

**CITY OF SARATOGA SPRINGS, NEW YORK**

**FINANCIAL REPORT**

**December 31, 2005**

# CITY OF SARATOGA SPRINGS, NEW YORK

## FINANCIAL REPORT

December 31, 2005

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Mayor and Members of the City Council  
City of Saratoga Springs, New York

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, New York, as of and for the year ended December 31, 2005, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, New York, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2006, on our consideration of the City of Saratoga Springs, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 2 through 11 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
June 21, 2006

**CITY OF SARATOGA SPRINGS, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Saratoga Springs, New York (City), we offer the readers of the City's basic financial statements this narrative overview and analysis as of December 31, 2005. We encourage readers to consider the information presented here in conjunction with our basic financial statements, which can be found on pages 12 through 41 and our supplemental information which can be found on pages 43 through 45 of this report.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities on December 31, 2005, by \$31,091,377 representing net assets. Of this amount, \$1,255,374 in unrestricted net assets may be used to meet the City's on going obligations to citizens and creditors. All other amounts are restricted for specific purposes.
- At December 31, 2005, the City's governmental funds reported a combined ending fund balance of \$7,752,646. This balance consisted of \$11,968,285 reserved for specific purposes and a combined unreserved fund deficit of \$4,215,639, which resulted from outstanding commitments in the Capital Projects Fund.
- At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$373,482.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government support, public safety, health, highways and streets, economic development, and culture and recreation. The business-type activities of the City include the Water and Sewer Funds and the City Center Authority.

The government-wide financial statements can be found on pages 12 and 13 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Debt Service Fund, and Special Grant Fund, all of which are considered to be major funds. Data from the other two governmental funds, the Downtown Special Assessment District (SAD) and the West Avenue Special Assessment District (WASAD) are combined into a single, aggregated presentation. The unreserved unappropriated fund balance as of December 31, 2005, for the SAD was \$158,270 and for the WASAD was \$44,964. The SAD intends to use the accumulated fund balance for parking projects that benefit the district. The WASAD intends to use the accumulated fund balance to pay debt on outstanding bonds issued to finance improvements in the district. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14, 15, and 16 of this report.

**Proprietary funds.** The City maintains enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer operations and the City Center Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations and the City Center Authority, all of which are considered to be major funds of the City.

The proprietary fund financial statements can be found on pages 19 through 21 this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City-owned programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statement can be found on page 22 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 41 of this report.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$31,091,377 at December 31, 2005.

By far the largest portion, \$16,740,673, of the City's net assets (54%) reflects its investment in capital assets (i.e., land, buildings, improvements, infrastructure, work in progress, and machinery and equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### CITY OF SARATOGA SPRINGS

##### CONDENSED STATEMENTS OF NET ASSETS

	Governmental Activities		Business-type Activities		2005	2004
	2005	2004	2005	2004	Total	Total
Current and other assets	\$ 14,162,638	\$ 14,635,150	\$ 9,991,349	\$ 8,421,600	\$ 24,153,987	\$ 23,056,750
Capital assets, net	<u>34,728,814</u>	<u>27,289,655</u>	<u>1,618,016</u>	<u>1,496,917</u>	<u>36,346,830</u>	<u>28,786,572</u>
Total assets	<u>48,891,452</u>	<u>41,924,805</u>	<u>11,609,365</u>	<u>9,918,517</u>	<u>60,500,817</u>	<u>51,843,322</u>
Long-term liabilities	20,482,302	14,205,605	-	-	20,482,302	14,205,605
Other liabilities	<u>6,602,579</u>	<u>7,711,164</u>	<u>2,324,559</u>	<u>583,024</u>	<u>8,927,138</u>	<u>8,294,188</u>
Total liabilities	<u>27,084,881</u>	<u>21,916,769</u>	<u>2,324,559</u>	<u>583,024</u>	<u>29,409,440</u>	<u>22,499,793</u>
Net assets						
Invested in capital assets, net of related debt	16,501,347	14,016,376	239,416	1,496,917	16,740,765	15,513,293
Restricted	6,256,588	6,554,457	6,838,650	5,316,760	13,095,238	11,871,217
Unrestricted	<u>(951,364)</u>	<u>(562,797)</u>	<u>2,206,740</u>	<u>2,521,816</u>	<u>1,255,374</u>	<u>1,959,019</u>
Total net assets	<u>\$ 21,806,571</u>	<u>\$ 20,008,036</u>	<u>\$ 9,284,806</u>	<u>\$ 9,335,493</u>	<u>\$ 31,091,377</u>	<u>\$ 29,343,529</u>

A portion of the City's net assets, \$13,095,238, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$1,255,374 may be used to meet the City's ongoing obligations to citizens and creditors.

The City experienced an increase in net assets during 2005 totaling \$1,747,848 (\$862,033 from current year operations and \$885,815 from prior period adjustments) as shown in the following statement:

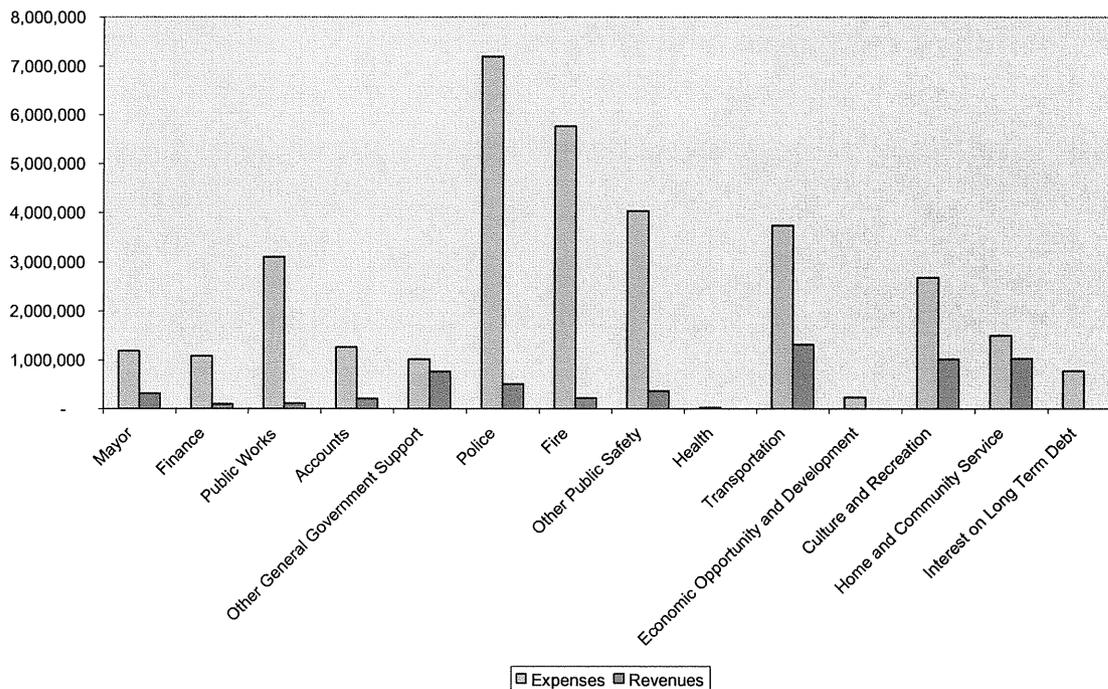
**CITY OF SARATOGA SPRINGS**

**CHANGES IN NET ASSETS**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>2005</b>	<b>2004</b>
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 3,857,259	\$ 3,348,263	\$ 5,935,319	\$ 5,547,989	\$ 9,792,578	\$ 8,896,252
Operating grants and contributions	1,166,517	1,108,528	-	68,951	1,166,517	1,177,479
Capital grants and contributions	862,823	486,787	-	-	862,823	486,787
General revenues						
Real property taxes	14,068,438	11,808,480	262,499	296,484	14,330,937	12,104,964
Non-property taxes	9,954,235	9,797,390	663,029	611,292	10,617,264	10,408,682
County local assistance	791,664	-	-	-	791,664	-
Interest earnings	233,726	278,388	252,671	166,668	486,397	445,056
State aid and mortgage taxes not restricted to specific programs	<u>3,521,484</u>	<u>2,817,284</u>	<u>-</u>	<u>-</u>	<u>3,521,484</u>	<u>2,817,284</u>
Total revenues	<u>34,456,146</u>	<u>29,645,120</u>	<u>7,113,518</u>	<u>6,691,384</u>	<u>41,569,664</u>	<u>36,336,504</u>
<b>EXPENSES</b>						
General government support						
Mayor	1,182,962	1,035,378	-	-	1,182,962	1,035,378
Finance	1,076,764	1,005,626	-	-	1,076,764	1,005,626
Public works	3,100,137	1,815,089	-	-	3,100,137	1,815,089
Accounts	1,258,092	1,147,686	-	-	1,258,092	1,147,686
Other general government support	1,010,554	1,873,264	-	-	1,010,554	1,873,264
Public safety						
Police	7,187,136	7,328,405	-	-	7,187,136	7,328,405
Fire	5,760,021	5,209,168	-	-	5,760,021	5,209,168
Other public safety	4,034,528	1,444,087	-	-	4,034,528	1,444,087
Health	19,151	36,065	-	-	19,151	36,065
Transportation	3,740,927	5,582,079	-	-	3,740,927	5,582,079
Economic opportunity and development						
development	227,574	235,122	-	-	227,574	235,122
Culture and recreation	2,679,270	2,769,345	-	-	2,679,270	2,769,345
Home and community service	1,494,367	1,562,336	-	-	1,494,367	1,562,336
Interest on long-term debt	771,943	571,815	-	-	771,943	571,815
Water	-	-	2,371,217	2,629,299	2,371,217	2,629,299
Sewer	-	-	3,469,329	3,306,911	3,469,329	3,306,911
City Center Authority	<u>-</u>	<u>-</u>	<u>1,323,659</u>	<u>1,067,530</u>	<u>1,323,659</u>	<u>1,067,530</u>
Total expenses	<u>33,543,426</u>	<u>31,615,465</u>	<u>7,164,205</u>	<u>7,003,740</u>	<u>40,707,631</u>	<u>38,619,205</u>
<b>Increase (decrease) in net assets</b>	<b>912,720</b>	<b>(1,970,345)</b>	<b>(50,687)</b>	<b>(312,356)</b>	<b>862,033</b>	<b>(2,282,701)</b>
Prior period adjustments	885,815	-	-	-	885,815	-
<b>NET ASSETS, beginning of year, as restated</b>	<u>20,008,036</u>	<u>21,978,381</u>	<u>9,335,493</u>	<u>9,647,849</u>	<u>29,343,529</u>	<u>31,626,230</u>
<b>NET ASSETS, end of year</b>	<b><u>\$21,806,571</u></b>	<b><u>\$20,008,036</u></b>	<b><u>\$ 9,284,806</u></b>	<b><u>\$ 9,335,493</u></b>	<b><u>\$31,091,377</u></b>	<b><u>\$29,343,529</u></b>

