

July 12, 2012

CONFIDENTIAL

Chairman and Board of Supervisors
County of Saratoga, New York

Dear Chairman and Board Members:

We have completed our audit of the financial statements of the County of Saratoga, New York (the County) as of and for the year ended December 31, 2011. In planning and performing our audit the financial statements, we considered the County's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control. We have developed the following comments and recommendations concerning certain matters related to the County's internal control and accounting, administrative and operating matters.

This report is intended solely for the information and use of the Chairman, Board of Supervisors, management and others within the County.

Fund Balance Policy

The County has not developed a fund balance policy to address the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions." This accounting standard enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. The requirements of this statement were effective for periods beginning after June 15, 2010, which is the fiscal year beginning January 1, 2011 for the County. The County, with our assistance, developed the classification of the various fund balances to implement the requirements of this statement for the year ended December 31, 2011. We recommend that the County develop a fund balance policy to be formally approved by the Board of Supervisors. This policy would address the various aspects of this new standard in the future establishment of restricted, committed, assigned and unassigned fund balances.

Additionally, the County has used a significant amount of fund balance in the last two years to keep property tax rates stable. Fund balance is an important factor in maintaining the County's fiscal health. Bond rating agencies analyze the fund balance when rating the County's debt. A fund balance policy should also be developed to maintain a targeted unassigned fund balance which will regulate the amount of fund balance that can be appropriated in future budgets. Benchmark amounts that have been promulgated are based upon the budgeted expenditures for the next fiscal year, such as 5% to 15% of expenditures as suggested by the Office of the New York State Comptroller, or 20% to 25% as suggested by the Government Finance Officers Association. Rating agencies look for such a policy when rating municipal debt. The policy can be included in the notes to the financial statements of the County.

Previous Recommendations

We reviewed the disposition of recommendations included in our letter dated August 16, 2011. The following is a summary of the action taken by the County with regard to our recommendations.

Review of Revenue Recorded - We noted that the County did not have a formalized process in which revenue and billings from the various revenue-producing departments (Public Health, Social Services, Sheriff, Mental Health and Youth) are reviewed for completeness by someone outside of the respective departments. In order to improve internal controls over missing or late billings, we recommended that the County Treasurer's office be authorized to review the quarterly revenue and billings recorded by these departments and compare them to the budgeted amounts and historical trends and investigate any unexpected material fluctuations. Management has addressed this recommendation.

Open Invoices - We reviewed a schedule of open accounts payable invoices and noted that there were invoices appearing on the schedule (and thus recorded in accounts payable) dating back to 2003. We recommended that the County investigate all open invoices to determine if a liability actually exists and if the liability has since been resolved, that the respective invoices be removed from the schedule. In 2011, the County has implemented our recommendation.

Capital Asset Ledger - The capital asset ledger, which is currently maintained as an Excel spreadsheet, and is therefore not a part of the County's financial reporting system, is updated and reconciled to the financial reporting system only at year-end. In order to improve internal control over capital assets, we recommended that the capital asset ledger be reconciled to the financial reporting system on a timely basis, such as quarterly. Additionally, we also recommended that the County consider converting its present spreadsheet-based capital asset ledger to a more advanced proprietary software package specifically designed for this purpose, tagging all County property with a unique inventory control number, and maintaining detail sub-ledgers by specific location. In 2011, the County continued to account for its capital assets using the Excel spreadsheet system. The County is currently undertaking a review of accounting software to address this situation.

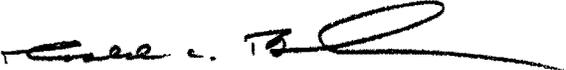
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We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the County's personnel during our audit. If you have any questions regarding the foregoing comment or wish any assistance in its implementation, please contact us at your convenience.

Very truly yours,

TOSKI & CO., CPAs, P.C.



Ronald C. Toski, CPA
Managing Director