

**CITY OF SARATOGA SPRINGS, NEW YORK**

**FINANCIAL REPORT**

**December 31, 2008**

# CITY OF SARATOGA SPRINGS, NEW YORK

## FINANCIAL REPORT

December 31, 2008

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements 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 (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic 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, 2008, 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 July 28, 2009, on our consideration of the City'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.

The Management's Discussion on pages 2 through 13 is not a required part of the financial statements but is supplemental 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  
July 28, 2009

**CITY OF SARATOGA SPRINGS, NEW YORK**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2008**

As management of the City of Saratoga Springs, New York (City), we offer the readers of the City's financial statements this narrative overview and analysis as of December 31, 2008. We encourage readers to consider the information presented here in conjunction with our basic financial statements, which can be found on pages 13 through 50 and our supplemental information which can be found on pages 52 through 54 of this report.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities on December 31, 2008, by \$30,737,830 representing net assets. Of this amount, \$12,150,067 represents the City's investment in capital assets net of related debt, and \$22,517,929 is restricted for future capital improvements, debt service, and other purposes. The remaining amount, which represents negative unrestricted net assets, is \$3,930,166.
- At December 31, 2008, the City's governmental funds reported a combined ending fund balance of \$22,861,684. All of the fund balance was reserved for specific purposes. The combined unreserved fund balance was a deficit of \$9,632,632, which resulted from outstanding commitments in the Capital Projects Fund.
- At the end of the current fiscal year, the unreserved and unappropriated fund balance of the General Fund was \$3,836,774.

**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 are comprised of 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 13 and 14 of this report.

CITY OF SARATOGA SPRINGS, NEW YORK  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET ASSETS  
December 31, 2008

**OVERVIEW OF THE FINANCIAL STATEMENTS - Continued**

**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 Community Development 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, 2008, for the SAD was \$247,558, and for the WASAD was \$50,201. 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 and Debt Service Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 15 through 18 and 19 through 20 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 21 through 23 of this report.

**CITY OF SARATOGA SPRINGS, NEW YORK**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2008**

**OVERVIEW OF THE FINANCIAL STATEMENTS - Continued**

**Fund Financial Statements - Continued**

***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 statements can be found on pages 24 through 25 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 26 through 50 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 \$30,737,830 at December 31, 2008.

By far, the largest portion, \$12,150,067, of the City's net assets (40%) 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.

An additional portion of the City's net assets, \$22,517,929, represents resources that are subject to restrictions on how they may be used. The remaining balance of negative unrestricted net assets is \$3,930,166.

**CONDENSED STATEMENTS OF NET ASSETS**

	Governmental Activities		Business-type Activities		Total	Total
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 30,877,087	\$ 26,469,354	\$ 11,833,043	\$ 10,136,763	\$ 42,710,130	\$ 36,606,117
Capital assets	42,962,768	39,618,708	5,129,686	4,292,649	48,092,454	43,911,357
Total assets	<u>73,839,855</u>	<u>66,088,062</u>	<u>16,962,729</u>	<u>14,429,412</u>	<u>90,802,584</u>	<u>80,517,474</u>
Long-term liabilities	42,723,297	35,779,686	6,501,774	4,852,049	49,225,071	40,631,735
Other liabilities	8,008,023	4,620,929	2,831,660	2,070,986	10,839,683	6,691,915
Total liabilities	<u>50,731,320</u>	<u>40,400,615</u>	<u>9,333,434</u>	<u>6,923,035</u>	<u>60,064,754</u>	<u>47,323,650</u>
Net assets:						
Invested in capital assets, Net of related debt	13,005,824	11,668,508	(855,757)	(267,487)	12,150,067	11,401,021
Restricted	13,668,732	13,605,182	8,849,197	7,889,998	22,517,929	21,495,180
Unrestricted	<u>(3,566,021)</u>	<u>413,757</u>	<u>(364,145)</u>	<u>(116,134)</u>	<u>(3,930,166)</u>	<u>297,623</u>
Total net assets	<u>\$ 23,108,535</u>	<u>\$ 25,687,447</u>	<u>\$ 7,629,295</u>	<u>\$ 7,506,377</u>	<u>\$ 30,737,830</u>	<u>\$ 33,193,824</u>

**CITY OF SARATOGA SPRINGS, NEW YORK**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2008**

**OVERVIEW OF THE FINANCIAL STATEMENTS - Continued**

**Government-Wide Financial Analysis - Continued**

The City experienced a decrease in net assets during 2008 totaling \$531,523 from operations, as shown in the following statement:

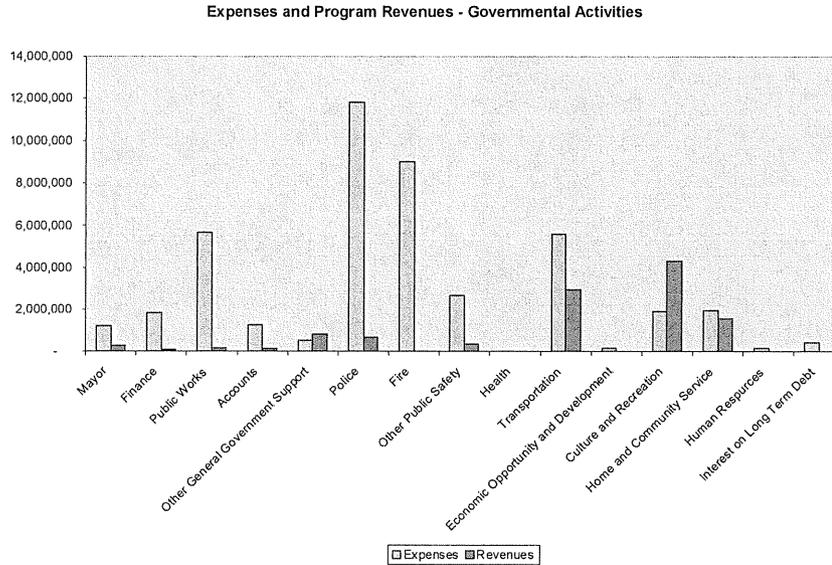
	Governmental Activities		Business-type Activities		Total	Total
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 3,661,188	\$ 4,298,903	\$ 6,147,102	\$ 6,383,874	\$ 9,808,290	\$ 10,682,777
Operating grants and contributions	4,640,797	1,715,399	728,988	-	5,369,785	1,715,399
Capital grants and contributions	3,058,565	434,809	-	-	3,058,565	434,809
General revenues						-
Property taxes	17,144,867	15,313,526	-	133,012	17,144,867	15,446,538
Other taxes	10,934,188	15,551,551	791,181	783,201	11,725,369	16,334,752
Restricted to specific programs	3,249,414	3,440,244	-	-	3,249,414	3,440,244
Other	389,276	498,853	370,172	261,989	759,448	760,842
Total revenues	<u>43,078,295</u>	<u>41,253,285</u>	<u>8,037,443</u>	<u>7,562,076</u>	<u>51,115,738</u>	<u>48,815,361</u>
<b>Expenses</b>						
General government support:						
Mayor	1,210,044	1,119,227	-	-	1,210,044	1,119,227
Finance	1,835,949	977,307	-	-	1,835,949	977,307
Public works	5,672,035	6,391,107	-	-	5,672,035	6,391,107
Accounts	1,273,200	1,667,315	-	-	1,273,200	1,667,315
Other general government support	537,622	1,488,462	-	-	537,622	1,488,462
Public safety					-	-
Police	11,804,097	8,548,324	-	-	11,804,097	8,548,324
Fire	9,010,523	7,565,786	-	-	9,010,523	7,565,786
Other public safety	2,655,832	3,300,796	-	-	2,655,832	3,300,796
Health	19,943	16,016	-	-	19,943	16,016
Transportation	5,580,823	4,828,680	-	-	5,580,823	4,828,680
Economic opportunity and development	168,867	501,255	-	-	168,867	501,255
Culture and recreation	1,942,554	2,753,796	-	-	1,942,554	2,753,796
Home and community service	1,976,824	(1,071,295)	-	-	1,976,824	(1,071,295)
Human resources	172,356	-	-	-	172,356	-
Interest on long-term debt	456,399	881,991	-	-	456,399	881,991
Water	-	-	2,960,177	2,965,791	2,960,177	2,965,791
Sewer	-	-	3,222,935	3,300,419	3,222,935	3,300,419
City Center authority	-	-	1,147,081	1,108,334	1,147,081	1,108,334
Total expenses	<u>44,317,068</u>	<u>38,968,767</u>	<u>7,330,193</u>	<u>7,374,544</u>	<u>51,647,261</u>	<u>46,343,311</u>
Transfers	<u>(122,484)</u>	-	122,484	-	-	-
Change in net assets	(1,361,257)	2,284,518	829,734	187,532	(531,523)	2,472,050
PRIOR PERIOD ADJUSTMENTS	(1,217,655)	6,323,889	(706,816)	(2,114,278)	(1,924,470)	4,209,611
NET ASSETS, beginning of year	<u>25,687,447</u>	<u>17,079,040</u>	<u>7,506,377</u>	<u>9,433,123</u>	<u>33,193,824</u>	<u>26,512,163</u>
NET ASSETS, end of year	<u>\$ 23,108,535</u>	<u>\$ 25,687,447</u>	<u>\$ 7,629,295</u>	<u>\$ 7,506,377</u>	<u>\$ 30,737,831</u>	<u>\$ 33,193,824</u>

**CITY OF SARATOGA SPRINGS, NEW YORK**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2008**

**OVERVIEW OF THE FINANCIAL STATEMENTS - Continued**

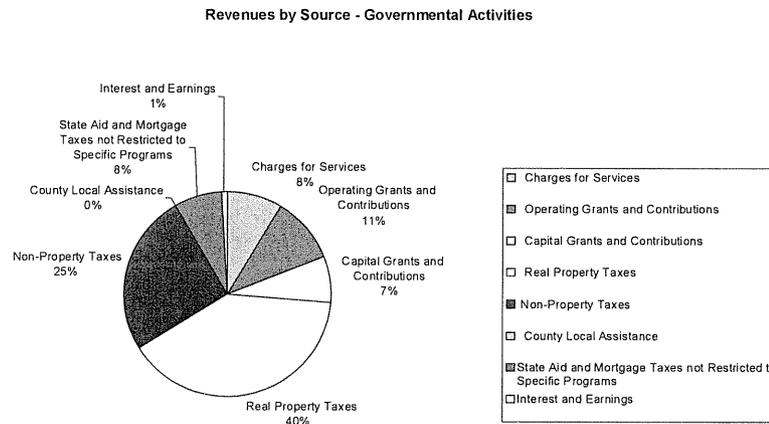
**Government-Wide Financial Analysis - Continued**

**Governmental activities.** Governmental activities decreased the City's net assets by \$1,361,257. The following chart shows the expenses and program revenues of the various 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 9%. Sales tax increased in 2008, reaching an all time high. State aid continued to increase as a result of the change in the distribution method.