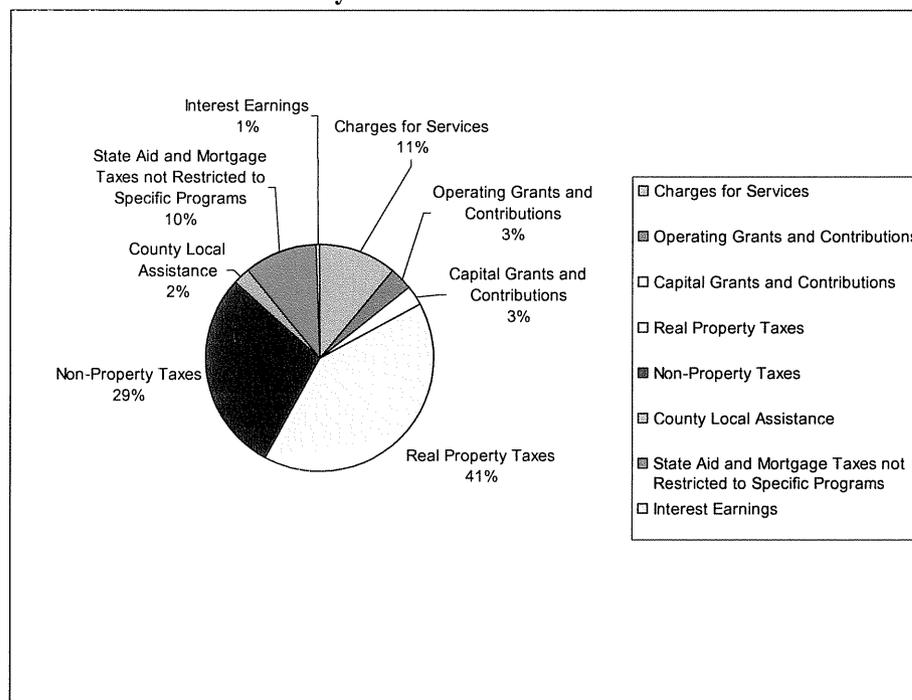
**Governmental activities.** Governmental activities increased the City's net assets by \$1,798,535. The following chart shows the expenses and program revenues of the various governmental activities:

**Expenses and Program Revenues - Governmental Activities**



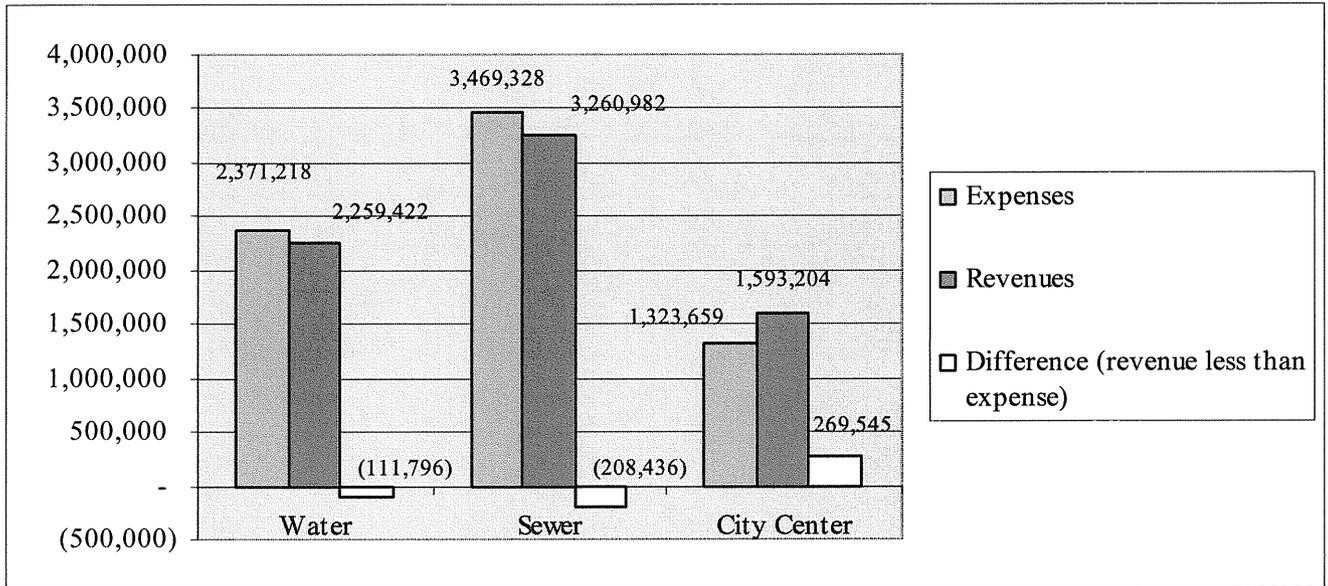
For the most part, increases in expenses closely paralleled inflation, increases in contractual obligations, and growth in demand for services. The City's major governmental activities are financed almost entirely by real property taxes, non-property taxes, and other general revenues. To meet the demand for these services, the City increased property tax revenues by 18%. The City also benefited from low mortgage rates and experienced an increase in mortgage taxes during 2005. Sales tax revenues increased in 2005, which marked an all time high. The following chart shows revenues by source for all governmental activities, with general revenues totaling 81% and program revenues totaling 19%:

**Revenues by Source - Governmental Activities**



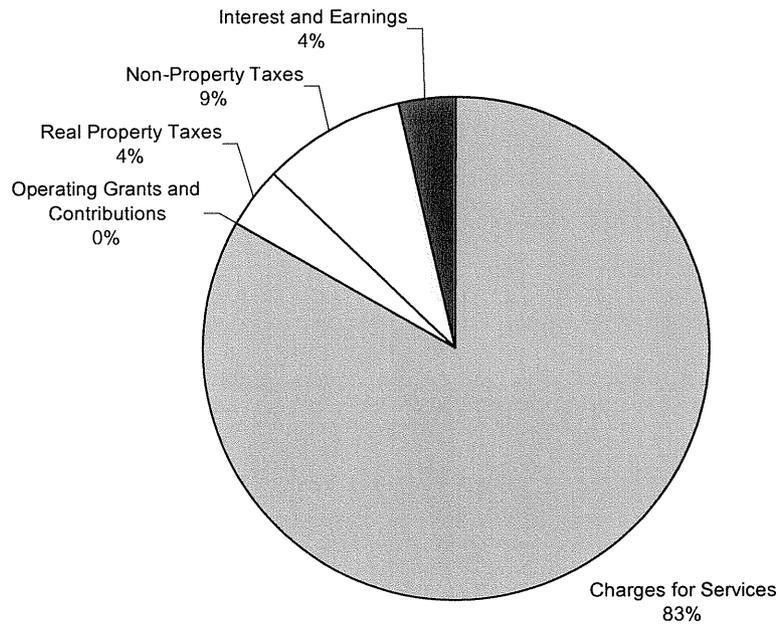
**Business-type activities.** Business-type activities decreased the City's net assets by \$50,687. Key elements are as follows.

**Expenses and Revenues - Business-type Activities**



The City Center Authority occupancy tax continued to grow. However, program revenues were not sufficient to cover water and sewer activity expenses. Net assets available from the previous year covered the shortfall in the water and sewer activities.

**Revenues by Source - Business-type Activities**



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City governmental funds reported combined ending fund balances of \$7,752,646, a decrease of \$523,217 from the prior year. This ending fund balance consisted of \$11,968,285 reserved for specific purposes and a combined unreserved fund deficit of \$4,215,639, which resulted from outstanding commitments in the Capital Projects Fund. The reserved amount of \$11,968,285 is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period, \$5,102,177; 2) pay debt service, \$1,232,478; 3) pay for the capital improvements, \$3,700,012, and 4) various other restrictions set by the City Council, \$1,933,618.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved unappropriated fund balance of the General Fund was a deficit of \$591,345, while total fund balance reached \$4,528,635. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved unappropriated fund balance represents one percent of total General Fund expenditures, while total fund balance represents 15 percent of that same amount.

The overall fund balance of the City's General Fund decreased by \$373,739 during the current fiscal year. Key factors in this operating deficit are as follows:

1. Under accounting principles generally accepted in the United States of America, the City was required to record a retirement liability and expense for nine months of 2005 employee service paid on February 1, 2006, as well as expense for three months of 2005 employee service prepaid on December 15, 2004. In the past, the retirement bill was due on December 15, which included nine months for the current year and three months prepaid for the next year. During fiscal year 2005, no cash payment was actually made to the retirement system nor was an expense budgeted. Therefore, the City had a total retirement adjustment for \$2,193,477 for January through March paid December 15, 2004, and April through December paid February 1, 2006. This booked expense was \$986,946 greater than 2004.
2. In 2005, the City received \$1,092,000 from the County of Saratoga; \$792,000 as a surplus fund balance distribution for assistance to local governments within the County, and \$300,000 was part of the County's contribution for the parking deck. City Council committed the \$772,000 to help balance the 2006 budget.
3. In 2005, sales tax collections were \$8,208,000, a \$483,000 increase from 2004 actual collections and \$383,000 greater than the 2005 budget estimate.
4. Mortgage tax receipts were \$1,992,000 in 2005, \$277,000 higher than 2004 actual and \$617,000 greater than the 2005 budget estimate. Mortgage tax receipts increased due to a growing market and continued refinancing.
5. State aid revenue sharing increased in 2005 to \$1,451,000, from \$1,187,000 in 2004. This \$264,000 increase was the result of change in the distribution method used by the State. This was the first increase in State aid for the City since 2000.
6. OTB revenue was \$26,000 less than in 2004 and \$90,000 less than budgeted. 2005 actual receipts were \$110,000.

