 2.00% - 2.25%.
- Issuance of \$2,755,000 in public improvement refunding serial bonds at a premium of \$292,131 to refund the City's 2013 public improvement serial bonds at fixed interest rates ranging from 1.00% - 3.50%.

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.



REQUIRED COMMUNICATIONS - CONTINUED

Accounting Policies and Practices - Continued

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.

Uncorrected misstatements are summarized in the list of Uncorrected Misstatements.

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, 2021 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
Capital Assets	
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
Other Postemployment Benefits (OPEB)	
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 adjust custodial activities	\$ (66,447)	\$ (66,447)	\$ -	\$ -	\$ -
Custodial Fund					
To adjust custodial activities	76,612	(151,042)	-	178,510	(49,144)
Water Fund					
To adjust deferred revenue	-	(168,711)	-	168,711	-
Sewer Fund					
To adjust deferred revenue	-	(220,524)	-	220,524	-
Component Unit					
To adjust capital assets and net position	6,265,980	-	6,265,980	-	-
To adjust depreciation	(345,471)	-	-	-	345,471
Total Statement of Activities Effect			43,764	\$ 389,235	\$ 345,471
Total Statement of Net Position Effect	\$ 5,930,674	\$ (606,724)	\$ 6,309,744		



UNCORRECTED MISSTATEMENTS

Description	Effect - Increase (Decrease)				
	Assets/Deferred Outflows of Resources	Liabilities/Deferred Inflows of Resources	Fund Balance/ Net Position	Revenue	Expenditures/ Expenses
Capital Projects Fund					
To adjust depreciation	-	-	(81,479)	-	(81,479)
Total Statement of Activities Effect			81,479	\$ -	\$ (81,479)
Total Statement of Net Position Effect	\$ -	\$ -	\$ -		



EXHIBIT A
SIGNIFICANT WRITTEN COMMUNICATIONS
BETWEEN MANAGEMENT AND OUR FIRM

Representation Letter