The following chart shows revenues by source for all governmental activities, with general revenues totaling 65% and program revenues totaling 26%:



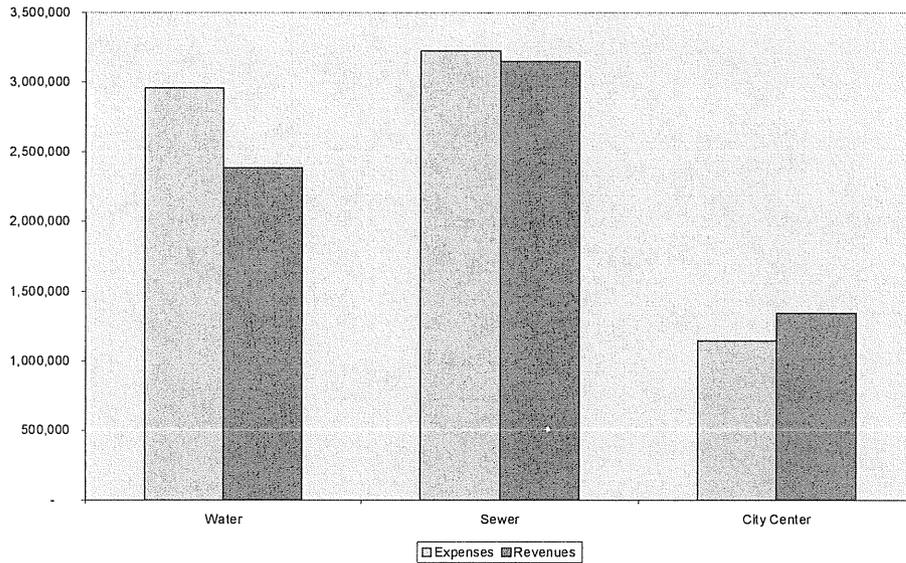
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**OVERVIEW OF THE FINANCIAL STATEMENTS - Continued**

**Government-Wide Financial Analysis - Continued**

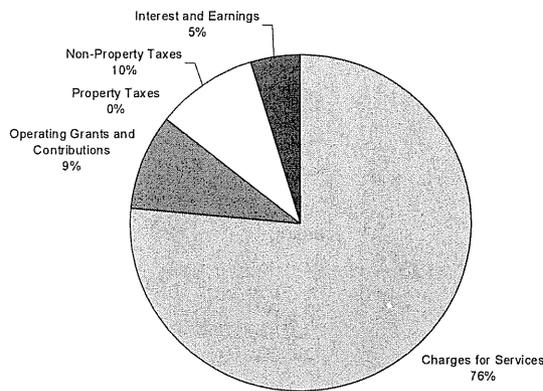
Business-type activities. Business-type activities increased the City's net assets by \$829,734. Key elements are as follows. The City Center Authority Occupancy tax continued to grow and expenses decreased.

Expenses and Program Revenues - Business-type Activities



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 sewer activities. Water activities reported negative net assets.

Revenues by Source - Business-type Activities



**CITY OF SARATOGA SPRINGS, NEW YORK**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2008**

**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's governmental funds reported a combined ending fund balances of \$22,631,704, an increase of \$2,448,303 from the prior year. The entire fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period \$16,553,489, 2) pay debt service \$734,786, 3) pay for the capital improvements of \$14,030,130, and 4) various other restrictions set by the City Council.

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 \$3,836,774, while total fund balance reached \$7,719,630. 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 11% of total General Fund expenditures, while total fund balance represents 9% of that same amount.

The overall fund balance of the City's General Fund increased by \$832,504 during the current fiscal year. Key factors in this operating deficit are as follows:

**General Fund Revenues**

1. Property Taxes increased by 10% from 2007 as a result of an increase in the tax rates. The 2008 adopted budget called for \$14,808,000 to be collected in property taxes. \$466,000 was deferred to future years since it was not collected as of December 31. This is mainly due to the lack of payment on the NYRA property for City, County and School taxes. Despite the large deferral, the City continues to have a strong collection rate on all taxes of 91.6%.
2. Other State Aid was strong in 2008 because the City received \$474,000 as a reimbursement for the Energy to Ice project completed by the City many years ago.
3. CHIPS funding was \$175,000 more than in 2007 and \$39,000 greater than budgeted. The City received \$361,000 in 2007 but was unable to expend it all. NYSDOT permitted the City to use the remaining funds in 2008. Actual 2008 revenue was \$536,000.
4. Sales tax increased from 2007 by 1.5% but failed to meet the budget. 2008 sales tax collections were \$8,757,000, a \$128,000 increase from 2007 actual collections, but \$610,000 less than 2008 adopted budget.
5. Payments in Lieu of Taxes (PILOT) were \$186,000 greater than budgeted. During 2008 the City Received \$282,000.
6. DPS worker's compensation reimbursement was \$167,000, or \$67,000 more than budgeted.

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued**

**General Fund Revenues - Continued**

7. State aid revenue sharing reached an all time high of \$1,792,000, up from \$1,739,000 in 2007. This \$52,000 increase was the result of an increase in the distribution method used by the State. This was the fourth increase in State Aid for the City since 2000.
8. Rental of City facilities was \$337,000, \$77,000 more than budgeted and \$50,000 more than in 2007.
9. Restitution charges were \$45,000. This was not budgeted and was not received in previous years.
10. Exempt to Non Exempt revenue increased \$41,000 from 2007 and was \$68,000 greater than budgeted. Total revenue collected was \$88,000.
11. Transfer station bag sales increased \$19,000 from 2007 and were \$32,000 greater than budgeted. The actual revenue was \$182,000.
12. Weibel ice rink rental revenue was \$331,000 in 2008, which exceeded the budget by \$31,000 and 2007 actual receipts by \$17,000.
13. Building permits were \$207,000, an increase of \$11,000 from 2007 but \$33,000 less than budgeted.
14. The County distributed \$783,000 to the City in 2007, which was not budgeted for and had not occurred since 2005. This did not occur again in 2008.
15. For the second year the City received VLT Aid from the State. The 2008 revenue of \$3,322,000 was \$509,000 less than 2007, which was \$3,831,000. The City's adopted budget in the General Fund was \$3,280,000. However, the debt service fund budget was adopted with \$500,000 from VLT. The debt service budget was later revised to delete the revenue source.
16. Mortgage Tax receipts decreased from 2007 and did not meet the adopted budget. Receipts were \$1,270,000 in 2008 and \$1,736,000 in 2007, \$466,000 less than 2007 actual and \$230,000 less than the 2008 adopted budget. Mortgage tax receipts decreased due to a declining housing market and fewer refinancings. Receipts also fell in 2006 and 2007.
17. Franchise Tax was less in 2007 due to the timing of when the payment was received. To be applied to 2008, the City needed to receive the payment from Time Warner by February 28, 2009. The City budgeted \$370,000.
18. Parking ticket revenue decreased from 2007 by \$109,000 and did not meet the \$500,000 budget. Actual revenues were \$419,000. In 2007, the City changed the method of accounting for late fees for parking tickets. In the past, late fees were not recognized as revenue until paid. With the change, late fees are recognized at the time they are assessed, 10 days after date of ticket issuance.
19. Planning Board fees were \$79,000 in 2008. This was a \$70,000 decrease from 2007 and \$91,000 less than budgeted.
20. OTB Surcharge was budgeted for \$60,000 in 2008 and the City received nothing. In 2007, the City received about \$99,000.
21. Gross receipts utility tax was \$63,000 less than budgeted and \$40,000 less than in 2007.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued**

**General Fund Revenues - Continued**

22. Sale of real property was budgeted for \$35,000 but no sales occurred in 2008. In 2007, there were sales of \$700.
23. NYRA admissions tax decreased \$23,000 from last year and was \$36,000 less than budgeted. The \$386,000 received by City was less than in previous years due to lower attendance at the track.
24. Interest and penalties on property taxes were \$203,000. This is \$68,000 higher than budgeted but \$17,000 less than in 2007.
25. Recreational fees received were \$38,000 less than budgeted and \$12,000 less than in 2007. The budget variance is the result of a drop in enrollment in many of the programs after the fees were increased. The 2008 budget was \$120,000 and actual receipts were \$82,000.

**General Fund Expenses**

1. Health insurance (hospitalization) costs increased \$546,000 in 2008 for all departments, as a result of increased rates. Actual amounts were \$289,000 less than the revised budget.
2. Payments to the Police and Fire Retirement System increased \$164,000 as a result of an increase in rates.
3. Utility costs increased \$136,000 in 2008.
4. Gas and Oil expenditures increased \$114,000 in 2008.
5. Firefighter salaries increased \$100,000 from 2007 but were \$40,000 less than the revised budget. Salaries were increased 3.5% in 2008 per the union contract.
6. The City incurred an \$85,000 settlement fine to DEC in 2008.
7. The City made the first payments on the lease purchase, which finance the energy performance contract. Interest expense was \$51,000 and principal was \$18,000.
8. Police Department compensatory time increased \$50,000 in 2008. Actual expense was \$591,000, \$34,000 less than budgeted.
9. Contingency was originally budgeted at \$430,000 in 2008. 69,000 was used for various needs and \$361,000 of the amount budgeted was never used.
10. The City transferred \$647,000 from reserves and appropriations held in the general fund to other funds for capital projects, City Center subsidy and debt service payments.
11. Payments to the New York State Retirement for employees other than Police and Fire decreased \$79,000 as a result of a reduction in the rates. The \$884,000 expense was \$16,000 less than budgeted.
12. Overtime in the Fire Department decreased \$14,000. The budget was \$163,000 and the actual expense was \$129,000. Fire Department compensatory time decreased \$13,000 in 2008. The actual expense of \$239,000 was \$71,000 less than budgeted.
13. Professional service fees for legal representation were \$11,000 less than in 2007. The budget was \$260,000 and \$82,000 was expended.
14. Actual 2008 expenses increased 8% from 2007.

**CITY OF SARATOGA SPRINGS, NEW YORK**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2008**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued**

The difference between the revised General Fund budget and actual amounts for revenues and transfers in was \$1,306,964. The addition of video lottery terminal aid and increased State aid allowed the City's actual receipts to be higher than anticipated. The difference between the revised General Fund budget and actual amounts for expenditures and transfers out was \$3,020,774. Expenditures for contingent activities were \$361,365 less than the revised budget estimates. A portion of various unexpended funds, \$1,545,325, was encumbered to 2009 for commitments made by the City.

**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, 2008, amounts to \$12,150,067 (net of accumulated depreciation and less outstanding debt). This investment in capital assets includes land, buildings, improvements other than buildings, 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 Church Street and the City Center Expansion projects.
- Completion of the City Hall Stairs, Excelsior Avenue Culvert, Open Space Land Purchase, Casino repairs and a traffic signal at the intersection of Ballston Avenue and Fenlon Street.
- Continued construction of South Broadway, West Side Infrastructure, Water Disinfection and South East Storm Sewer projects.