7. Parking ticket revenue was \$263,000. This was \$187,000 less than budgeted and \$64,000 less than 2004 actual revenue.
8. Personal service costs increased \$1,134,000 as a result of salary increases, overtime, contractual obligations, sick leave payments to retirees, new positions, etc. Total actual personal service expenses for 2005 were \$17,139,000 and \$16,005,000 in 2004. The CSEA City Hall contract was settled for \$185,000 and the CSEA DPW for \$120,000. In addition, contractual raises were given for previously settled police and fire contracts. 207A and 207 payments to disabled firefighters and police officers, respectively, were each \$55,000 greater than 2004. Fire department overtime increased \$172,000 as a result of an increase in compensatory time and shift shortage payments. Three new positions were added, two positions moved to the General Fund from other funds, and one position moved to payroll from professional services for a total of \$330,000. In addition, two upgrades cost the City \$32,000.
9. 2005 unreserved cash balances were \$995,000 less than 2004. The 2005 unreserved cash balance was \$507,000. At December 31, 2004, the City had a \$3,000,000 Tax Anticipation Note outstanding, which increased the cash balance. On December 31, 2005, no cash flow notes were outstanding. Reserved cash balances were \$1,218,000 greater than 2004. 2005 reserved cash of \$3,310,000 can only be used for specific purposes and cannot be used to meet the general expenses of the City. The bulk of the reserved cash was the retirement reserve for \$1,509,000. This reserve will be used on February 1, 2006, to pay the 2005-2006 retirement bills.
10. 2005 tax receivables of \$1,405,000 increased by \$315,000 due to an increase in delinquent City and County taxes, liens, and school taxes. The percent collected on City and County taxes remained constant from 2004 but tax rates increased in 2005.
11. The 2004 amended budget was 8.38% higher than the adopted budget. \$529,000 of the budget amendments were to utilize reserves, \$165,000 to accept State grants, and \$385,000 to accept Federal grants, all items which were not previously budgeted. The 2004 amended budget was 4.55% higher than the adopted budget. (Refer to budget comparison chart.)
12. The City's actual expenses were \$26,000 more than the amended budget because the City was required to record a liability and corresponding expense for the annual retirement contribution due February 1, 2006. (See item 1 above.)
13. The City's actual revenues were \$471,000 greater than the amended budget. The contributing factors, noted in items 2, 3, and 4, were the County distribution, sales tax, and mortgage tax.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

1. The Water Fund ended 2005 with fund equity of \$1,408,276. \$1,023,000 is reserved for water line extension projects, \$77,000 is reserved for encumbrances, \$15,000 for inventory, and \$1,604,000 is appropriated to balance the 2006 budget, resulting in a negative \$1,310,000 unreserved unappropriated fund balance.
2. The Sewer Fund's fund equity as of December 31, 2005, was \$634,981. \$15,000 is reversed for inventory, \$791,000 is appropriated for next year's budget, and a negative \$171,000 is the unreserved and unappropriated fund balance.
3. The City Center's fund equity as of December 31, 2005, was \$5,028,380. \$4,440,000 is reserved for capital improvements, and \$588,380 is restricted for City Center operations.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the revised budget and actual amounts for revenues and transfers in was \$993,789. Strong mortgage tax collections, increased State aid, and increased local assistance from the County of Saratoga allowed the City's actual receipts to be higher than anticipated. The difference between the revised budget and actual amounts for expenditures was \$21,729. A portion of various unexpended funds, \$844,843, was encumbered to 2006 for commitments made by the City. The remainder of the variance was for unspent funds in the categories noted in number 10 above under governmental funds.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounts to \$36,346,830 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, work in progress, and infrastructure assets, such as roads, streets, and water systems.

Major capital asset events that occurred during the current fiscal year included the following:

- Preliminary construction of the Spring Run Trail, Station Lane, and casino improvements.
- Open space land purchases.
- Continued construction of West Side Infrastructure Project.

### CITY OF SARATOGA SPRINGS CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		2005	2004
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>Total</u>	<u>Total</u>
Land	\$ 2,451,570	\$ 514,641	\$ 75,841	\$ 66,941	\$ 2,527,411	\$ 581,582
Buildings	13,011,296	10,327,368	388,982	400,226	13,400,278	10,727,594
Improvements	671,121	747,619	-	-	671,121	747,619
Machinery, equipment and vehicles	6,263,058	5,853,542	273,897	147,537	6,536,955	6,001,079
Infrastructure	8,251,425	8,147,159	775,724	882,213	9,027,149	9,029,372
Work in progress	<u>4,080,344</u>	<u>1,699,326</u>	<u>103,572</u>	<u>-</u>	<u>4,183,916</u>	<u>1,699,326</u>
Total	<u>\$ 34,728,814</u>	<u>\$ 27,289,655</u>	<u>\$ 1,618,016</u>	<u>\$ 1,496,917</u>	<u>\$ 36,346,830</u>	<u>\$ 28,786,572</u>

Additional information on the City's capital assets can be found in Note A9 on page 29 and Note C3 on pages 32 through 34 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$16,927,465. Of this amount, \$16,303,227 comprises debt backed by the full faith and credit of the City, and \$624,238 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

The City's total bonded debt increased by \$3,654,186 (28%) during the current fiscal year by new debt issued April 2005 for \$4,517,465.

The City maintains an "A1" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average of the total assessed valuation. The current debt limitation for the City is \$128,757,229, which is significantly in excess of the City outstanding general obligation debt. In addition, the City has a self-imposed limit of 1% of the five-year average total assessed value. The City's debt limitation is \$18,393,890, which is significantly in excess of the City outstanding general obligation debt.

On October 15, 2004, the City opted to provide certain benefits to firefighters for past services under Section 384E of the PFRS plan. The total past service credit costs were \$1,078,728. The City opted to pay for this program over a ten-year term with interest starting the third year at 8% per annum. The unpaid balance of \$932,326 at December 31, 2005, is included in the financial statements as a governmental liability.

In December 2004, the City opted to amortize the 2004 ERS and PFRS retirement payment over a 10-year period. The principal amount amortized was \$395,308 for ERS plan and \$654,365 for PFRS plan. The first principal and interest payment are due February 1, 2006, with interest at 5% per annum. The unpaid principal amounts are shown in the financial statements as governmental liabilities.

Additional information on the City's long-term debt can be found in Note A11 on pages 29 and 30 and Note C5 on pages 36 and 37 of this report.

## **ECONOMIC FACTORS**

The City is growing and thriving. The residential and commercial tax base grew at a rate of 31% in 2005. The City has added hotels, office buildings, and many residences in the past year.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Commissioner of Finance, 474 Broadway, Saratoga Springs, New York 12866-2296.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**GOVERNMENT-WIDE STATEMENTS**

**STATEMENT OF NET ASSETS**

**December 31, 2005**

	<b>Governmental</b>	<b>Business-Type</b>	
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,309,420	\$ 860,481	\$ 3,169,901
Investments	17,260	-	17,260
Receivables, net of allowance for uncollectibles	5,053,421	2,242,677	7,296,098
Internal balance due from business-type activities	391,726	-	391,726
Due from fiduciary funds	653	-	653
Accrued interest	64,857	-	64,857
Inventories	-	29,244	29,244
Prepaid expenses	68,713	20,297	89,010
Restricted assets			
Cash and cash equivalents	4,747,190	3,579,460	8,326,650
Investments	1,509,398	3,259,190	4,768,588
Capital assets, net of accumulated depreciation			
Land	2,451,570	75,841	2,527,411
Buildings	13,011,296	388,982	13,400,278
Improvements other than buildings	671,121	-	671,121
Machinery and equipment	6,263,058	273,897	6,536,955
Infrastructure	8,251,425	775,724	9,027,149
Work in progress	4,080,344	103,572	4,183,916
Total assets	<u>48,891,452</u>	<u>11,609,365</u>	<u>60,500,817</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	4,577,806	554,233	5,132,039
Internal balance due to governmental activities	-	391,726	391,726
Bond anticipation notes payable	1,300,000	1,378,600	2,678,600
Bond interest payable	724,773	-	724,773
Noncurrent liabilities			
Due within one year	2,801,948	-	2,801,948
Due in more than one year	17,680,354	-	17,680,354
Total liabilities	<u>27,084,881</u>	<u>2,324,559</u>	<u>29,409,440</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	16,501,349	239,416	16,740,765
Restricted for			
Capital improvements	1,237,211	5,818,820	7,056,031
Debt service	622,958	-	622,958
Retirement	1,528,432	-	1,528,432
Water line extension projects	-	1,019,830	1,019,830
Special district insurance reserve	1,909	-	1,909
Capital projects	2,321,412	-	2,321,412
Other purposes	544,666	-	544,666
Unrestricted	<u>(951,366)</u>	<u>2,206,740</u>	<u>1,255,374</u>
<b>Total net assets</b>	<b><u>\$ 21,806,571</u></b>	<b><u>\$ 9,284,806</u></b>	<b><u>\$ 31,091,377</u></b>

The accompanying Notes to Basic Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK

GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenues And Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>							
General government support							
Mayor	\$ 1,182,962	\$ 307,964	\$ -	\$ -	\$ (874,998)	\$ -	\$ (874,998)
Finance	1,076,764	90,188	-	-	(986,576)	-	(986,576)
Public works	3,100,137	82,177	19,464	-	(2,998,496)	-	(2,998,496)
Accounts	1,258,092	53,378	147,791	-	(1,056,923)	-	(1,056,923)
Other general government support	1,010,554	646,014	15,838	93,659	(255,043)	-	(255,043)
Public safety							
Police	7,187,136	504,770	-	-	(6,682,366)	-	(6,682,366)
Fire	5,760,021	8,516	208,578	-	(5,542,927)	-	(5,542,927)
Other public safety	4,034,528	213,918	143,912	-	(3,676,698)	-	(3,676,698)
Health	19,151	-	-	-	(19,151)	-	(19,151)
Transportation	3,740,927	602,575	-	709,220	(2,429,132)	-	(2,429,132)
Economic opportunity and development	227,574	-	-	-	(227,574)	-	(227,574)
Culture and recreation	2,679,270	892,987	64,292	57,600	(1,664,391)	-	(1,664,391)
Home and community service	1,494,367	454,772	566,642	2,344	(470,609)	-	(470,609)
Interest on long-term debt	771,943	-	-	-	(771,943)	-	(771,943)
Total governmental activities	<u>33,543,426</u>	<u>3,857,259</u>	<u>1,166,517</u>	<u>862,823</u>	<u>(27,656,827)</u>	<u>-</u>	<u>(27,656,827)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	2,371,217	2,197,288	-	-	-	(173,929)	(173,929)
Sewer	3,469,329	3,260,892	-	-	-	(208,437)	(208,437)
City Center Authority	1,323,659	477,139	-	-	-	(846,520)	(846,520)
Total business-type activities	<u>7,164,205</u>	<u>5,935,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,228,886)</u>	<u>(1,228,886)</u>
<b>Total government</b>	<b>\$ 40,707,631</b>	<b>\$ 9,792,578</b>	<b>\$ 1,166,517</b>	<b>\$ 862,823</b>	<b>(27,656,827)</b>	<b>(1,228,886)</b>	<b>(28,885,713)</b>
<b>GENERAL REVENUES</b>							
Real property tax and related tax items					14,068,438	262,499	14,330,937
Non-property tax items					9,954,235	663,029	10,617,264
County local assistance					791,664	-	791,664
Interest earnings					233,726	252,671	486,397
State aid and mortgage taxes not restricted to specific purposes					3,521,484	-	3,521,484
Total general revenues					<u>28,569,547</u>	<u>1,178,199</u>	<u>29,747,746</u>
<b>CHANGE IN NET ASSETS</b>					<b>912,720</b>	<b>(50,687)</b>	<b>862,033</b>
<b>NET ASSETS, beginning of year</b>					20,008,036	9,335,493	29,343,529
<b>Prior Period Adjustments</b>							
Capital assets acquired in prior years (Note C3)					1,852,034	-	1,852,034
Retirement amortization (Note C6)					(966,219)	-	(966,219)
<b>NET ASSETS, end of year</b>					<b>\$ 21,806,571</b>	<b>\$ 9,284,806</b>	<b>\$ 31,091,377</b>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**FUND FINANCIAL STATEMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2005**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Grant</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 507,086	\$ 647,936	\$ 610,220	\$ 340,944	\$ 203,234	\$ 2,309,420
Cash and cash equivalents, special reserves	1,800,912	2,321,412	622,958	-	1,908	4,747,190
Investments	17,260	-	-	-	-	17,260
Investments, special reserves	1,509,398	-	-	-	-	1,509,398
Receivables, net of allowance for uncollectibles	2,048,445	-	1,450	283,822	-	2,333,717
Receivables from other governments	1,870,686	81,283	-	14,712	-	1,966,681
Prepaid expenses	68,713	-	-	-	-	68,713
Due from other funds	478,910	-	-	-	-	478,910
<b>Total assets</b>	<b><u>\$8,301,410</u></b>	<b><u>\$3,050,631</u></b>	<b><u>\$1,234,628</u></b>	<b><u>\$ 639,478</u></b>	<b><u>\$ 205,142</u></b>	<b><u>\$ 13,431,289</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 705,456	\$ 201,563	\$ 2,150	\$ 12,237	\$ -	\$ 921,406
Bond anticipation notes payable	-	1,300,000	-	-	-	1,300,000
Due to other funds	11	86,520	-	-	-	86,531
Due to other governments	2,196,034	-	-	-	-	2,196,034
Deferred tax revenue	871,274	-	-	-	-	871,274
Other deferred revenue	-	-	-	303,398	-	303,398
<b>Total liabilities</b>	<b><u>3,772,775</u></b>	<b><u>1,588,083</u></b>	<b><u>2,150</u></b>	<b><u>315,635</u></b>	<b><u>-</u></b>	<b><u>5,678,643</u></b>
<b>Fund balances</b>						
<b>Reserved for</b>						
Encumbrances	844,843	4,257,334	-	-	-	5,102,177
Capital reserve	1,237,211	-	-	-	-	1,237,211
Debt	-	-	1,232,478	-	-	1,232,478
Retirement costs (\$1,500,000 appropriated for 2006)	1,528,432	-	-	-	-	1,528,432
Special District Insurance Reserve	-	-	-	-	1,908	1,908
Capital improvements	-	2,321,412	-	-	-	2,321,412
Other reserves	544,667	-	-	-	-	544,667
<b>Unreserved</b>						
Appropriated for 2006	964,827	-	-	-	-	964,827
Unappropriated	(591,345)	(5,116,198)	-	323,843	203,234	(5,180,466)
<b>Total fund balances</b>	<b><u>4,528,635</u></b>	<b><u>1,462,548</u></b>	<b><u>1,232,478</u></b>	<b><u>323,843</u></b>	<b><u>205,142</u></b>	<b><u>7,752,646</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$8,301,410</u></b>	<b><u>\$3,050,631</u></b>	<b><u>\$1,234,628</u></b>	<b><u>\$ 639,478</u></b>	<b><u>\$ 205,142</u></b>	<b><u>\$ 13,431,289</u></b>

The accompanying Notes to Basic Financial Statements are an integral part of these statements.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**RECONCILIATION OF THE TOTAL FUND BALANCES IN  
THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
Year Ended December 31, 2005**

Total fund balances in the fund financial statements for the governmental funds.	\$ 7,752,646
This amount differs from the amount of net assets shown in the statement of net assets due to the following:	
Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation.	34,728,814
Long-term liabilities for bonded debt are included as liabilities in the government-wide statements and are deducted.	(16,927,465)
Long-term liabilities for past service costs for the PFRS 384e retirement plan are included as liabilities in the government-wide statements and are deducted.	(794,135)
Long-term liabilities for 2004 retirement plan costs amortized by the City are included as liabilities in the government-wide statements and are deducted.	(966,217)
Accrued interest on property, school taxes, and community development loans on receivables for revenues earned, measurable, but not available and are added.	64,857
Deferred revenue and deferred tax revenue are added to the government-wide statements as revenue.	1,174,671
Net receivables for revenues earned, measurable but not available to provide financial resources, are included in the government-wide statements as assets and are added.	753,023
Other current liabilities for compensated absences are included in the government-wide statements as liabilities and are deducted.	(3,254,850)
Current liabilities for interest payable on long-term debt are included in the government-wide statements as liabilities and are deducted.	<u>(724,773)</u>
<b>Total net assets, end of year</b>	<b><u>\$ 21,806,571</u></b>

The accompanying Notes to Basic Financial Statements are an integral part of these statements.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**FUND FINANCIAL STATEMENTS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**Year Ended December 31, 2005**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>						
Real property taxes and tax items	\$ 12,351,608	\$ -	\$ 1,416,263	\$ -	\$ 123,001	\$ 13,890,872
Non-property taxes	9,935,826	-	-	-	-	9,935,826
Departmental income	1,449,605	-	-	57,623	-	1,507,228
Intergovernmental charges	1,243,724	125,000	-	-	-	1,368,724
Use of money and property	410,837	55,231	64,508	18,441	3,053	552,070
Licenses and permits	299,383	-	-	-	-	299,383
Fines and forfeitures	499,958	-	-	-	-	499,958
Sale of property and compensation for loss	326,026	-	-	-	-	326,026
Miscellaneous	217,164	782,834	-	-	-	999,998
Bond proceeds	-	4,517,466	-	-	-	4,517,466
State aid	4,014,691	2,344	-	-	-	4,017,035
Federal aid	217,375	60,131	-	565,149	-	842,655
Total revenues	<u>30,966,197</u>	<u>5,543,006</u>	<u>1,480,771</u>	<u>641,213</u>	<u>126,054</u>	<u>38,757,241</u>
<b>EXPENDITURES</b>						
Current						
General government support						
Mayor	1,190,432	-	-	-	-	1,190,432
Finance	1,044,562	-	-	-	-	1,044,562
Public Works	1,906,302	-	-	-	-	1,906,302
Accounts	1,255,357	-	-	-	-	1,255,357
Unallocated insurance	66,706	-	-	-	-	66,706
Other general government support	514,694	1,240,555	5,000	-	7,913	1,768,162
Public safety						
Police	6,566,900	-	-	-	-	6,566,900
Fire	5,326,413	-	-	-	-	5,326,413
Other public safety	4,038,686	-	-	-	-	4,038,686

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Health	19,151	-	-	-	-	19,151
Transportation	3,064,409	-	-	-	-	3,064,409
Economic opportunity and development	182,244	-	-	-	45,330	227,574
Culture and recreation	1,815,449	785,912	-	-	-	2,601,361
Home and community service	924,119	-	-	523,489	-	1,447,608
Employee benefits	15,532	-	-	-	-	15,532
Debt Service						
Principal	-	-	853,302	-	9,976	863,278
Interest	34,665	-	599,322	-	6,365	640,352
Capital outlay						
Mayor	25,265	-	-	-	-	25,265
Public Works	1,353,105	71,442	-	-	-	1,424,547
Accounts	17,993	-	-	-	-	17,993
Police	170,077	6,636	-	-	-	176,713
Fire	94,906	-	-	-	-	94,906
Other public safety	70,196	-	-	-	-	70,196
Transportation	753,503	501,934	-	-	-	1,255,437
Culture and recreation	486,258	577,740	-	-	-	1,063,998
Home and community service	-	3,108,618	-	-	-	3,108,618
Total expenditures	<u>30,936,924</u>	<u>6,292,837</u>	<u>1,457,624</u>	<u>523,489</u>	<u>69,584</u>	<u>39,280,458</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	4,988	273,130	251,645	-	-	529,763
Interfund transfers out	<u>(408,000)</u>	<u>(44,978)</u>	<u>(27,283)</u>	<u>-</u>	<u>(49,502)</u>	<u>(529,763)</u>
Total other financing sources and uses	<u>(403,012)</u>	<u>228,152</u>	<u>224,362</u>	<u>-</u>	<u>(49,502)</u>	<u>-</u>
<b>Net change in fund balances</b>	<b>(373,739)</b>	<b>(521,679)</b>	<b>247,509</b>	<b>117,724</b>	<b>6,968</b>	<b>(523,217)</b>
<b>FUND BALANCE, beginning of year</b>	4,902,374	1,959,227	984,969	206,119	198,174	8,250,863
Prior period adjustment, increase in fund balance	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
<b>FUND BALANCE, end of year</b>	<b><u>\$ 4,528,635</u></b>	<b><u>\$1,462,548</u></b>	<b><u>\$1,232,478</u></b>	<b><u>\$ 323,843</u></b>	<b><u>\$ 205,142</u></b>	<b><u>\$ 7,752,646</u></b>

The accompanying Notes to Basic Financial Statements are an integral part of these statements.

**CITY OF SARATOGA SPRINGS, NEW YORK**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS**  
**TO THE CHANGE IN NET ASSETS SHOWN IN THE STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2005**

Net change in fund balances shown for total governmental funds. \$ (523,217)

This amount differs from the change in net assets shown in the statement of activities because of the following:

Capital outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In 2004, an adjustment was made to increase beginning net assets by \$1,852,034 to recognize capital assets acquired in prior years but mistakenly were not recorded. This amount represents the differences between expenditures for acquisition of capital assets and depreciation expense for the period.

Capital expenditures	7,254,349	
Depreciation expense	<u>1,667,222</u>	5,587,127

Major revenues are recorded in the governmental funds when they become susceptible to accrual; that is, when they are earned, measurable, and available to provide current financial resources. In the statement of activities, major revenues are recognized when they are earned and measurable, regardless of when they become available. This is the amount by which earned revenues for the current period exceeded the amount of prior year earned revenues not recognized as being available until the current period.

Current year revenues	817,881	
Prior year revenues	<u>745,455</u>	72,426

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements, but are recognized as deferred revenues until they become available as current resources. This amount represents the difference between current year deferred amounts and those from the prior year:

Current year deferred revenues	1,174,672	
Prior year deferred revenues	<u>938,726</u>	235,946

Retirement payments for past service costs are shown as expenditures in the governmental funds. These payments are shown in the statement of net assets as a reduction of the related liabilities, and not shown as expenses in the statement of activities. This is the payment amount for the current year.

138,191

Bond principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net assets as a reduction of the related liabilities and not shown as expenses in the statement of activities. This is the payment amount for the current year.

863,278

Receipt of bond proceeds is recorded as a financing source in the governmental funds. These proceeds are shown in the statement of net assets as an increase in related liabilities. This is the amount of bonds issued and proceeds received during the current year.

(4,517,466)

Expenditures for interest on debt and certain inventory type items are recorded in the governmental funds when the payments are due. In the statement of activities, these costs are allocated over the applicable time period that they pertain to. Interest on debt is allocated over the period the amounts become due; and inventory type items over the period the commodities are consumed. This is the amount by which the current period expenditures exceed the costs allocated over the applicable periods.

Current year expenditures	593,184	
Allocated expenses	<u>724,773</u>	(131,589)

Payments for compensated absences are shown in the governmental funds when they are due. In the statement of activities, these costs are reported during the period the liabilities are incurred, regardless of when they are due and payable. This amount represents the difference between the expenditures recorded in the current year for payments due on prior year liabilities and the expenses incurred during the current year that have not been paid.

Current year expenditures	2,442,874	
Expenses incurred during current year	<u>3,254,850</u>	(811,976)

Interfund transactions are eliminated in the statement of net assets and the statement of activities. The amounts offset, and have a zero effect of operations.