**CAPITAL ASSETS**  
**(net of depreciation)**

<u>Asset Category</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 3,921,258	\$ 3,774,370	\$ 325,841	\$ 325,841	\$ 4,247,099	\$ 4,100,211
Work in progress	9,672,085	5,968,643	2,347,770	1,534,469	12,019,855	7,503,112
Buildings	8,816,723	9,206,896	555,922	565,111	9,372,645	9,772,007
Improvements other than buildings	1,994,732	911,929	293,243	-	2,287,975	911,929
Machinery and equipment	4,737,912	5,946,477	501,495	590,004	5,239,407	6,536,481
Infrastructure	13,820,058	13,810,393	1,105,415	1,277,224	14,925,473	15,087,617
<b>Capital assets net of accumulated depreciation</b>	<b>\$ 42,962,768</b>	<b>\$ 39,618,708</b>	<b>\$ 5,129,686</b>	<b>\$ 4,292,649</b>	<b>\$ 48,092,454</b>	<b>\$ 43,911,357</b>

Additional information on the City's capital assets can be found in Note A10 on page 33 and Note C3 on pages 37 and 38 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$35,942,387. Of this amount, \$35,647,264 comprises debt backed by the full faith and credit of the City, and \$295,123 is a 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 \$4,035,050 (14%) during the current fiscal year by new debt issued August 15, 2008 for \$4,997,387.

**CITY OF SARATOGA SPRINGS, NEW YORK**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2008**

**CAPITAL ASSET AND DEBT ADMINISTRATION - Continued**

The City maintains an “A2” 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 \$200,831,919, which is significantly in excess of the City’s outstanding general obligation debt. In addition, the City has a self-imposed limit of 2% of the five-year average total assessed value. The City’s debt limitation is \$57,380,548, which is significantly in excess of the City’s outstanding general obligation debt.

The City participates in the New York State and Local Retirement Systems for police and firefighters (PFRS) and all other employees (ERS). 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 \$1,011,118. 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 \$639,915 at December 31, 2008, 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 ten-year period. The principal amount amortized was \$397,330 for the ERS plan and \$654,365 for the PFRS plan. The first principal and interest payments were made February 1, 2006, with interest at 5% per annum. The unpaid principal amounts of \$298,039 for ERS plan and \$493,351 for PFRS plan are shown in the financial statements as governmental liabilities.

In accordance with the labor agreements between the City and its police officers signed October 27, 2006, the City was required to provide certain benefits to police personnel for past services under Section 384E and 384EB of the PFRS plan. The total past service credit cost was \$2,700,004 for 384E, \$351,235 for 384EB, and \$360,791 to reopen 384D. The City plans to pay for this program over a ten-year period with interest starting the second year at 8% per annum. The first installment was due February 1, 2008, for the City’s 2007 fiscal year. The unpaid principal balance of \$2,327,430 for 384E, \$302,768 for 384EB and \$310,991 for 384D.

Additional information on the City’s long-term debt can be found in Note A12 on pages 32 and 33 and Note C5 on pages 39 through 41 of this report.

**ECONOMIC FACTORS**

The City is growing and thriving. The City is home to the Saratoga Race Course, one of the oldest and most prestigious thoroughbred horse racing tracks in the United States. Each summer, the racetrack operates a six-week schedule of races that attracts world-class horses to participate in the various graded events. Operation of the racetrack is a key factor in the area’s successful tourism industry, which allows the City to generate additional revenues from sales tax, hotel occupancy tax, and other similar non-property taxes and fees. The City’s residential and commercial tax base grew at a rate of 3% in 2008. 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 FINANCIAL STATEMENTS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2008**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 7,593,600	\$ 757,675	\$ 8,351,275
Cash and cash equivalents, restricted	14,072,819	3,530,171	17,602,990
Investments, restricted	17,260	4,712,385	4,729,645
Receivables, net of allowance for uncollectibles	7,253,551	2,782,668	10,036,219
Inventories	-	43,722	43,722
Prepaid expenses	1,623	6,422	8,045
Internal balance due from business-type activities	1,858,430	-	1,858,430
Due from fiduciary funds	621	-	621
Accrued interest	79,183	-	79,183
Total current assets	<u>30,877,087</u>	<u>11,833,043</u>	<u>42,710,130</u>
<b>NONCURRENT ASSETS</b>			
Net capital assets	<u>42,962,768</u>	<u>5,129,686</u>	<u>48,092,454</u>
Total assets	<u>73,839,855</u>	<u>16,962,729</u>	<u>90,802,584</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	6,350,336	687,437	7,037,773
Current maturities of long-term liabilities	2,905,220	372,177	3,277,397
Internal balance due to governmental activities	-	1,858,430	1,858,430
Accrued interest payable	<u>1,657,687</u>	<u>285,793</u>	<u>1,943,480</u>
Total current liabilities	<u>10,913,243</u>	<u>3,203,837</u>	<u>14,117,080</u>
<b>NONCURRENT LIABILITIES</b>			
Long-term liabilities, less current maturities	34,110,924	5,613,266	39,724,190
Other post-employment liability	<u>5,707,153</u>	<u>516,331</u>	<u>6,223,484</u>
Total liabilities	<u>50,731,320</u>	<u>9,333,434</u>	<u>60,064,754</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	13,005,824	(855,757)	12,150,067
Restricted for			
Capital improvements	1,331,083	6,893,352	8,224,435
Debt service	734,786	-	734,786
Water line extension projects	-	488,801	488,801
Special districts	1,947	-	1,947
Capital projects	11,523,003	1,467,044	12,990,047
Other purposes	77,913	-	77,913
Unrestricted	<u>(3,566,021)</u>	<u>(364,145)</u>	<u>(3,930,166)</u>
Total net assets	<u>\$ 23,108,535</u>	<u>\$ 7,629,295</u>	<u>\$ 30,737,830</u>

CITY OF SARATOGA SPRINGS, NEW YORK

GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2008

Functions/Programs	Program Revenue			Net (Expenses) Revenues And Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General government support	\$ 1,210,044	\$ 279,525	\$ 19,000	\$ -	\$ (911,519)	\$ -	\$ (911,519)
Mayor	1,835,949	94,136	-	-	(1,741,813)	-	(1,741,813)
Finance	5,672,035	116,378	33,460	-	(5,522,197)	-	(5,522,197)
Public works	1,273,200	59,027	67,898	-	(1,146,275)	-	(1,146,275)
Accounts	537,622	813,532	-	-	275,910	-	275,910
Other general government support							
Public safety							
Police	11,804,097	671,598	-	-	(11,132,499)	-	(11,132,499)
Fire	9,010,523	10,900	-	-	(8,999,623)	-	(8,999,623)
Other public safety	2,655,832	272,648	107,291	-	(2,275,893)	-	(2,275,893)
Health	19,943	-	-	-	(19,943)	-	(19,943)
Transportation	5,580,823	79,140	304,284	2,559,418	(2,637,981)	-	(2,637,981)
Economic opportunity and development	168,867	-	-	-	(168,867)	-	(168,867)
Culture and recreation	1,942,554	851,186	3,427,069	25,000	2,360,701	-	2,360,701
Home and community service	1,976,824	413,118	681,795	474,147	(407,764)	-	(407,764)
Human resources	172,356	-	-	-	(172,356)	-	(172,356)
Interest on long-term debt	456,399	-	-	-	(456,399)	-	(456,399)
Total governmental activities	44,317,068	3,661,188	4,640,797	3,058,565	(32,956,518)	-	(32,956,518)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	2,960,177	2,385,146	-	-	-	(575,031)	(575,031)
Sewer	3,222,935	3,149,763	-	-	(73,172)	-	(73,172)
City Center Authority	1,147,081	612,193	728,988	-	194,100	-	194,100
Total business-type activities	7,330,193	6,147,102	728,988	-	(454,103)	-	(454,103)
<b>Total government</b>	<b>\$ 51,647,261</b>	<b>\$ 9,808,290</b>	<b>\$ 5,369,785</b>	<b>\$ 3,058,565</b>	<b>\$ (32,956,518)</b>	<b>\$ (454,103)</b>	<b>\$ (33,410,621)</b>
<b>GENERAL REVENUES</b>							
Real property tax and related tax items		\$ 17,144,867			\$ -	\$ 17,144,867	
Non-property taxes		10,934,188			791,181	11,725,369	
Other general revenue items		1,640			-	1,640	
Interest earnings		387,636			370,172	757,808	
State aid and mortgage taxes not restricted to specific purposes		3,249,414			-	3,249,414	
Total general revenues		31,717,745			1,161,355	32,879,098	
<b>TRANSFERS</b>							
Transfer from governmental to business-type activities		122,484			(122,484)	-	
Total general revenues and transfers		122,484			(122,484)	-	
<b>CHANGE IN NET ASSETS</b>							
<b>NET ASSETS, beginning of year</b>		25,687,447			829,734	33,193,824	
<b>Prior Period Adjustments</b>							
Reclassification of various accounts		(1,189,457)			(211,236)	(1,400,693)	
Capital assets acquired in prior years		(28,198)			(495,580)	(523,778)	
<b>NET ASSETS, beginning of year as restated</b>		24,469,792			6,799,561	31,269,353	
<b>NET ASSETS, end of year</b>		23,108,535			7,629,295	30,737,830	

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

CITY OF SARATOGA SPRINGS, NEW YORK

FUND FINANCIAL STATEMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,522,579	\$ 1,388,152	\$ 172,660	\$ 196,979	\$ 313,230	\$ 7,593,600
Investments	17,260	-	-	-	1,946	19,206
Taxes receivable, net of uncollectibles	2,222,231	-	-	-	-	2,222,231
Receivables from other governments	1,990,475	196,486	-	21,627	-	2,208,588
Other receivables, net of uncollectibles	1,765,877	5,922	1,469	313,289	454	2,087,011
Due from other funds	1,935,018	-	-	-	-	1,935,018
Prepaid expenses	1,623	-	-	-	-	1,623
Restricted assets						
Cash and cash equivalents, special reserves	1,408,996	12,699,047	734,786	-	-	14,842,829
<b>Total assets</b>	<b>\$ 14,864,059</b>	<b>\$ 14,289,607</b>	<b>\$ 908,915</b>	<b>\$ 531,895</b>	<b>\$ 315,630</b>	<b>\$ 30,910,106</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable and accrued liabilities	\$ 1,122,944	\$ 689,479	\$ 6,612	\$ 21,627	\$ 15,925	\$ 1,856,587
Due to other funds	-	75,967	-	-	-	75,967
Due to other governments	3,436,471	-	-	15,142	-	3,451,613
Deferred revenue	2,585,014	-	-	309,221	-	2,894,235
Total liabilities	7,144,429	765,446	6,612	345,990	15,925	8,278,402
Fund balances						
Reserved for						
Encumbrances	1,545,325	15,008,164	-	-	-	16,553,489
Capital improvements	1,331,083	12,699,047	-	-	-	14,030,130
Debt service	-	-	734,786	-	-	734,786
Other purposes	77,913	-	-	-	1,946	79,859
Unreserved						
Appropriated for ensuing budget	928,535	-	167,517	-	-	1,096,052
Unappropriated	3,836,774	(14,183,050)	-	185,905	297,759	(9,862,612)
Total fund balances	7,719,630	13,524,161	902,303	185,905	299,705	22,631,704
<b>Total liabilities and fund balances</b>	<b>\$ 14,864,059</b>	<b>\$ 14,289,607</b>	<b>\$ 908,915</b>	<b>\$ 531,895</b>	<b>\$ 315,630</b>	<b>\$ 30,910,106</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 SHOWN IN  
THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
December 31, 2008**