Transfers in	621,763	
Transfers out	<u>621,763</u>	-

**Change in net assets of governmental activities shown in the statement of activities** **\$ 912,720**

**CITY OF SARATOGA SPRINGS, NEW YORK**

**FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND  
Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Revised - Positive (Negative)</b>
	<u>Adopted</u>	<u>Revised</u>		
<b>REVENUES</b>				
Real property taxes and tax items	\$ 12,647,211	\$ 12,747,211	\$ 12,351,608	\$ (395,603)
Non-property taxes	9,734,120	9,734,120	9,935,826	201,706
Departmental income	1,412,040	1,540,698	1,449,605	(91,093)
Intergovernmental charges	197,100	239,460	1,243,724	1,004,264
Use of money and property	400,000	400,000	410,837	10,837
Licenses and permits	275,123	275,123	299,383	24,260
Fines and forfeitures	689,000	689,000	499,958	(189,042)
Sale of property and compensation for loss	238,250	319,852	326,026	6,174
Miscellaneous	43,000	116,499	217,164	100,665
State aid	3,129,740	3,293,998	4,014,691	720,693
Federal aid	139,677	524,447	217,375	(307,072)
Total revenues	<u>28,905,261</u>	<u>29,880,408</u>	<u>30,966,197</u>	<u>1,085,789</u>
<b>EXPENDITURES</b>				
General government support	6,993,547	7,551,840	7,367,891	183,949
Education	30,000	31,986	6,525	25,461
Public safety	14,726,302	15,630,382	16,267,178	(636,796)
Health	18,550	19,910	19,151	759
Transportation	3,435,151	3,936,752	3,817,912	118,840
Economic opportunity and development	118,440	118,438	182,244	(63,806)
Culture and recreation	2,266,675	2,548,149	2,301,707	246,442
Home and community service	914,996	1,067,529	924,119	143,410
Employee benefits	18,000	18,000	15,532	2,468
Debt service	7,000	35,667	34,665	1,002
Total expenditures	<u>28,528,661</u>	<u>30,958,653</u>	<u>30,936,924</u>	<u>21,729</u>
<b>OTHER FUNDING SOURCES (USES)</b>				
Interfund transfers in	3,400	19,110	4,988	(14,122)
Other budgetary purposes	(380,000)	(42,456)	-	42,456
Interfund transfers out	<u>(72,144)</u>	<u>(408,000)</u>	<u>(408,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(448,744)</u>	<u>(431,346)</u>	<u>(403,012)</u>	<u>28,334</u>
<b>Appropriated fund balance (budget) and net change in fund balances (actual)</b>	<b>(72,144)</b>	<b>(1,509,591)</b>	<b>(373,739)</b>	<b>1,135,852</b>
<b>FUND BALANCE, beginning of year</b>	<u>72,144</u>	<u>1,509,591</u>	<u>4,902,374</u>	<u>3,392,783</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,528,635</u>	<u>\$4,528,635</u>

The accompanying Notes to Basic Financial Statements are an integral part of these statements.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**FUND FINANCIAL STATEMENTS  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
December 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>City Center Authority</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 84,387	\$ 147,132	\$ 628,962	\$ 860,481
Receivables, net of allowance for uncollectibles	758,072	1,303,541	181,064	2,242,677
Inventories	14,622	14,622	-	29,244
Prepaid expenses	6,565	6,627	7,105	20,297
Restricted assets				
Cash and cash equivalents	2,398,430	-	1,181,030	3,579,460
Investments	-	-	3,259,190	3,259,190
Capital assets, net of accumulated depreciation				
Land	75,841	-	-	75,841
Buildings	388,982	-	-	388,982
Machinery and equipment	221,412	24,529	27,956	273,897
Infrastructure	775,724	-	-	775,724
Work in progress	103,572	-	-	103,572
Total assets	<u>4,827,607</u>	<u>1,496,451</u>	<u>5,285,307</u>	<u>11,609,365</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	250,189	111,736	192,308	554,233
Internal balances due to governmental activities	34,443	361,118	(3,835)	391,726
Bond anticipation notes payable	<u>1,378,600</u>	-	-	<u>1,378,600</u>
Total liabilities	<u>1,663,232</u>	<u>472,854</u>	<u>188,473</u>	<u>2,324,559</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	186,931	24,529	27,956	239,416
Restricted for				
Capital improvements	1,378,600	-	4,440,220	5,818,820
Water line extension projects	1,019,830	-	-	1,019,830
Unrestricted	<u>579,014</u>	<u>999,068</u>	<u>628,658</u>	<u>2,206,740</u>
<b>Total net assets</b>	<b><u>\$ 3,164,375</u></b>	<b><u>\$ 1,023,597</u></b>	<b><u>\$ 5,096,834</u></b>	<b><u>\$ 9,284,806</u></b>

The accompanying Notes to Basic Financial Statements are an integral part of these statements.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS  
Year Ended December 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>City Center Authority</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Water sales	\$ 2,197,288	\$ -	\$ -	\$ 2,197,288
Sewer sales	-	3,257,560	-	3,257,560
General operating	-	3,332	85,168	88,500
Facility charges	-	-	391,971	391,971
Total operating revenues	<u>2,197,288</u>	<u>3,260,892</u>	<u>477,139</u>	<u>5,935,319</u>
<b>OPERATING EXPENSES</b>				
Costs of sales and services	1,921,418	2,978,222	723,297	5,622,937
Administration	307,469	486,343	592,504	1,386,316
Depreciation	142,331	4,763	7,858	154,952
Total operating expenses	<u>2,371,218</u>	<u>3,469,328</u>	<u>1,323,659</u>	<u>7,164,205</u>
<b>Operating loss</b>	<u><b>(173,930)</b></u>	<u><b>(208,436)</b></u>	<u><b>(846,520)</b></u>	<u><b>(1,228,886)</b></u>
<b>NONOPERATING REVENUES</b>				
Payment in lieu of taxes	-	-	262,499	262,499
Hotel occupancy tax	-	-	663,029	663,029
Interest and earnings	62,134	-	190,537	252,671
Total nonoperating revenues	<u>62,134</u>	<u>-</u>	<u>1,116,065</u>	<u>1,178,199</u>
<b>CHANGE IN NET ASSETS</b>	<b>(111,796)</b>	<b>(208,436)</b>	<b>269,545</b>	<b>(50,687)</b>
<b>NET ASSETS, beginning of year</b>	<u>3,276,171</u>	<u>1,232,033</u>	<u>4,827,289</u>	<u>9,335,493</u>
<b>NET ASSETS, end of year</b>	<u><b>\$ 3,164,375</b></u>	<u><b>\$ 1,023,597</b></u>	<u><b>\$ 5,096,834</b></u>	<u><b>\$ 9,284,806</b></u>

The accompanying Notes to Basic Financial Statements are an integral part of these statements.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**FUND FINANCIAL STATEMENTS  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
Year Ended December 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>City Center Authority</u>	<u>Total</u>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Charges for services	\$ 2,197,287	\$3,260,892	\$ 434,497	\$ 5,892,676
Payments to suppliers	(1,204,327)	(2,634,435)	(823,248)	(4,662,010)
Payments to employees	(946,491)	(597,307)	(493,590)	(2,037,388)
	<u>46,469</u>	<u>29,150</u>	<u>(882,341)</u>	<u>(806,722)</u>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Payments for work in progress	(103,572)	-	-	(103,572)
Acquisition of capital assets	(168,909)	(3,570)	-	(172,479)
Bond anticipation note proceeds	1,378,600	-	-	1,378,600
	<u>1,106,119</u>	<u>(3,570)</u>	<u>-</u>	<u>1,102,549</u>
<b>CASH FLOWS PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Payments in lieu of taxes	-	-	262,499	262,499
Hotel occupancy taxes	-	-	663,029	663,029
	<u>-</u>	<u>-</u>	<u>925,528</u>	<u>925,528</u>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>				
Interest and dividends received	62,134	-	190,537	252,671
Increase in investments	-	-	(1,025,224)	(1,025,224)
	<u>62,134</u>	<u>-</u>	<u>(834,687)</u>	<u>(772,553)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>1,214,722</u>	<u>25,580</u>	<u>(791,500)</u>	<u>448,802</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,268,095</u>	<u>121,552</u>	<u>2,601,492</u>	<u>3,991,139</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 2,482,817</u>	<u>\$ 147,132</u>	<u>\$ 1,809,992</u>	<u>\$ 4,439,941</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (173,930)	\$ (208,436)	\$ (846,520)	\$ (1,228,886)
(Increase) decrease in				
Receivables, net of allowances	(51,355)	(92,545)	8,581	(135,319)
Inventory	4,286	4,286	-	8,572
Prepaid expenses	21,176	10,570	(722)	31,024
Increase (decrease) in				
Accounts payable and other liabilities	69,518	38,351	(47,763)	60,106
Due to other funds	34,443	272,161	(3,775)	302,829
Depreciation expense	142,331	4,763	7,858	154,952
<b>Net cash provided (used) by operating activities</b>	<u>\$ 46,469</u>	<u>\$ 29,150</u>	<u>\$ (882,341)</u>	<u>\$ (806,722)</u>

The accompanying Notes to Basic Financial Statements are an integral part of these statements.

**CITY OF SARATOGA SPRINGS, NEW YORK**  
**FUND FINANCIAL STATEMENTS**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**December 31, 2005**

	<b><u>Agency Funds</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 987,980</u>
<b>LIABILITIES</b>	
Agency accounts payable	987,327
Due to governmental funds	<u>653</u>
Total liabilities	<u>987,980</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of these statements.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Saratoga Springs, New York (City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying basic financial statement follows.

In preparing the basic financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### *1. Reporting Entity*

The City of Saratoga Springs was incorporated as a City in 1915 and is governed by its Charter, City Local Laws, General City Law, and other general laws of the State of New York. The City is a municipal corporation governed by a five-member elected Council, one Mayor, and four Commissioners. Each Commissioner serves as the head of a department: Finance, Public Works, Public Safety, and Accounts. The Mayor serves as Chief Executive Officer, and the Commissioner of Finance serves as the Chief Fiscal Officer. The City provides water, sewer, police and fire protection, highway and street, cultural and recreational, public improvement, planning and zoning, and general administrative services to the residents of the City.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Excluded from the reporting entity:

#### *The City of Saratoga Springs School District*

The City of Saratoga Springs School District (District) was created by State legislation that designates the School Board as the governing authority. School Board members are elected by the qualified voters of the District. The Board designates management and exercises complete responsibility for all fiscal matters. The City Council exercises no oversight over school operations.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 1. *Reporting Entity - Continued*

##### *The Saratoga Springs Housing Authority*

The Saratoga Springs Housing Authority's (Housing Authority) governing board is appointed by the Chief Executive Officer of the City. The City provides no subsidy to the Housing Authority nor is it responsible for debt or operating deficits of the Housing Authority. The Housing Authority's debt is essentially supported by operating revenues of the Housing Authority and is not guaranteed by the City. The City does not appoint management of the Housing Authority nor does it approve the Authority's budget, contracts, or hiring staff. The City has no oversight responsibility for funds of the Housing Authority.