Total fund balances in the fund financial statements for the governmental funds	\$ 22,631,704
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.	42,962,768
Long-term liabilities for bonds payable, past service retirement system costs, and amortized portions of past retirement contributions are included as liabilities in the government-wide statements and are deducted.	(29,956,944)
Long-term liabilities for past service costs for retirement plans and 2004 amortization for retirement plans are included as liabilities in the government-wide statements and are deducted.	(3,532,580)
Business-type activity bonds are deducted from the restricted cash assets in the government-wide statements.	(974,000)
Business-type activity capital project reserves are added to the government-wide statements.	202,044
Long-term liabilities for the lease obligations by City are included as liabilities in the government-wide statements and are deducted.	(1,537,476)
Long-term liabilities for other post employment benefit obligations by City are included as liabilities in the government-wide statements and are deducted.	(5,707,153)
Accrued interest on property, school taxes and community development loans on receivables for revenues earned, measurable, but not available and are added.	76,796
Net receivables for revenues earned and measurable but not available to provide financial resources, are included in the government-wide statements as assets and are added.	738,108
Deferred revenue and deferred tax revenue are added to the government-wide statements as revenue.	2,894,235
Other current liabilities for compensated absences are included in the government-wide statements as liabilities and are deducted.	(3,354,029)
Current liabilities for interest payable on long-term debt and compensated absences are included in the government-wide statements as liabilities and are deducted.	<u>(1,334,938)</u>
<b>Total net assets, end of year</b>	<u><u>\$ 23,108,535</u></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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 Year Ended December 31, 2008

	<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	\$ 14,341,828	\$ -	\$ 1,187,245	\$ -	\$ 129,008	\$ 15,658,081
Real property tax items	1,092,756	-	-	-	-	1,092,756
Non-property taxes	10,525,763	-	-	-	-	10,525,763
Departmental income	1,517,253	-	-	48,143	-	1,565,396
Intergovernmental charges	270,964	25,000	300,000	-	-	595,964
Use of money and property	512,826	178,200	59,961	14,318	5,468	770,773
Licenses and permits	276,351	-	-	-	-	276,351
Fines and forfeitures	664,284	-	-	-	-	664,284
Sale of property and compensation for loss	443,254	-	-	-	-	443,254
Miscellaneous	3,450,198	63,900	221	-	-	3,514,319
State aid	4,248,433	304,284	-	-	-	4,552,717
Federal aid	81,529	1,723,671	-	667,795	-	2,472,995
Total revenues	37,425,439	2,295,055	1,547,427	730,256	134,476	42,132,653

**EXPENDITURES**

Current						
General government support						
Mayor	926,371	-	-	-	-	926,371
Finance	1,588,425	-	-	-	-	1,588,425
Public works	3,659,346	-	-	-	-	3,659,346
Accounts	1,100,494	-	-	-	-	1,100,494
Unallocated insurance	546,338	-	-	-	-	546,338
Other general government support	-	-	38,773	-	358	39,131
Public safety						
Police	9,432,271	-	-	-	-	9,432,271
Fire	7,291,724	-	-	-	-	7,291,724
Other public safety	1,955,272	-	-	-	-	1,955,272
Health	19,943	-	-	-	-	19,943
Transportation	4,688,249	-	-	-	-	4,688,249
Economic opportunity and development	138,615	-	-	-	28,811	167,426
Culture and recreation	2,514,433	-	-	-	-	2,514,433
Home and community service	1,086,703	-	-	592,336	-	1,679,039
Human resources	162,514	-	-	-	-	162,514

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Debt service						
Principal	17,996	-	1,416,183	-	11,971	1,446,150
Interest	73,462	-	1,215,062	-	4,704	1,293,228
Capital outlay						
Mayor	36,442	-	-	-	-	36,442
Finance	66,411	-	-	-	-	66,411
Public works	31,223	399,315	-	-	-	430,538
Accounts	38,194	-	-	-	-	38,194
Other general government support	-	101,189	-	-	-	101,189
Police	305,549	204,640	-	-	-	510,189
Fire	74,989	-	-	-	-	74,989
Other public safety	56,251	147,112	-	-	-	203,363
Transportation	117,228	2,114,944	-	-	-	2,232,172
Economic opportunity and development	-	1,441	-	-	-	1,441
Culture and recreation	75,618	772,780	-	-	-	848,398
Home and community service	10,539	1,487,251	-	-	-	1,497,790
Total expenditures	7,783	-	-	-	-	7,783
	<u>36,022,383</u>	<u>5,228,672</u>	<u>2,670,018</u>	<u>592,336</u>	<u>45,844</u>	<u>44,559,253</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	76,121	457,863	744,640	-	-	1,278,624
Interfund transfers out	(646,673)	(625,487)	(3,324)	(76,121)	(49,503)	(1,401,108)
Proceeds of long-term debt	-	4,997,387	-	-	-	4,997,387
Total other financing sources and uses	<u>(570,552)</u>	<u>4,829,763</u>	<u>741,316</u>	<u>(76,121)</u>	<u>(49,503)</u>	<u>4,874,903</u>
<b>Net change in fund balances</b>	<b>832,504</b>	<b>1,896,146</b>	<b>(381,275)</b>	<b>61,799</b>	<b>39,129</b>	<b>2,448,303</b>
<b>FUND BALANCE, beginning of year, as restated</b>	<u>6,887,126</u>	<u>11,628,015</u>	<u>1,283,578</u>	<u>124,106</u>	<u>260,576</u>	<u>20,183,401</u>
<b>FUND BALANCE, end of year</b>	<b>\$ 7,719,630</b>	<b>\$ 13,524,161</b>	<b>\$ 902,303</b>	<b>\$ 185,905</b>	<b>\$ 299,705</b>	<b>\$ 22,631,704</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, 2008**

Net change in fund balances shown for total governmental funds. \$ 2,448,303

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 capital assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between expenditures for acquisition of capital assets and depreciation expense for the period.

Capital expenditures	6,021,065	
Depreciation expense	<u>2,677,005</u>	3,344,060

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 in the governmental funds until the current period.

Current year revenues	846,563	
Prior year revenues	<u>335,290</u>	511,273

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	2,894,235	
Prior year deferred revenues	<u>2,459,867</u>	434,368

Payments on retirement system debt 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 principal payment for the current year.

419,957

Other post Employment Obligations are not reported in the governmental funds. This liability is shown in the Statement of Net Assets as a non current liability and in the Statement of Activities as an expense.

(5,707,153)

Bond and lease 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.

1,446,150

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 for governmental activities and proceeds received during the current year.

(4,997,387)

Expenditures for interest on long-term debt are recorded in the governmental funds when the payments are due. In the statement of activities, interest costs are allocated over the applicable time period the interest becomes due. This is the amount by which the current period expenditures differ from the costs allocated over the applicable periods.

Current year expenditures	2,171,766	
Allocated expenses	<u>1,334,937</u>	836,829

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.

Prior year liabilities	3,256,372	
Expenses incurred during current year	<u>3,354,029</u>	(97,657)

Interfund transactions between governmental funds 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	1,278,624	
Transfers out	<u>1,278,624</u>	-

**Change in net assets of governmental activities shown in the statement of activities \$ (1,361,257)**

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Revised - Positive (Negative)
	Adopted	Revised		
<b>REVENUES</b>				
Real property taxes	\$ 14,807,687	\$ 15,315,750	\$ 14,341,828	\$ (973,922)
Real property tax items	763,508	773,693	1,092,756	319,063
Non-property taxes	14,910,266	11,630,266	10,525,763	(1,104,503)
Departmental income	1,382,767	1,537,364	1,517,253	(20,111)
Intergovernmental charges	241,650	241,650	270,964	29,314
Use of money and property	420,000	420,000	512,826	92,826
Licenses and permits	286,450	286,950	276,351	(10,599)
Fines and forfeitures	770,000	770,608	664,284	(106,324)
Sale of property and compensation for loss	291,831	340,848	443,254	102,406
Miscellaneous	54,577	3,407,260	3,450,198	42,938
State aid	3,782,663	3,947,338	4,248,433	301,095
Federal aid	19,500	68,061	81,529	13,468
Total revenues	<u>37,730,899</u>	<u>38,739,788</u>	<u>37,425,439</u>	<u>(1,314,349)</u>
<b>EXPENDITURES</b>				
General government support	6,170,705	6,857,936	7,926,833	(1,068,897)
Public safety	13,464,214	13,810,644	19,116,056	(5,305,412)
Health	139,015	244,837	19,943	224,894
Transportation	4,350,822	4,894,729	4,805,477	89,252
Economic opportunity and development	130,150	128,950	138,615	(9,665)
Culture and recreation	2,658,500	2,567,256	2,590,051	(22,795)
Home and community service	1,155,049	1,273,804	1,097,242	176,562
Employee benefits	9,681,944	9,011,279	-	9,011,279
Debt service	35,000	93,558	91,458	2,100
Total expenditures	<u>37,785,399</u>	<u>38,882,993</u>	<u>35,785,675</u>	<u>3,097,318</u>
<b>OTHER FUNDING SOURCES (USES)</b>				
Interfund transfers in	54,500	68,736	76,121	7,385
Interfund transfers out	-	(570,129)	(646,673)	(76,544)
Total other financing sources (uses)	<u>54,500</u>	<u>(501,393)</u>	<u>(570,552)</u>	<u>(69,159)</u>
Appropriated fund balance (budget) and net change in fund balances (actual)	-	(644,598)	1,069,212	(4,480,826)
<b>FUND BALANCE, beginning of year</b>	<u>6,887,126</u>	<u>6,887,126</u>	<u>6,887,126</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 6,887,126</u>	<u>\$ 6,242,528</u>	<u>\$ 7,956,338</u>	<u>\$ (4,480,826)</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 REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - DEBT SERVICE FUND  
Year Ended December 31, 2008**

	<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	\$ 1,462,386	\$ 1,465,710	\$ 1,187,245	\$ (278,465)
Non-property taxes	500,000	-	-	-
Intergovernmental charges	300,000	300,000	300,000	-
Use of money and property	100,000	100,000	59,961	(40,039)
Miscellaneous	-	-	221	221
State aid	-	-	221	221
Total revenues	<u>2,362,386</u>	<u>1,865,710</u>	<u>1,547,648</u>	<u>(318,062)</u>
<b>EXPENDITURES</b>				
General government support	62,000	64,168	38,773	25,395
Debt service	<u>2,778,115</u>	<u>3,267,442</u>	<u>2,631,245</u>	<u>636,197</u>
Total expenditures	<u>2,840,115</u>	<u>3,331,610</u>	<u>2,670,018</u>	<u>661,592</u>
<b>OTHER FUNDING SOURCES (USES)</b>				
Interfund transfers in	477,729	980,741	744,640	(236,101)
Interfund transfers out	-	(3,324)	(3,324)	-
Total other financing sources (uses)	<u>477,729</u>	<u>977,417</u>	<u>741,316</u>	<u>(236,101)</u>
<b>Appropriated fund balance (budget) and net change in fund balances (actual)</b>	-	<b>(488,483)</b>	<b>(381,054)</b>	<b>(1,215,755)</b>
<b>FUND BALANCE, beginning of year</b>	-	-	-	-
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ (488,483)</u>	<u>\$ (381,054)</u>	<u>\$ (1,215,755)</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, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>City Center Authority</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 110,747	\$ 202,494	\$ 444,434	\$ 757,675
Receivables, net of allowance for uncollectibles	976,238	1,385,215	421,215	2,782,668
Inventories	28,470	15,252	-	43,722
Prepaid expenses	-	-	6,422	6,422
Restricted assets				
Cash and cash equivalents	261,317	1,299,440	1,969,414	3,530,171
Investments	-	-	4,712,385	4,712,385
Capital assets, not being depreciated				
Land	325,841	-	-	325,841
Work in progress	1,245,237	323,950	778,583	2,347,770
Capital assets, net of accumulated depreciation				
Buildings	555,922	-	-	555,922
Improvements other than buildings	293,243	-	-	293,243
Machinery and equipment	452,246	20,977	28,272	501,495
Infrastructure	<u>1,105,415</u>	<u>-</u>	<u>-</u>	<u>1,105,415</u>
<b>Total assets</b>	<b><u>\$ 5,354,676</u></b>	<b><u>\$ 3,247,328</u></b>	<b><u>\$ 8,360,725</u></b>	<b><u>\$ 16,962,729</u></b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ 173,005	\$ 82,569	\$ 431,861	\$ 687,435
Internal balances due to governmental activities	882,956	978,674	(3,198)	1,858,432
Accrued interest payable	221,299	63,776	718	285,793
Non-current liabilities				
Due within one year	349,565	22,612	-	372,177
Due in more than one year	<u>4,665,337</u>	<u>1,464,260</u>	<u>-</u>	<u>6,129,597</u>
Total liabilities	<u>6,292,162</u>	<u>2,611,891</u>	<u>429,381</u>	<u>9,333,434</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(715,626)	(946,986)	806,855	(855,757)
Restricted for				
Capital improvements	466,484	1,000,560	6,893,352	8,360,396
Water line extension projects	488,801	-	-	488,801
Unrestricted	<u>(1,177,145)</u>	<u>581,863</u>	<u>231,137</u>	<u>(364,145)</u>
Total net assets	<u>(937,486)</u>	<u>635,437</u>	<u>7,931,344</u>	<u>7,629,295</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 5,354,676</u></b>	<b><u>\$ 3,247,328</u></b>	<b><u>\$ 8,360,725</u></b>	<b><u>\$ 16,962,729</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, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>City Center Authority</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Water sales and services	\$ 2,385,146	\$ -	\$ -	\$ 2,385,146
Sewer sales and services	-	3,149,763	501,147	3,650,910
General Operating	-	-	111,046	111,046
Capital grants and contributions	-	-	728,988	728,988
Total operating revenues	<u>2,385,146</u>	<u>3,149,763</u>	<u>1,341,181</u>	<u>6,876,090</u>
<b>OPERATING EXPENSES</b>				
Costs of sales and services	1,753,629	2,428,015	420,924	4,602,568
Administration	814,291	730,697	714,852	2,259,840
Depreciation	262,278	1,604	11,305	275,187
Interest	129,979	62,619	-	192,598
Total operating expenses	<u>2,960,177</u>	<u>3,222,935</u>	<u>1,147,081</u>	<u>7,330,193</u>
Operating loss	<u>(575,031)</u>	<u>(73,172)</u>	<u>194,100</u>	<u>(454,103)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Hotel occupancy tax	-	-	791,181	791,181
Transfer from governmental funds	3,324	-	119,160	122,484
Interest and earnings	27,376	-	342,796	370,172
Total nonoperating revenues	<u>30,700</u>	<u>-</u>	<u>1,253,137</u>	<u>1,283,837</u>
<b>CHANGE IN NET ASSETS</b>	<b>(544,331)</b>	<b>(73,172)</b>	<b>1,447,237</b>	<b>829,734</b>
<b>NET ASSETS, beginning of year</b>	<b>299,272</b>	<b>722,998</b>	<b>6,484,107</b>	<b>7,506,377</b>
<b>PRIOR PERIOD ADJUSTMENTS</b>				
Capital assets acquired in prior years	(493,995)	(1,585)	-	(495,580)
Reclassification of various accounts	(198,432)	(12,804)	-	(211,236)
<b>NET ASSETS, beginning of year, as restated</b>	<u>(393,155)</u>	<u>708,609</u>	<u>6,484,107</u>	<u>6,799,561</u>
<b>NET ASSETS, end of year</b>	<u>\$ (937,486)</u>	<u>\$ 635,437</u>	<u>\$ 7,931,344</u>	<u>\$ 7,629,295</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, 2008**

	<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 sales and services	\$ 2,403,234	\$ 3,197,373	\$ 612,193	\$ 6,212,800
Operating grants and contributions	-	-	728,988	728,988
Payments to contractors and suppliers	(1,109,005)	(2,407,124)	(420,924)	(3,937,053)
Payments to employees, payroll taxes and benefits	(1,378,283)	(623,458)	(795,849)	(2,797,590)
	<u>(84,054)</u>	<u>166,791</u>	<u>124,408</u>	<u>207,145</u>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Bond proceeds	265,000	1,000,000	-	1,265,000
Loss on disposal of assets	24,387	334	-	24,721
Purchase of capital assets	(306,064)	(323,950)	(592,923)	(1,222,937)
Interest paid	(129,979)	(62,619)	-	(192,598)
	<u>(146,656)</u>	<u>613,765</u>	<u>(592,923)</u>	<u>(125,814)</u>
<b>CASH FLOWS PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Hotel occupancy taxes	-	-	791,181	791,181
Miscellaneous	26,863	-	119,160	146,023
	<u>26,863</u>	<u>-</u>	<u>910,341</u>	<u>937,204</u>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>				
Interest and dividends received	27,376	-	342,796	370,172
Allocation to restricted cash and cash equivalents	186,199	(764,672)	(508,209)	(1,086,682)
	<u>213,575</u>	<u>(764,672)</u>	<u>(165,413)</u>	<u>(716,510)</u>
<b>Net increase in cash and cash equivalents</b>	<b>9,728</b>	<b>15,884</b>	<b>276,413</b>	<b>302,025</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>101,019</u>	<u>186,610</u>	<u>168,021</u>	<u>455,650</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 110,747</u>	<u>\$ 202,494</u>	<u>\$ 444,434</u>	<u>\$ 757,675</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating loss	\$ (575,031)	\$ (73,172)	\$ 194,100	\$ (454,103)
(Increase) decrease in				
Receivables, net of allowances	(80,434)	(66,942)	(220,286)	(367,662)
Inventory	(6,812)	-	-	(6,812)
Prepaid expenses	-	-	(139)	(139)
Increase (decrease) in				
Accounts payable and other liabilities	125,526	55,198	142,626	323,350
Due to other funds	190,419	250,103	(3,198)	437,324
Depreciation expense	262,278	1,604	11,305	275,187
<b>Net cash provided (used) by operating activities</b>	<u>\$ (84,054)</u>	<u>\$ 166,791</u>	<u>\$ 124,408</u>	<u>\$ 207,145</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, 2008**

	<b><u>Agency Funds</u></b>	<b><u>Private Purpose Trust</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 1,068,474</u>	<u>\$ 33,738</u>
<b>LIABILITIES</b>		
Agency accounts payable	1,067,853	-
Due to governmental funds	<u>621</u>	<u>-</u>
Total liabilities	<u>1,068,474</u>	<u>-</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>	<u><u>\$ 33,738</u></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 CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**Year Ended December 31, 2008**

	<b><u>Private Purpose Trust</u></b>
<b>ADDITIONS</b>	
Private donations	\$ 2,600
Interest earnings	<u>433</u>
Total additions	3,033
 <b>DEDUCTIONS</b>	
Culture and recreation	<u>64</u>
 <b>CHANGE IN NET ASSETS</b>	 <u><b>2,969</b></u>
 <b>NET ASSETS, beginning of year</b>	
Prior period adjustment	<u>30,769</u>
<b>NET ASSETS, beginning of year, as restated</b>	<u>30,769</u>
 <b>NET ASSETS, end of year</b>	 <u><u><b>\$ 33,738</b></u></u>

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

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO FINANCIAL STATEMENTS December 31, 2008

### 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 (GAAP) 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.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

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 School Board designates management and exercises complete responsibility for all fiscal matters. The City Council exercises no oversight over school operations.

##### *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 activities) 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.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

#### 2. *Government-wide and Fund Financial Statements - Continued*

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.

#### 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.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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

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

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.
- 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 DownCity 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 FINANCIAL STATEMENTS

December 31, 2008

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

#### 4. *Fund Accounting* - 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* (Authority) 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 agency funds to account for assets that the City holds on behalf of others as their agent. The City maintains a private purpose trust fund to account for private donations to support a veteran's memorial in Congress Park.

In addition to the various funds, the City also maintains schedules of non-current governmental assets and non-current governmental liabilities. Non-current governmental assets include capital assets used in governmental activities, and non-current governmental liabilities include bonds, retirement system debt, accumulated sick and compensatory time, and other long-term debt used to finance governmental activities. These non-current governmental assets and liabilities are included under governmental activities in the government-wide statement of net assets.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

Cash and cash equivalents include amounts in demand deposits, time deposits, and 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 New York State statutes. In addition, the City has its own investment policy. In accordance with New York State statutes and the City's 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.

#### 6. *Interfund Receivables/Payables*

During the year, transactions often occur between the various funds. Transactions considered loans or advances to be repaid are recorded as current assets and liabilities in the fund financial statements as either "due to or due from other funds." In the government-wide financial statements, amounts due to and from the same activities are eliminated. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### 7. *Receivables*

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 7% of outstanding property and school taxes and water and sewer rents at December 31, 2008.

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.

#### 8. *Inventory*

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

#### 9. *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.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. *Capital Assets*

Capital assets include land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items). Capital assets 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
Sewer and water infrastructure	75
Other infrastructure	25-30
Equipment	5-20

11. *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 when paid to employees.