#### 2. *Government-Wide and Fund Financial Statements*

The governmental reporting model has the following sections: Management's Discussion and Analysis, Government-wide Financial Statements, and Fund Financial Statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all nonfiduciary activities of the primary government. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of net assets presents the financial condition of the City's activities at year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The statement of activities identifies the net expense or revenue from each activity, and identifies the amount of general revenues needed to help finance the specific activities.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. A fund is a separate accounting entity with a self-balancing set of accounts.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 3. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and applicable fiduciary fund financial statements. All assets and liabilities are recorded in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This measurement focus and basis of accounting is similar to private sector reporting.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financial uses) in net current assets.

Under the modified accrual basis of accounting, governmental fund revenues are recognized when susceptible to accrual (i.e., as soon as they are both measurable and available). "Measurable" means the amount of the transaction can be reasonably determined and "available" means the related cash resources are collectible within the current period or soon enough thereafter to be used to pay current liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, water and sewer rents, sales taxes, mortgage taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash, i.e., fines, permits, and parking meter revenues.

The City also reports deferred revenue on its fund financial statements for certain revenues other than property taxes. Deferred revenues arise when potential revenue does not meet both of the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue recognized.

Governmental fund expenditures are recorded when the fund liability is incurred except that:

- Payments for acquisition of inventory type items are recorded as expenditures when the related amounts are due and payable. This method is generally referred to as the "purchase" method, as opposed to the "consumption" method used in the government-wide financial statements.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 3. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation* - Continued

- Principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensation time, which vest or accumulate with eligible employees are recorded as expenditures in the payroll period that the credits are used by employees.
- Costs of acquiring capital assets are recorded as expenditures when the related acquisition amounts are due and payable.

#### 4. *Fund Accounting*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The activities of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, or limitations. The City's fund types are as follows:

##### *Fund Types*

*Governmental Funds* are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The City's governmental funds are as follows:

- a) *The General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund operates within the financial limits of an annual budget adopted by the City Council.
- b) *The Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c) *The Capital Project Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Financing is generally provided from proceeds of bonds, notes, federal and state grants, and transfers from other governmental funds.
- d) *Special Revenue Funds* are used to account for specific revenues (other than those generated for major capital projects) that are legally restricted to expenditures for particular purposes. The Special Grant Fund is used to account for federally-funded community development block grants, revolving loan funds, and other federally-funded programs. The City has two special districts: the Downtown Special Assessment District (SAD) and the West Avenue Special Assessment District (WASAD). Both were established to make improvements within the boundaries of the applicable districts and are funded by special assessments on the property owners within each district.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 4. *Fund Accounting* - Continued

##### *Fund Types* - Continued

*Proprietary Funds* represent the City's business-type activities, and include Enterprise Funds. Enterprise Funds are used to report activities for which fees are charged to external customers for goods and services provided and the City's fee pricing policies are established to recover costs of providing such service, including capital costs such as depreciation or debt service. Enterprise Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City maintains the following enterprise funds:

- a) *The Water Fund* is used to report operations of the City's water treatment and supply facilities that provide drinking water to all City residents, as well as to certain local communities outside the City's corporate boundaries. Users of the water system, inside and outside the City limits, are charged a user fee to pay for the operation of the Water Fund. The fund also records revenues and expenses associated with extending the water line. A water service connection fee is collected when a new user taps into the system, and the revenue is reserved to expanding the system.
- b) *The Sewer Fund* is used to report operations of the City's wastewater treatment facilities and sanitary sewer system that is provided to all City residents. The sewer system infrastructure is owned by the Saratoga County Sewer District. Users of the sewer system are charged a fee based on an annual bill from the Saratoga County Sewer District.
- c) *The City Center Authority Fund* accounts for the day-to-day business operations of the convention and tourism center. The Authority was created by State legislation for the purpose of operating and maintaining the Saratoga City Center (City Center). The execution of the daily operations of the City Center rests with the Authority. The City Council maintains fiscal control over the Authority through various aspects of State legislation and, therefore, has included the financial position as well as the operations of the City Center in the City's financial statements.

*Fiduciary Funds* are used to report resources that are held by the City in a trustee or agency capacity for others and cannot be used to support the City's own programs. The City maintains only agency funds, which are used to account for assets that the City holds on behalf of others as their agent.

In addition to the various funds, the City also maintains schedules of non-current assets and non-current liabilities: non-current assets include capital assets used in governmental activities, and non-current liabilities include bonds, retirement system debt, accumulated sick and compensatory time, and other long-term debt used to finance governmental activities.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 5. *Cash, Cash Equivalents, and Investments*

Cash and cash equivalents include amounts in demand deposits, both restricted and unrestricted, time deposits, short-term investments with a maturity date within three months of the date acquired by the City, and cash on hand.

The City's investment policies are governed by State statutes. In addition, the City has its own investment policy. City monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City is authorized to use demand deposits, time deposits, and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States agencies and obligations of New York State or its localities.

Investments are stated at fair market value, which approximates cost.

#### 6. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All property and school tax receivables and water and sewer rents are shown net of an allowance for uncollectibles. The property and school tax receivables and water and sewer rents receivable allowance is equal to six percent of outstanding property and school taxes and water and sewer rents at December 31, 2005.

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on January 1 and are payable in four installments on the first of March, June, September, and December. The City bills and collects its own property taxes and also collects taxes for Saratoga County and the delinquent taxes for the Saratoga Springs City School District. City property tax revenues are recognized when levied to the extent that they result in current receivables.

#### 7. *Inventory, Prepaids, and Prior Period Adjustment*

Inventory in the proprietary funds is valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies held for consumption.

#### 8. *Restricted Assets*

Certain resources of the governmental and proprietary funds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts, and City Council limits their use. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 9. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of six or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements	20
Streets/roads	25
Other infrastructure	75
Equipment	5-20

#### 10. *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused sick pay benefits. All sick pay is accrued when incurred in the government-wide financial statements. Expenditures for these amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### 11. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 11. *Long-Term Obligations* - Continued

The City's special assessment districts, SAD and WASAD, have outstanding bonded debt. SAD currently makes the annual debt payment on the Putnam Street Parking Deck Project when due and has an arrangement with the City for reimbursement in the event there is default by a taxpayer. WASAD is repaying its 50% share of the betterment on the West Avenue Improvement Project debt on an extended payment plan. The City makes the debt payment annually, and WASAD reimburses the City every year at a lower amount than the actual debt, but when the bond is fully paid off, WASAD will continue reimbursing the City for its portion of the bond.

#### 12. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### 1. *Legal Compliance and Budgets*

The Mayor and the Commissioners present their budget requirements for the following fiscal year to the Commissioner of Finance on or before October 1 each year. The Commissioner of Finance then prepares a proposed budget for the forthcoming year and submits it to the City Council on or before the third Monday in October. After receiving the proposed budget, the City Council establishes a date, time, and place for a public hearing with public notice duly advertised of such hearing. At a regular or special meeting held after the public hearing but not later than the 30th day of November, the City Council adopts, or amends and adopts, the budget for the ensuing fiscal year. During the year, several supplementary appropriations are necessary.

The Special Grant Fund and Capital Projects Fund adopt project-length budgets, except for the Capital Projects Fund's current appropriations, which are adopted according to the above-described timetable.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

#### 2. *Excess of Expenditures Over Appropriations*

Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE C - DETAILED NOTES ON ALL FUNDS

#### 1. Cash, Cash Equivalents, and Investments

##### *Collateral*

New York State statutes require the City to collateralize its cash deposits in excess of the FDIC limit of \$200,000 (\$100,000 on demand deposits and \$100,000 on time deposits and other cash accounts). This collateral is to be in the form of state and local government securities held in trust for and pledged to secure the City's deposits. The City's deposits were adequately insured or collateralized as of December 31, 2005.

##### *Investments*

The City's General Fund had an investment balance of \$17,260 as of December 31, 2005. This consisted of a worker's compensation bond on deposit with New York State. The City's General Fund had restricted investments of \$1,509,398 as of December 31, 2005. This balance consisted of U. S. Treasury Notes for \$1,497,660 and accrued interest for \$11,738. The investments are restricted for retirement system payments.

The City Center Authority had restricted investments of \$3,259,189 as of December 31, 2005. This balance consisted of U. S. Treasury Notes for \$2,945,719, U. S. Government Agencies Federal Home Loan Mortgage and FNMA for \$291,023, and accrued interest for \$22,447. The investments are restricted for future expansion of the Center.

##### *Restricted Cash*

The City had restricted cash and cash equivalents for governmental activities, comprised of the following:

Debt service	\$ 622,958
Special District	1,909
Capital project	2,321,412
Capital reserves	1,237,211
Retirement reserve (\$1,500,000 Appropriated for 2006 Budget)	1,528,432
Council designated	<u>544,666</u>
Total restricted	<u>\$ 6,256,588</u>

The City had restricted cash, cash equivalents, and investments for business-type activities, comprised of the following:

Capital reserves for City Center improvements	\$ 5,818,820
Water line extension	<u>1,019,830</u>
Total restricted	<u>\$ 6,838,650</u>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2005**

**NOTE C - DETAILED NOTES ON ALL FUNDS - Continued**

*2. Receivables*

Receivables at year-end for the City's governmental and business-type activities, categorized by individual major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>General</u>	<u>Capital</u>	<u>Debt Service</u>	<u>Special Grant</u>	<u>Water</u>	<u>Sewer</u>	<u>City Center Authority</u>	<u>Total</u>
City and county taxes	\$ 625,071	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 625,071
School taxes	335,443	-	-	-	-	-	-	335,443
Tax sales	444,939	-	-	-	-	-	-	444,939
Water rents	-	-	-	-	783,245	-	-	783,245
Sewer rents	-	-	-	-	-	1,346,376	-	1,346,376
Accounts	1,585,584	-	1,450	-	-	-	19,052	1,606,086
Rehabilitation loans	-	-	-	303,398	-	-	-	303,398
State and federal	1,514,831	81,283	-	14,712	-	-	-	1,610,826
Other governments	<u>850,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,012</u>	<u>1,012,044</u>
Total receivables	5,355,900	81,283	1,450	318,110	783,245	1,346,376	181,064	8,067,428
Allowance for uncollectible accounts	<u>(683,746)</u>	<u>-</u>	<u>-</u>	<u>(19,576)</u>	<u>(25,173)</u>	<u>(42,835)</u>	<u>-</u>	<u>(771,330)</u>
Total net receivables	<u>\$ 4,672,154</u>	<u>\$ 81,283</u>	<u>\$ 1,450</u>	<u>\$ 298,534</u>	<u>\$ 758,072</u>	<u>\$ 1,303,541</u>	<u>\$ 181,064</u>	<u>\$ 7,296,098</u>

These receivables are shown in the statement of net assets as follows:

Receivables net of allowances:	
Governmental activities	\$ 5,053,421
Business-type activities	<u>2,242,677</u>
Total	<u>\$ 7,296,098</u>

*3. Capital Assets and Prior Period Adjustment*

In 2003, the City contracted with a private company to conduct an inventory of the City's capital assets as of December 31, 2003. The inventory included identification and valuation of infrastructure assets and accumulated depreciation. The City conducted the inventory of other assets that were not previously recorded on the City's system and calculated the accumulated depreciation. The City continues to maintain all classes of assets in-house on an annual basis.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

### NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

#### 3. Capital Assets and Prior Period Adjustment - Continued

During 2005, the City recognized certain assets acquired in prior years, which were not previously included in the capital asset inventory. The recognition of these assets resulted in a prior period adjustment of \$1,852,034.