12. *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. Bonds payable are reported net of applicable bond premium or discount, if any.

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 FINANCIAL STATEMENTS December 31, 2008

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

#### 12. *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.

#### 13. *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 for use for a specific purpose.

#### 14. *New Accounting Standards*

GASB No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* requires disclosure of the net liability for post-employment benefits other than pensions. As required, the City has implemented this standard for the fiscal year ended December 31, 2008. The City has obtained an actuarial valuation of post-employment health care benefits provided by the City for the period ending December 31, 2008, in accordance with the standard, and has determined the liability for such benefits to be material to the December 31, 2008, financial statements. See Note D for disclosures related to the implementation of this standard.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, established standards for accounting and financial reporting for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. As required, the City has implemented this standard for the fiscal year ended December 31, 2008. See Note F for disclosures related to the implementation of this standard.

GASB Statement No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*, more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits (OPEB) and enhances information disclosed in notes to financial statements or presented as required supplementary information by employers that provide pension benefits. This statement amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Post-Employment Benefit Plans Other Than Pensions Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. As required, the City has implemented this standard for the fiscal year ended December 31, 2008. See Note C for disclosures related to the implementation of this standard.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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

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

The City's budget adoption process is described in the City Charter. 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 for the General, Debt Service, Water, Sewer, Special Assessment Districts, and City Center funds. 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 usually necessary.

Budgets for the Special Grant Fund are adopted for each federal program as they occur, and generally on a federal program year. Budgets for major capital projects are adopted on an as needed basis and remain in effect for the life of the project. Generally, major capital projects are financed by bonds, capital grants, and/or other applicable financing sources. Current appropriations for capital expenditures 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.

### 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 Federal Deposit Insurance Corporation limit of \$350,000 (\$100,000 on demand deposits and \$250,000 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, 2008.

##### *Investments*

The City's General Fund had an investment balance of \$17,260 as of December 31, 2008. This consisted of a worker's compensation bond on deposit with New York State.

The City Center Authority had restricted investments of \$4,712,385 as of December 31, 2008. This balance consisted of U. S. Treasury Notes for \$3,040,550. Cash balances for \$1,654,989 and accrued interest for \$16,846. The investments are restricted for future expansion of the Center.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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

*1. Cash, Cash Equivalents, and Investments - Continued*

*Restricted Cash*

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

Debt service	\$ 734,786
Special assessment district purposes	1,947
Capital projects	11,523,003
Capital improvements	1,331,083
Council designated purposes	<u>77,913</u>
 Total restricted cash and cash equivalents	 <u>\$13,668,732</u>

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

City Center capital improvements	\$ 6,893,352
Water capital projects	466,484
Water line extension projects	488,801
Sewer capital projects	<u>1,000,560</u>
 Total restricted	 <u>\$ 8,849,197</u>

*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:

Receivables	General	Capital	Debt Service	Special Grant	Special Districts	Water	Sewer	City Center Authority	Total
City and County taxes	\$ 1,012,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,012,444
School taxes	609,624	-	-	-	-	-	-	-	609,624
Tax sales	600,163	-	-	-	-	-	-	-	600,163
Water rents	-	-	-	-	-	1,034,549	-	-	1,034,549
Sewer rents	-	-	-	-	-	-	1,465,451	-	1,465,451
Accounts	2,207,447	5,400	1,450	-	-	-	-	25,213	2,239,510
Rehabilitation loans	-	-	-	328,797	-	-	-	-	328,797
State and Federal	1,785,098	171,485	-	21,627	-	-	-	225,119	2,203,329
Other governments	707,941	25,000	-	-	-	-	-	170,883	903,824
Total receivables	<u>6,922,717</u>	<u>201,885</u>	<u>1,450</u>	<u>350,424</u>	<u>-</u>	<u>1,034,549</u>	<u>1,465,451</u>	<u>421,215</u>	<u>10,397,691</u>
Allowance for uncollectible accounts	<u>(207,418)</u>	<u>-</u>	<u>-</u>	<u>(15,507)</u>	<u>-</u>	<u>(58,311)</u>	<u>(80,236)</u>	<u>-</u>	<u>(361,472)</u>
Total net receivables	<u>\$ 6,715,299</u>	<u>\$ 201,885</u>	<u>\$ 1,450</u>	<u>\$ 334,917</u>	<u>\$ -</u>	<u>\$ 976,238</u>	<u>\$ 1,385,215</u>	<u>\$ 421,215</u>	<u>\$ 10,036,219</u>

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

Receivables net of allowances	
Governmental activities	\$ 6,517,830
Business-type activities	<u>2,338,236</u>
 Total	 <u>\$ 8,856,006</u>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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

*3. Capital Assets*

Capital asset activity for the year ended December 31, 2008, as adjusted, was as follows:

<u>Governmental Activities</u>	Balance January 1, 2008	Additions/ Adjustments	Retirements/ Reclassifications	Balance December 31, 2008
Capital assets not being depreciated				
Land	\$ 3,774,370	\$ 146,888	\$ -	\$ 3,921,258
Work in progress	5,968,643	4,353,343	(649,901)	9,672,085
Total capital assets not being depreciated	<u>9,743,013</u>	<u>4,500,231</u>	<u>(649,901)</u>	<u>13,593,343</u>
Depreciable capital assets				
Buildings	13,703,271	186,712	-	13,889,983
Improvements other than buildings	2,949,173	1,489,623	(230,527)	4,208,269
Machinery and equipment	11,960,367	687,808	(515,646)	12,132,529
Infrastructure	38,801,501	552,765	-	39,354,266
Total depreciable capital assets	<u>67,414,312</u>	<u>2,916,908</u>	<u>(746,173)</u>	<u>69,585,047</u>
Less accumulated depreciation				
Buildings	4,496,375	576,885	-	5,073,260
Improvements other than buildings	2,037,244	217,538	(41,245)	2,213,537
Machinery and equipment	6,013,890	1,668,066	(287,339)	7,394,617
Infrastructure	24,991,108	543,100	-	25,534,208
Total accumulated depreciation	<u>37,538,617</u>	<u>3,005,589</u>	<u>(328,584)</u>	<u>40,215,622</u>
Net depreciable capital assets	<u>29,875,695</u>	<u>(88,681)</u>	<u>(417,589)</u>	<u>29,369,425</u>
Total net capital assets governmental activities	<u>\$ 39,618,708</u>	<u>\$ 4,411,550</u>	<u>\$ (1,067,490)</u>	<u>\$ 42,962,768</u>
	Balance			Balance
<u>Business-type Activities</u>	January 1, 2008	Additions/ Adjustments	Retirements/ Reclassifications	December 31, 2008
<u>Water Activity</u>				
Capital assets not being depreciated				
Land	\$ 325,841	\$ -	\$ -	\$ 325,841
Work in progress	1,348,809	-	(103,572)	1,245,237
Total capital assets not being depreciated	<u>1,674,650</u>	<u>-</u>	<u>(103,572)</u>	<u>1,571,078</u>
Depreciable capital assets				
Buildings	749,195	-	-	749,195
Improvements other than building	-	306,064	-	306,064
Machinery and equipment	715,085	-	(7,140)	707,945
Infrastructure	12,449,647	-	-	12,449,647
Total depreciable capital assets	<u>13,913,927</u>	<u>306,064</u>	<u>(7,140)</u>	<u>14,212,851</u>
Less accumulated depreciation				
Buildings	184,084	9,189	-	193,273
Improvements other than building	-	15,821	(3,000)	12,821
Machinery and equipment	187,239	82,707	(14,247)	255,699
Infrastructure	11,172,424	171,808	-	11,344,232
Total accumulated depreciation	<u>11,543,747</u>	<u>279,525</u>	<u>(17,247)</u>	<u>11,806,025</u>
Net depreciable capital assets	<u>2,370,180</u>	<u>26,539</u>	<u>10,107</u>	<u>2,406,826</u>
Total net capital assets water activity	<u>\$ 4,044,830</u>	<u>\$ 26,539</u>	<u>\$ (93,465)</u>	<u>\$ 3,977,904</u>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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

*3. Capital Assets - Continued*

<u>Business-type Activities</u>	Balance January 1, 2008	Additions/ Adjustments	Retirements/ Reclassifications	Balance December 31, 2008
<u>Sewer Activity</u>				
Machinery and equipment	\$ 59,835	\$ -	\$ -	\$ 59,835
Work in progress	-	323,950	-	323,950
Less accumulated depreciation	<u>37,254</u>	<u>1,938</u>	<u>(334)</u>	<u>38,858</u>
Net capital assets sewer activity	<u>\$ 22,581</u>	<u>\$ 322,012</u>	<u>\$ 334</u>	<u>\$ 344,927</u>
<u>City Center Authority</u>				
Machinery and equipment	\$ 190,464	\$ -	\$ -	\$ 190,464
Work in progress	185,660	592,923	-	778,583
Less accumulated depreciation	<u>150,887</u>	<u>11,305</u>	<u>-</u>	<u>162,192</u>
Net capital assets City Center Authority	<u>\$ 225,237</u>	<u>\$ 581,618</u>	<u>\$ -</u>	<u>\$ 806,855</u>

Depreciation expense was charged to functions/programs as follows:

Mayor	\$ 7,986
Finance	26,738
DPW	583,134
DPS	79,242
Accounts	9,022
Police	150,918
Fire	356,267
Transportation	1,128,716
Culture and recreation	208,352
Home and community service	<u>126,629</u>
Total depreciation expense for governmental activities	<u>\$ 2,677,004</u>
Water	\$ 262,279
Sewer	1,604
City Center Authority	<u>11,305</u>
Total depreciation expense for business-type activities	<u>\$ 275,188</u>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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

*4. Interfund Receivables, Payables, and Transfers*

The composition of interfund balances as of December 31, 2008, 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	\$ -	\$ 1,935,018
City Center Authority	-	3,198
Water	882,954	-
Sewer	978,674	-
Capital	75,967	-
Agency	<u>621</u>	<u>-</u>
Total	<u>\$ 1,938,216</u>	<u>\$ 1,938,216</u>

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

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Internal balances		
Governmental	\$ -	\$1,859,051
Business-type	<u>1,859,051</u>	<u>-</u>
	<u>\$ 1,859,051</u>	<u>\$ 1,859,051</u>

Interfund transfers in the governmental fund financial statements were as follows:

<u>Fund</u>	<u>In</u>	<u>Out</u>
General	\$ 76,121	\$ 646,673
Capital	457,863	625,487
WASAD	-	49,503
Debt Service	744,640	3,324
Community Development	<u>-</u>	<u>76,121</u>
Total	<u>\$1,278,624</u>	<u>\$1,401,108</u>

In the government-wide statement of net assets, interfund receivables and payables of \$79,787 between governmental activities were eliminated, leaving the balances shown above. In the government-wide statement of activities, interfund transfers of \$122,484 between governmental activities were eliminated, leaving no transfer from the governmental activities to the business-type activities.