The following is the City's capital asset activity for the year ended December 31, 2005, as adjusted:

#### GOVERNMENTAL ACTIVITIES

	January 1, 2005	Additions	Retire- ments	December 31, 2005
Governmental non-depreciable capital assets				
Land, as restated	\$ 2,030,441	\$ 1,272,800	\$ (851,671)	\$ 2,451,570
Governmental depreciable capital assets				
Buildings	14,234,575	2,701,243	-	16,935,818
Improvements	2,852,812	-	-	2,852,812
Machinery, equipment, and vehicles	10,246,133	1,355,640	(355,315)	11,246,458
Infrastructure	31,272,985	395,317	-	31,668,302
Work in progress	<u>1,699,326</u>	<u>4,080,344</u>	<u>(1,699,326)</u>	<u>4,080,344</u>
Total depreciable capital assets	<u>60,305,831</u>	<u>8,532,544</u>	<u>(2,054,641)</u>	<u>66,783,734</u>
Accumulated depreciation				
Buildings	(3,570,974)	(353,548)	-	(3,924,522)
Improvements other than buildings	(2,105,192)	(76,499)	-	(2,181,691)
Machinery and equipment	(4,392,591)	(946,124)	355,315	(4,983,400)
Infrastructure, as restated	<u>(23,125,826)</u>	<u>(291,051)</u>	<u>-</u>	<u>(23,416,877)</u>
Total accumulated depreciation	<u>(33,194,583)</u>	<u>(1,667,222)</u>	<u>355,315</u>	<u>(34,506,490)</u>
Net governmental depreciable capital assets	<u>27,111,248</u>	<u>6,865,322</u>	<u>(1,699,326)</u>	<u>32,277,244</u>
Net capital assets, governmental activities	<u>\$ 29,141,689</u>	<u>\$ 8,138,122</u>	<u>\$(2,550,997)</u>	<u>\$ 34,728,814</u>

#### BUSINESS-TYPE ACTIVITIES

##### WATER

Land	\$ 66,941	\$ 8,900	\$ -	\$ 75,841
Depreciable capital assets				
Buildings	538,616	-	-	538,616
Machinery, equipment, and vehicles	177,379	160,009	(45,000)	292,388
Infrastructure	11,586,711	-	-	11,586,711
Work in progress	<u>-</u>	<u>103,572</u>	<u>-</u>	<u>103,572</u>
Total depreciable capital assets	<u>12,302,706</u>	<u>263,581</u>	<u>(45,000)</u>	<u>12,521,287</u>

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

### NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

#### 3. Capital Assets and Prior Period Adjustment - Continued

	January 1, <u>2005</u>	<u>Additions</u>	<u>Retire- ments</u>	December 31, <u>2005</u>
Accumulated depreciation				
Buildings	\$ (138,390)	\$ (11,244)	\$ -	\$ (149,634)
Machinery, equipment, and vehicles	(91,378)	(24,598)	45,000	(70,976)
Infrastructure	<u>(10,704,498)</u>	<u>(106,489)</u>	<u>-</u>	<u>(10,810,987)</u>
Total accumulated depreciation	<u>(10,934,266)</u>	<u>(142,331)</u>	<u>45,000</u>	<u>(11,031,597)</u>
Net water depreciable capital assets	<u>1,368,440</u>	<u>121,250</u>	<u>-</u>	<u>1,489,690</u>
Net capital assets, water activity	<u>\$ 1,435,381</u>	<u>\$ 130,150</u>	<u>\$ -</u>	<u>\$ 1,565,531</u>
<b>SEWER</b>				
Sewer depreciable capital assets				
Machinery, equipment, and vehicles	\$ 53,044	\$ 3,570	\$ -	\$ 56,614
Accumulated depreciation	<u>(27,322)</u>	<u>(4,763)</u>	<u>-</u>	<u>(32,085)</u>
Net capital assets, sewer activity	<u>\$ 25,722</u>	<u>\$ (1,193)</u>	<u>\$ -</u>	<u>\$ 24,529</u>
<b>CITY CENTER AUTHORITY</b>				
City Center Authority depreciable capital assets				
Machinery, equipment, and vehicles	\$ 167,919	\$ -	\$ -	\$ 167,919
Accumulated depreciation	<u>(132,105)</u>	<u>(7,858)</u>	<u>-</u>	<u>(139,963)</u>
Net capital assets, City Center Authority	<u>\$ 35,814</u>	<u>\$ (7,858)</u>	<u>\$ -</u>	<u>\$ 27,956</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities</b>		
General government support, Mayor		\$ 10,933
General government support, Finance		20,795
General government support, DPW		404,621
General government support, Accounts		5,543
General government support, Other		55,764
Police		102,482
Fire		236,811
Other public safety		24,129
Transportation		713,008
Culture and recreation		71,256
Home and community service		<u>21,880</u>
Total depreciation expense, governmental activities		<u>\$1,667,222</u>
<b>Business-type activities</b>		
Sewer		\$ 4,763
Water		142,331
City center authority		<u>7,858</u>
Total depreciation expense, business-type activities		<u>\$ 154,952</u>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE C - DETAILED NOTES ON ALL FUNDS - Continued**

*4. Interfund Receivables, Payables, and Transfers*

The composition of interfund balances as of December 31, 2005, is as follows:

Amounts due to/from other funds in the fund financial statements:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
General	\$ 11	\$ 478,910
City Center Authority	(3,835)	-
Water	34,443	-
Sewer	361,118	-
Capital	86,520	-
SAD	-	-
WASAD	-	-
Fiduciary	653	-
Debt Service	-	-
Special Grant	-	-
	<hr/>	<hr/>
Total	<u>\$ 478,910</u>	<u>\$ 478,910</u>

Amounts due to/from activities and fiduciary funds in the government-wide financial statements:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Internal balances		
Governmental	\$ -	\$ 391,726
Business-type	391,726	-
Due from fiduciary funds		
Governmental	-	653

Interfund transfers in the governmental fund financial statements:

<u>Fund</u>	<u>In</u>	<u>Out</u>
General	\$ 4,988	\$ 408,000
Capital	273,130	44,978
WASAD	-	49,502
Debt Service	251,645	27,283
	<hr/>	<hr/>
Total	<u>\$ 529,763</u>	<u>\$ 529,763</u>

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

#### 5. *Indebtedness*

##### *Bond Anticipation Notes*

The City issues bond anticipation notes to temporarily finance capital improvements and other authorized acquisitions before permanent, long-term financing is sought. A summary of the City's bond anticipation note transactions for the year ended December 31, 2005, is as follows:

Bond anticipation notes payable, beginning of year				\$ -
Notes issued				2,678,000
Notes redeemed				<u>-</u>
Bond anticipation notes payable, end of year				<u>\$ 2,678,600</u>
	<u>Issue</u>	<u>Due</u>	<u>Final</u>	<u>December 31,</u>
	<u>Date</u>	<u>Date</u>	<u>Maturity</u>	<u>2005</u>
<u>Purpose</u>				
Open Lands Acquisition	7/20/05	7/20/06	2.60%	\$ 1,170,000
Various Capital Projects	9/16/05	7/20/06	2.85%	<u>1,508,600</u>
Total bond anticipation notes				<u>\$ 2,678,600</u>

##### *General Obligation Bonds*

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. On April 28, 2005, the City issued a \$4,517,465, 25-year, general obligation bond.

A summary of the City's general obligation serial bond transactions for the year ended December 31, 2005, is as follows:

Bonds payable, beginning of year				\$ 13,273,279
Bonds issued				4,517,465
Bonds retired				<u>(863,279)</u>
Bonds payable, end of year				<u>\$ 16,927,465</u>

General obligation bonds are direct obligations and pledge the full faith and credit of the City and are tax exempt. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2005**

**NOTE C - DETAILED NOTES ON ALL FUNDS - Continued**

5. *Indebtedness - Continued*

*General Obligation Bonds - Continued*

Governmental activities:

<u>Public Improvement Bonds</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Principal</u>
Serial Bond, EFC	03/97	02/17	3.40%	\$ 2,615,000
Serial Bond, general obligation	07/93	03/13	4.75%	1,270,000
Serial Bond, general obligation	10/97	09/17	4.50%	1,620,000
Serial Bond, general obligation	06/00	06/14	5.12%	1,195,000
Serial Bond, general obligation	09/02	09/22	3.90%	1,850,000
Serial Bond, general obligation	04/04	02/34	4.00%	3,860,000
Serial Bond, general obligation	03/05	06/24	3.85%	4,517,465
				<u>\$ 16,927,465</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
For the year ending December 31, 2006	\$ 1,007,465	\$ 724,773
2007	1,040,000	679,170
2008	1,075,000	631,509
2009	1,115,000	582,252
2010	1,140,000	530,939
For the years ending December 31, 2011 through 2015	4,845,000	1,892,986
2016 through 2020	2,775,000	1,043,565
2021 through 2025	2,175,000	536,205
2026 through 2030	890,000	265,400
2031 through 2035	<u>865,000</u>	<u>70,900</u>
Total	<u>\$ 16,927,465</u>	<u>\$ 6,957,699</u>

Of the total outstanding general obligation bonds of the City in the sum of \$16,927,465, \$12,962,442 was subject to the statutory debt limit and represented approximately 70% of the City's \$18,393,890 self-imposed debt limit.

*Special Assessment Debt*

At December 31, 2005, the amount of special assessment debt outstanding for SAD and WASAD was \$119,214 and \$505,024, respectively. These amounts are reflected in the governmental activities statement of net assets and included in the schedules above.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2005**

**NOTE C - DETAILED NOTES ON ALL FUNDS - Continued**

5. *Indebtedness - Continued*

*Other Liabilities*

Other liabilities shown in the past as part of long-term debt, but now shown in the government-wide financial statements as current liabilities, include the following:

	January 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2005</u>
Sick time	\$ 2,542,126	\$ 354,421	\$ (142,831)	\$ 2,753,716
Compensatory time	<u>626,507</u>	<u>807,265</u>	<u>(724,449)</u>	<u>709,323</u>
	<u>\$ 3,168,633</u>	<u>\$1,161,686</u>	<u>\$ 867,280</u>	<u>\$ 3,463,039</u>

6. *Other Items*

*a. Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The General, Water, Sewer, and City Center Authority funds pay insurance premiums.

The City's Safety Committee reviews potential areas of risk and develops safety policies. The Safety Committee reviews, among other things, worker's compensation trends to determine and prevent causation of similar claims in the future. The City belongs to the Saratoga County Worker's Compensation pool, and cases are reviewed and paid by Saratoga County. The City's 2005 annual contribution to the worker's compensation pool was \$552,626.