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

#### 5. *Indebtedness*

##### *a. 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 notes for the year ended December 31, 2008, is as follows:

Bond anticipation notes payable, beginning of year	\$ 219,073
Notes Issued	-
Notes redeemed	<u>(219,073)</u>
 Bond anticipation notes payable, end of year	 <u>\$ -</u>

##### *b. General Obligation Bonds*

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. On August 15, 2008, the City issued a \$4,997,387, 30-year, general obligation bond. Of this amount, \$3,732,387 was issued to finance governmental activities, \$1,000,000 was issued to finance sewer activities, and \$265,000 was issued to finance water activities.

A summary of the City's general obligation serial bond transactions for the year ended December 31, 2008, is as follows:

Bonds payable, beginning of year	\$ 32,423,760
Bonds issued	4,997,387
Bonds retired	<u>(1,478,760)</u>
 Bonds payable, end of year	 <u>\$ 35,942,387</u>

General obligation bonds are direct obligations of the City and are pledged by the full faith and credit of the City. Generally, the City's general obligation bonds are tax exempt for federal and New York State income tax purposes. These bonds generally are issued as 20-year to 30-year serial bonds with equal amounts of principal and interest maturing each year. General obligation bonds currently outstanding for governmental and water activities are as follows:

<u>Public Improvement Bonds</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>2008</u>
Serial Bond, EFC	03/97	02/17	3.40%	\$ 1,900,000
Serial Bond, general obligation	07/93	03/13	4.75%	800,000
Serial Bond, general obligation	10/97	09/17	4.50%	1,060,000
Serial Bond, general obligation	06/00	06/14	5.12%	860,000
Serial Bond, general obligation	09/02	09/22	3.90%	1,520,000
Serial Bond, general obligation	04/04	02/34	4.00%	3,640,000
Serial Bond, general obligation	03/05	06/24	3.85%	4,015,000
Serial Bond, general obligation	04/06	04/35	4.25%	8,170,000
Serial Bond, general obligation	07/07	07/30	3.70%	8,980,000
Serial Bond, general obligation	08/08	08/38	5.00%	<u>4,997,387</u>
				 <u>\$ 35,942,387</u>

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

#### 5. *Indebtedness* - Continued

##### b. *General Obligation Bonds* - Continued

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31, 2009	\$ 1,602,387	\$ 1,555,841	\$ 3,158,228
2010	1,650,000	1,483,303	3,133,303
2011	1,615,000	1,408,168	3,023,168
2012	1,660,000	1,334,293	2,994,293
2013	1,700,000	1,257,986	2,957,986
For the years ending December 31, 2014 through 2018	6,620,000	5,329,389	11,949,389
2019 through 2023	6,655,000	3,959,778	10,614,778
2024 through 2028	6,335,000	2,570,519	8,905,519
2029 through 2033	5,470,000	1,204,593	6,674,593
2034 through 2038	2,635,000	269,550	2,904,550
Total	\$ 35,942,387	\$ 20,373,419	\$ 56,315,806

Of the total outstanding indebtedness of the City in the sum of \$35,942,387, \$25,793,039 was subject to the statutory debt limit and represented approximately 45% of the City's \$57,380,548 self-imposed debt limit.

##### c. *Special Assessment Debt*

At December 31, 2008, the amount of special assessment debt outstanding for SAD and WASAD was \$85,794 and \$295,123, respectively. These amounts are reflected in the governmental activities statement of net assets and included in the schedules above.

##### d. *Lease Payables*

In May 2006, the City entered into a lease agreement with Union Leasing Inc. for two cars for the Fire Department. The City has six payments remaining on each lease at \$244 per vehicle for an outstanding governmental activity liability of \$2,928, all due in one year. The City intends to purchase the vehicles at the end of the lease for approximately \$11,000 each.

In April 2007, the City entered into a lease agreement with Hoselton Chevrolet for ten police cars. The City has made 21 payments and has 15 remaining for an outstanding governmental activity liability of \$33,794 and \$26,789 due in one year. The City has not determined if it will purchase the vehicles at the end of lease period.

On March 7, 2008, the City entered into a lease agreement with Municipal Leasing Consultants for \$1,721,297 to finance various energy saving equipment. The first \$1,000,000 is at a rate of 2% and the \$721,297 is at a rate of 4.12%. The \$1,000,000 interest rate was bought down by a NYSERDA grant. Principal payments of \$202,547 were made in 2008. The outstanding liability in the Governmental activity was \$1,518,750 and \$76,106.43 is due in one year.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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

5. *Indebtedness - Continued*

*e. 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 for compensated absences, include the following:

	January 1, 2008	Additions	Deletions	December 31, 2008
Sick time	\$ 2,694,371	\$ 261,786	\$ 184,594	\$ 2,771,563
Compensatory time	<u>645,604</u>	<u>1,111,949</u>	<u>1,106,611</u>	<u>650,942</u>
	<u>\$ 3,339,975</u>	<u>\$1,373,735</u>	<u>\$ 1,291,205</u>	<u>\$ 3,422,505</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 future. The City belongs to the Saratoga County Worker's Compensation pool, and cases are reviewed and paid by Saratoga County. The City's 2008 annual contribution to the worker's compensation pool was \$588,990.

*b. Subsequent Events*

On January 30, 2009, the City entered into a Bond Anticipation Note for \$299,500 to finance the Geyser Sewer upgrades, purchase of the Vanderbilt property and a new telephone system. Also on January 30, 2009, the City entered into a privately negotiated bond to finance \$720,497 for the second phase of the energy performance contract for energy saving equipment.

*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 FINANCIAL STATEMENTS December 31, 2008

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

#### 6. Other Items - Continued

##### d. 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.

##### 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. Each year, the Comptroller renders a billing to participating employers requesting payment of amounts due in advance for the plan year April 1 to March 31. The NYSRSSL allows participating employers to pay their annual contributions on either December 15 of the current year, or February 1 of the following year. The City elected to pay their contribution billed in 2006 on or before February 1, 2007. The required contributions for the current and two preceding years were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
ERS regular contribution	\$ 813,204	\$ 896,766	\$ 1,009,720
ERS 2004 amortization	51,506	51,507	51,507
PFRS regular contribution	1,439,941	1,255,276	1,384,097
PFRS 2004 amortization	85,261	85,260	85,261
PFRS Fire 384E	138,191	138,191	138,191
PFRS Police 384EB	48,467	48,767	-
PFRS Police 84E	372,574	372,574	-
PFRS Police Re-open 384D	<u>49,800</u>	<u>49,800</u>	<u>-</u>
Totals	<u>\$ 2,998,944</u>	<u>\$ 2,898,141</u>	<u>\$ 2,668,776</u>

Contributions made to the Systems were equal to 100% of the contributions required for each year, less the applicable amortizations.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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

6. *Other Items - Continued*

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

2. *Employee Retirement Systems Funding Policy - Continued*

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1<sup>st</sup> (e.g., billings due February 2008 would be based on the pension value as of March 31, 2007).

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5% of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

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 \$397,330 for ERS plan and \$654,365 for PFRS plan. The first principal and interest payments were paid 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, 2009	\$ 36,605	\$ 14,901	\$ 51,506
Payable February 1, 2010	38,436	13,071	51,507
Payable February 1, 2011	40,357	11,150	51,507
Payable February 1, 2012	42,375	9,132	51,507
Payable February 1, 2013	44,494	7,013	51,507
Payable February 1, 2014	46,718	4,789	51,507
Payable February 1, 2015	<u>9,054</u>	<u>453</u>	<u>507</u>
Totals	<u>\$ 298,039</u>	<u>\$ 62,509</u>	<u>\$ 360,548</u>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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

6. *Other Items* - Continued

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

2. *Employee Retirement Systems Funding Policy* - Continued

PFRS Amortization	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2009	\$ 60,593	\$ 24,668	\$ 85,261
Payable February 1, 2010	63,623	21,637	85,260
Payable February 1, 2011	66,804	18,457	85,261
Payable February 1, 2012	70,144	15,117	85,261
Payable February 1, 2013	73,652	11,609	85,261
Payable February 1, 2014	77,334	7,927	85,261
Payable February 1, 2015	<u>81,201</u>	<u>4,059</u>	<u>85,260</u>
Totals	<u>\$ 493,351</u>	<u>\$ 103,474</u>	<u>\$ 596,825</u>

The unpaid principal balance of \$791,390 at December 31, 2008, for the above amortizations is included in the financial statements as a non-current governmental liability, of which \$97,198 is shown as due within one year.

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 \$1,011,118. 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, 2006, the City recorded a liability for the second of 10 installments, which did not include interest. The maturity schedule for this debt is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2009	\$ 87,230	50,961	138,191
Payable February 1, 2010	94,209	43,982	138,191
Payable February 1, 2011	101,745	36,446	138,191
Payable February 1, 2012	109,885	28,306	138,191
Payable February 1, 2013	118,676	19,515	138,191
Payable February 1, 2014	<u>128,170</u>	<u>10,021</u>	<u>138,191</u>
Totals	<u>\$ 639,915</u>	<u>\$ 189,231</u>	<u>\$ 829,146</u>

The unpaid principal balance of \$639,915 at December 31, 2008, is included in the financial statements as a non-current governmental liability, of which \$87,230 is shown as due within one year.