*b. Subsequent Events*

On March 23, 2006, the City sold \$8,469,600 in general obligation bonds to finance various capital projects, with a fixed interest rate of 4.25%. On January 25, 2006, the City issued a \$1,000,000 Tax Anticipation Note to mature on March 27, 2006, with an interest rate of 3.25%. The City subsequently paid the note in full plus applicable interest on March 27, 2006.

*c. Contingent Liabilities*

The City is involved in certain suits and claims arising from a variety of sources. It is the opinion of counsel and management that the liabilities that may arise from such actions would be covered by the City's insurance carrier or would not result in losses that would materially affect the financial position of the City or the results of its operations.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

### NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

6. *Other Items - Continued*

d. *Other Postemployment Benefits*

In addition to providing pension benefits (see e., below), the City provides health insurance coverage benefits for retired employees. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. The City recognizes the cost of providing benefits by recording total costs as expenditures during the year paid.

During the year, \$1,435,343 was paid on behalf of 194 retirees.

e. *Employee Retirement Systems and Pension Plan*

1. *Employee Retirement Systems Plan Description*

The City participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (GTLI) (collectively, the Systems). These are cost sharing multi-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

On October 15, 2004, the City opted to provide certain benefits to firefighters for past services under Section 384E of the PFRS plan. The total past service credit costs were \$1,078,728. The City opted to pay for this program over a ten-year term with interest starting the third year at 8% per annum. In fiscal year ended December 31, 2005, the City recorded a liability for the second of ten installments, which did not include interest. The unpaid balance of \$794,135 at December 31, 2005, is included in the financial statements as a governmental liability. The maturity schedule for this debt is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2006 (principal only)	\$ 138,191	\$ -	\$ 138,191
Payable February 1, 2007	74,660	63,531	138,191
Payable February 1, 2008	80,633	57,558	138,191
Payable February 1, 2009	87,084	51,107	138,191
Payable February 1, 2010	94,050	44,141	138,191
Payable February 1, 2011	101,574	36,617	138,191
Payable February 1, 2012	109,700	28,491	138,191
Payable February 1, 2013	118,476	19,715	138,191
Payable February 1, 2014	<u>127,958</u>	<u>10,233</u>	<u>138,191</u>
Totals	<u>\$ 932,326</u>	<u>\$ 311,393</u>	<u>\$1,243,719</u>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2005**

**NOTE C - DETAILED NOTES ON ALL FUNDS - Continued**

6. *Other Items - Continued*

e. *Employee Retirement Systems and Pension Plan - Continued*

1. *Employee Retirement Systems Plan Description - Continued*

The unpaid balance of \$932,326 at December 31, 2005, is included in the financial statements as a non-current governmental liability, of which \$138,191 is shown as due within one year.

In December 2004, the City opted to amortize the allowable portions of the 2004 ERS and PFRS retirement payment over a ten-year period. The principal amount amortized was \$395,308 for ERS plan and \$654,365 for PFRS plan. The first principal and interest payment is due February 1, 2006, with interest at 5% per annum. The maturity schedules for this debt are as follows:

ERS Amortization	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2006	\$ 31,429	\$ 19,765	\$ 51,194
Payable February 1, 2007	33,000	18,194	51,194
Payable February 1, 2008	34,650	16,544	51,194
Payable February 1, 2009	36,383	14,811	51,194
Payable February 1, 2010	38,202	12,992	51,194
Payable February 1, 2011	40,112	11,082	51,194
Payable February 1, 2012	42,118	9,076	51,194
Payable February 1, 2013	44,223	6,971	51,194
Payable February 1, 2014	46,435	4,759	51,194
Payable February 1, 2015	<u>48,756</u>	<u>2,438</u>	<u>51,194</u>
Totals	<u>\$ 395,308</u>	<u>\$ 116,632</u>	<u>\$511,940</u>
PFRS Amortization	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2006	\$ 52,025	\$ 32,718	\$ 84,743
Payable February 1, 2007	54,626	30,117	84,743
Payable February 1, 2008	57,358	27,385	84,743
Payable February 1, 2009	60,225	24,518	84,743
Payable February 1, 2010	63,237	21,506	84,743
Payable February 1, 2011	66,399	18,344	84,743
Payable February 1, 2012	69,718	15,025	84,743
Payable February 1, 2013	73,204	11,539	84,743
Payable February 1, 2014	76,865	7,878	84,743
Payable February 1, 2015	<u>80,708</u>	<u>4,035</u>	<u>84,743</u>
Totals	<u>\$ 654,365</u>	<u>\$ 193,065</u>	<u>\$847,430</u>

Since the liabilities for the amortization shown above were initially payable in 2004, these amounts are recorded in the statement of activities as a prior period adjustment.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2005**

**NOTE C - DETAILED NOTES ON ALL FUNDS - Continued**

6. *Other Items - Continued*

e. *Employee Retirement Systems and Pension Plan - Continued*

1. *Employee Retirement Systems Plan Description - Continued*

The unpaid ERS amortization balance of \$395,308 at December 31, 2005, is included in the financial statements as a non-current governmental liability. The unpaid PFRS amortization balance of \$654,365 at December 31, 2005, is included in the financial statements as a non-current governmental liability.

2. *Employee Retirement Systems Funding Policy*

The Systems are noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions. The NYSRSSL allows participating employers to pay their annual contributions on either December 15 or February 1 of the following year. The City elected to pay their 2005 contribution on February 1, 2006. The required contributions for the current and two preceding years were:

	<u>ERS</u>	<u>2004 ERS Amortization</u>	<u>PFRS</u>	<u>2004 PFRS Amortization</u>	<u>384E</u>	<u>Total</u>
2005	\$ 952,050	\$ 51,194	\$1,282,961	\$ 84,743	\$ 138,191	\$ 2,509,139
2004	651,192	-	648,147	-	146,402	1,445,741
2003	235,587	-	420,757	-	-	656,344

Contributions made to the Systems were equal to 100 percent of the contributions required for each year.

3. *Local Pension Plan*

Prior to joining the New York State Retirement Systems, the City had its own pension plan. In 2005, there was one spouse of a retired employee still receiving benefits from the pension plan. The expense is charged to the General Fund as incurred. No liability has been recorded for future payments since the probability of paying the benefit in future years is unlikely.

f. *Labor Relations*

The City has 310 employees covered by seven (7) bargaining units. The Police Chiefs, Police Lieutenants, and Police Benevolent Association contracts expired on December 31, 2005. The Fire Chiefs contracts expired on December 31, 2003. These contracts are under negotiation. The Firefighters' contract expires on December 31, 2006. The CSEA City Hall and CSEA Public Works contracts expire on December 31, 2008.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE D - NEW ACCOUNTING STANDARDS

During June 2005, GASB issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*. This Statement establishes new standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities, note disclosures, and applicable supplementary information in the financial reports of state and local government employers throughout the United States. When fully implemented, it will require new information regarding current and long-term liabilities for postemployment healthcare and other similar benefits. The City will be required to fully implement this standard in its fiscal year beginning January 1, 2008.

During June 2005, GASB issued Statement 47, *Accounting for Termination Benefits*. This Statement establishes new standards for the measurement, recognition, and display of voluntary termination benefits (such as early-retirement incentives) and involuntary termination benefits (such as severance benefits). When implemented, it may require new information regarding current and long-term liabilities for applicable termination benefits. The City, if necessary, will be required to implement this standard in its fiscal year beginning January 1, 2006.

The City has not yet determined the financial effects of implementing the requirements of these new accounting standards.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON SUPPLEMENTAL INFORMATION**

Mayor and Members of the City Council  
City of Saratoga Springs, New York

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole of the City of Saratoga Springs, New York, as of and for the year ended December 31, 2005, which are presented in the preceding section of this report. The supplemental information listed in the Contents of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
June 21, 2006

**CITY OF SARATOGA SPRINGS, NEW YORK**

**SUPPLEMENTAL INFORMATION**

**December 31, 2005**

**Pension Plans**

The City participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Comptroller of the State of New York serves as the sole trustee and administrative head of the Systems. Funding for the Systems is identified in the notes to the financial statements.

Prior to joining the Systems, the City had its own pension plan. In 2005, there was one spouse of a retired employee still receiving benefit from the pension plan. The expense is charged to general fund as incurred. No liability has been recorded for future payments since the probability of paying the benefit in future years is unlikely.

**Non-Major Governmental Funds**

The City maintains two Special Revenue Funds that are not considered major governmental funds. These non-major special revenue funds include the following:

- Downtown Special Assessment District (SAD) was created to make improvements in the boundaries of the district and is funded through a special assessment on the property owners in the district.
- West Avenue Special Assessment District (WASAD) was created to make improvements in the boundaries of the district and is funded through a special assessment on the property owners in the district.

The following are financial statements for these non-major governmental funds:

**CITY OF SARATOGA SPRINGS, NEW YORK**

**BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS  
December 31, 2005**

	<b>Downtown Special Assessment District</b>	<b>West Avenue Special Assessment District</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 158,270	\$ 44,964	\$ 203,234
Cash, special reserves	<u>1,908</u>	<u>-</u>	<u>1,908</u>
<b>Total assets</b>	<b><u>\$ 160,178</u></b>	<b><u>\$ 44,964</u></b>	<b><u>\$ 205,142</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	\$ -	\$ -	\$ -
Fund balances			
Reserved for district purposes	1,908		1,908
Unreserved, unappropriated	<u>158,270</u>	<u>44,964</u>	<u>203,234</u>
Total fund balances	<u>160,178</u>	<u>44,964</u>	<u>205,142</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 160,178</u></b>	<b><u>\$ 44,964</u></b>	<b><u>\$ 205,142</u></b>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended December 31, 2005**

	<b>Downtown Special Assessment District</b>	<b>West Avenue Special Assessment District</b>	<b>Total</b>
<b>REVENUES</b>			
Real property taxes	\$ 68,998	\$ 54,003	\$ 123,001
Interest earnings	<u>2,477</u>	<u>576</u>	<u>3,053</u>
Total revenues	<u>71,475</u>	<u>54,579</u>	<u>126,054</u>
<b>EXPENDITURES</b>			
Current			
Administration	-	7,913	7,913
Economic and development opportunity	45,330	-	45,330
Debt service			
Principal	9,976	-	9,976
Interest	<u>6,365</u>	<u>-</u>	<u>6,365</u>
Total expenditures	<u>61,671</u>	<u>7,913</u>	<u>69,584</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers in	-	-	-
Interfund transfers out	<u>-</u>	<u>(49,502)</u>	<u>(49,502)</u>
Total other financing sources (uses)	<u>-</u>	<u>(49,502)</u>	<u>(49,502)</u>
<b>Net change in fund balances</b>	<b>9,804</b>	<b>(2,836)</b>	<b>6,968</b>
<b>FUND BALANCE, beginning of year</b>	<u>150,374</u>	<u>47,800</u>	<u>198,174</u>
<b>FUND BALANCE, end of year</b>	<u><b>\$ 160,178</b></u>	<u><b>\$ 44,964</b></u>	<u><b>\$ 205,142</b></u>

See Report of Independent Certified Public Accountants on Supplemental Information.