In accordance with the labor agreements between the City and its police officers signed October 27, 2006, the City is required to provide certain benefits to police personnel for past services under Section 384E and 384EB of the PFRS plan. The total past service credit cost was \$2,700,004 for 384E, \$351,235 for 384EB, and \$360,791 to reopen 384D. The City plans to pay for this program over a ten-year period with interest starting the second year at 8% per annum. The first installment is due February 1, 2008, for the City's 2007 fiscal year. The maturity schedules for this debt are as follows:

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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

6. *Other Items - Continued*

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

2. *Employee Retirement Systems Funding Policy - Continued*

384 E - Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2009	\$ 186,380	\$ 186,194	\$ 372,574
Payable February 1, 2010	201,290	171,284	372,574
Payable February 1, 2011	217,394	155,180	372,574
Payable February 1, 2012	234,785	137,789	372,574
Payable February 1, 2013	253,568	119,006	372,574
Payable February 1, 2014	273,853	98,721	372,574
Payable February 1, 2015	295,762	76,812	372,574
Payable February 1, 2016	319,422	53,152	372,574
Payable February 1, 2017	<u>344,976</u>	<u>27,598</u>	<u>372,574</u>
Totals	<u>\$2,327,430</u>	<u>\$1,025,736</u>	<u>\$3,353,166</u>

Re-open 384 D - Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2009	\$ 24,904	\$ 24,896	\$ 49,800
Payable February 1, 2010	26,896	22,904	49,800
Payable February 1, 2011	29,048	20,752	49,800
Payable February 1, 2012	31,372	18,428	49,800
Payable February 1, 2013	33,882	15,918	49,800
Payable February 1, 2014	36,592	13,208	49,800
Payable February 1, 2015	39,520	10,280	49,800
Payable February 1, 2016	42,681	7,119	49,800
Payable February 1, 2017	<u>46,096</u>	<u>3,704</u>	<u>49,800</u>
Totals	<u>\$ 310,991</u>	<u>\$ 137,209</u>	<u>\$ 448,200</u>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

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

6. *Other Items - Continued*

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

2. *Employee Retirement Systems Funding Policy - Continued*

384 EB Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2009	\$ 24,245	\$ 24,222	\$ 48,467
Payable February 1, 2010	26,185	22,282	48,467
Payable February 1, 2011	28,280	20,187	48,467
Payable February 1, 2012	30,542	17,925	48,467
Payable February 1, 2013	32,986	15,481	48,467
Payable February 1, 2014	35,625	12,842	48,467
Payable February 1, 2015	38,475	9,992	48,467
Payable February 1, 2016	41,553	6,914	48,467
Payable February 1, 2017	<u>44,877</u>	<u>3,590</u>	<u>48,467</u>
 Totals	 <u>\$ 302,768</u>	 <u>\$ 133,435</u>	 <u>\$ 436,203</u>

The unpaid principal balance of \$2,941,189 at December 31, 2008, for the past service retirement costs for police personnel is included in the government-wide statement of activities as a non-current governmental liability, of which \$235,529 is shown as due within one year.

e. *Labor Relations*

The City has 339 employees covered by seven bargaining units. The Police Chiefs', Police Lieutenants', and Police Benevolent Association's contracts expired on December 31, 2008. The Fire Chiefs' contract expired on December 31, 2008. The Firefighters' contract expires on December 31, 2010. The CSEA City Hall and CSEA Public Works contracts expired on December 31, 2008. All expired contracts are under negotiation.

**NOTE D - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description.* The City of Saratoga Springs administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance and prescription drug coverage for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the seven union representing City employees and are renegotiated at the end of each of the bargaining periods. The Retiree Health Plan does not issue a publicly available financial report. The City offers four community rated HMO's and one experience rated Traditional PPO. Upon turning 65, a retiree may choose to participate in two Medicare Advantage plans.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

**NOTE D - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued**

*Plan Description - Continued*

The City of Saratoga Springs offers life insurance to active and retired firefighters and police officers who retired prior to January 1, 2007. The plan pays a beneficiary upon death of the retiree.

*Funding Policy.* Contribution requirements also are negotiated between the City and union representatives. The City contributes a percent of the cost of current year premiums for eligible retired Plan members and their spouses. For the year ended December 31, 2008, the City contributed \$5,248,979 to the Plan. Some Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$149,836 for the year ended December 31, 2008.

The City pays the full premium for the life insurance coverage.

*Annual OPEB Cost and Net OPEB Obligation -* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for fiscal year 2008, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

<u>Required Information</u>	<u>Govt.</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Annual required contribution	\$ 7,500,214	\$ 325,502	\$ 194,959	\$ 8,020,675
Interest on net OPEB obligation	-	-	-	-
Adjustment to annual required contribution	-	-	-	-
Annual OPEB cost (expense)	7,500,214	325,502	194,959	8,020,675
Contributions made (expected)	<u>(1,793,061)</u>	<u>(4,130)</u>	<u>-</u>	<u>(1,797,191)</u>
Increase in net OPEB obligation	5,707,153	321,372	194,959	6,223,484
Net OPEB obligation - beginning of year *	-	-	-	-
Net OPEB obligation - end of year	<u>\$ 5,707,153</u>	<u>\$ 321,372</u>	<u>\$ 194,959</u>	<u>\$ 6,223,484</u>

\* Not actuarially determined

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 was as follows:

<u>Activity</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Governmental	\$7,500,214	22%	\$5,707,153
Water	194,959	0%	321,372
Sewer	325,502	0%	194,959

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### NOTE D - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

*Funded Status and Funding Progress* - As of December 31, 2008 the actuarial accrued liability for benefits was \$79,897,486, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$20,438,926, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 391%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Methods and Assumptions* - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

*Retirement Age for Active Employees* - Rates of decrement due to retirement based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

*Marital Status* - It is assumed that 70% of retirees will be married and participating in a non-shared health insurance plan at the time of their retirement, with the male spouse assumed to be approximately three years older than the female.

*Mortality* - Life expectancies were based on mortality tables from the RP-2000 Mortality Table for Males and for Females.

*Turnover* - Rates of decrement due to turnover based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

*Healthcare Cost Trend Rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 11% initially, reduced to an ultimate rate of 8% after six years, was used.

*Health Insurance Premiums* - The current enrollment of retirees in each of the City's available plans was used to make assumptions about the health plans that current active employees would enroll in upon retiring.

**CITY OF SARATOGA SPRINGS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2008**

**NOTE D - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued**

*Inflation Rate* - The expected long-term inflation assumption of 3.3% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 20X1 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

*Payroll Growth Rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level period of thirty years. The remaining amortization period at December 31, 2008, was thirty years.

**REQUIRED SUPPLEMENTAL INFORMATION  
Schedule of Funding Progress  
for the Retiree Health Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/08	<u>\$-0-</u>	<u>\$79,897,486</u>	<u>\$79,897,486</u>	<u>0.0%</u>	<u>\$20,438,926</u>	<u>391%</u>

**NOTE E - PRIOR PERIOD ADJUSTMENTS**

The City made certain prior period adjustments to correct net assets as of the beginning of the year for capital assets not previously classified in the proper fund.

The following is a summary of the prior period adjustments made in the financial statements for the year ended December 31, 2008:

Description	Fund	Governmental Activities	Business-type Activities	Total
Uncollectible loan paid in full	Special Grant	\$ 4,069	\$ -	\$ 4,069
Eliminate state receivable for traffic signal	Capital	(80,188)	-	(80,188)
Ineterst payable adjustment	Debt service	(1,219,766)	-	(1,219,766)
Ineterst payable adjustment	Water	-	(92,004)	(92,004)
Ineterst payable adjustment	Sewer	-	(12,804)	(12,804)
Capital assets acquired in prior years	General	(28,198)	-	(28,198)
Capital assets acquired in prior years	Sewer	-	(1,585)	(1,585)
Capital assets acquired in prior years	Water	-	(493,995)	(493,995)
Reclassify Work-in-progress to the water activity	Water	(103,572)	103,572	-
Reclassify water capital assets not previously recorded	Water	210,000	(210,000)	-
 Total prior period adjustments		<u>\$ (1,217,655)</u>	<u>\$ (706,816)</u>	<u>\$ (1,924,471)</u>

# CITY OF SARATOGA SPRINGS, NEW YORK

## NOTES TO FINANCIAL STATEMENTS December 31, 2008

### NOTE F - REMEDIATION COSTS

During 2007, the City encountered an oil spill at the City garage which required pollution remediation as well as the replacement of the lift. The lift was leaking the oil onto the floor and seeping into the ground. The City recorded the expense in the fund financial statements as a capital expense and capitalized the lift replacement only. In addition, the City bonded the entire cost of the project as part of the 2007 bond dated July 1, 2007. The reconstruction of the flooring was bonded for \$97,250 and the replacement of the lift for \$102,750. The entire expense is included in the government-wide financial statements as a program expense. All expenses were incurred in 2007, and there are no outstanding liabilities.

The City recorded an accrued liability in the government wide statements for \$85,000 in fines required to be paid on February 24, 2009, by order of consent.

### NOTE G - ACCOUNTING STANDARDS NOT YET IMPLEMENTED

During June 2006, GASB issued Statement 47, *Accounting for Termination Benefits* (Statement). 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. This statement was effective for the City as of January 1, 2006. The City, if necessary, will be required to implement this standard in the next fiscal year that the transactions occur.

During June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes accounting and financial reporting requirements for intangible assets in an effort to reduce inconsistencies in accounting and financial reporting of intangible assets. This Statement is effective for the City as of January 1, 2010.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This statement is effective for the City as of January 1, 2009.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Although this statement is effective for the City as of January 1, 2010, the City will likely not be required to implement this standard as it will not be applicable.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes accounting and financial reporting requirements intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for the City as of January 1, 2011.

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

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION**

Mayor and Members of the City Council  
City of Saratoga Springs, New York  
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, 2008, 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  
July 28, 2009

# CITY OF SARATOGA SPRINGS, NEW YORK

## SUPPLEMENTAL INFORMATION December 31, 2008

### **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, 2008**

	<b>Downtown Special Assessment District</b>	<b>West Avenue Special Assessment District</b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 263,483	\$ 49,747	\$ 313,230
Other receivables, net of uncollectibles	-	454	454
Restricted assets			
Cash and cash equivalents, special reserves	<u>1,946</u>	<u>-</u>	<u>1,946</u>
<b>Total assets</b>	<b><u>\$ 265,429</u></b>	<b><u>\$ 50,201</u></b>	<b><u>\$ 315,630</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable and accrued liabilities	<u>\$ 15,925</u>	<u>\$ -</u>	<u>\$ 15,925</u>
Fund balances			
Reserved for			
Other purposes	1,946	-	1,946
Unreserved			
Unappropriated	<u>247,558</u>	<u>50,201</u>	<u>297,759</u>
Total fund balances	<u>249,504</u>	<u>50,201</u>	<u>299,705</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 265,429</u></b>	<b><u>\$ 50,201</u></b>	<b><u>\$ 315,630</u></b>

**CITY OF SARATOGA SPRINGS, NEW YORK**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NON-MAJOR GOVERNMENT FUNDS  
Year Ended December 31, 2008**

	<b>Downtown Special Assessment District</b>	<b>West Avenue Special Assessment District</b>	<b>Total</b>
<b>REVENUES</b>			
Real property taxes	\$ 75,005	\$ 54,003	\$ 129,008
Use of money and property	3,162	2,306	5,468
Federal aid	-	-	-
Total revenues	<u>78,167</u>	<u>56,309</u>	<u>134,476</u>
<b>EXPENDITURES</b>			
Current			
General government support			
Other general government support	-	358	358
Economic opportunity and development	28,811	-	28,811
Debt service			
Principal	11,971	-	11,971
Interest	<u>4,704</u>	<u>-</u>	<u>4,704</u>
Total expenditures	<u>45,486</u>	<u>358</u>	<u>45,844</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers out	<u>-</u>	<u>(49,503)</u>	<u>(49,503)</u>
<b>Net change in fund balances</b>	<b>32,681</b>	<b>6,448</b>	<b>39,129</b>
<b>FUND BALANCE, beginning of year</b>	<b>216,823</b>	<b>43,753</b>	<b>260,576</b>
<b>FUND BALANCE, beginning of year as restated</b>	<u>216,823</u>	<u>43,753</u>	<u>260,576</u>
<b>FUND BALANCE, end of year</b>	<u><b>\$ 249,504</b></u>	<u><b>\$ 50,201</b></u>	<u><b>\$ 299,705</b></u>