

OFFICIAL STATEMENT

NEW ISSUE

RATING: Moody's "A1 with Negative Outlook" (UNINSURED)

SERIAL BONDS

(See "RATING" herein)

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings; and subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. No opinion is expressed regarding other tax consequences arising with respect to the Bonds.

The City will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

\$8,469,600

CITY of SARATOGA SPRINGS

SARATOGA COUNTY, NEW YORK

GENERAL OBLIGATIONS

\$8,469,600 Public Improvement (Serial) Bonds, 2006

CUSIP #: 803531

Dated: April 1, 2006

Due: April 1, 2007-2035

MATURITIES

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>
2007	\$ 144,600	4.250%	NRO	JC7	2017	\$ 225,000*	4.250%	NRO	JN3	2027	\$ 360,000*	4.250%	NRO	JY9
2008	155,000	4.250	NRO	JD5	2018	235,000*	4.250	NRO	JP8	2028	380,000*	4.250	NRO	JZ6
2009	160,000	4.250	NRO	JE3	2019	245,000*	4.250	NRO	JQ6	2029	395,000*	4.250	NRO	KA9
2010	165,000	4.250	NRO	JF0	2020	255,000*	4.250	NRO	JR4	2030	415,000*	4.250	NRO	KB7
2011	170,000	4.250	NRO	JG8	2021	270,000*	4.250	NRO	JS2	2031	430,000*	4.250	NRO	KC5
2012	180,000	4.250	NRO	JH6	2022	285,000*	4.250	NRO	JT0	2032	450,000*	4.250	NRO	KD3
2013	190,000	4.250	NRO	JJ2	2023	295,000*	4.250	NRO	JU7	2033	470,000*	4.250	NRO	KE1
2014	195,000	4.250	NRO	JK9	2024	310,000*	4.250	NRO	JV5	2034	490,000*	4.250	NRO	KF8
2015	205,000	4.250	NRO	JL7	2025	325,000*	4.250	NRO	JW3	2035	510,000*	4.250	NRO	KG6
2016	215,000	* 4.250	NRO	JM5	2026	345,000*	4.250	NRO	JX1					

* The Bonds maturing in the years 2016 to 2035 are subject to redemption prior to maturity as described herein under the heading "Optional Redemption."

The Bonds are general obligations of the City of Saratoga Springs, Saratoga County, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount.

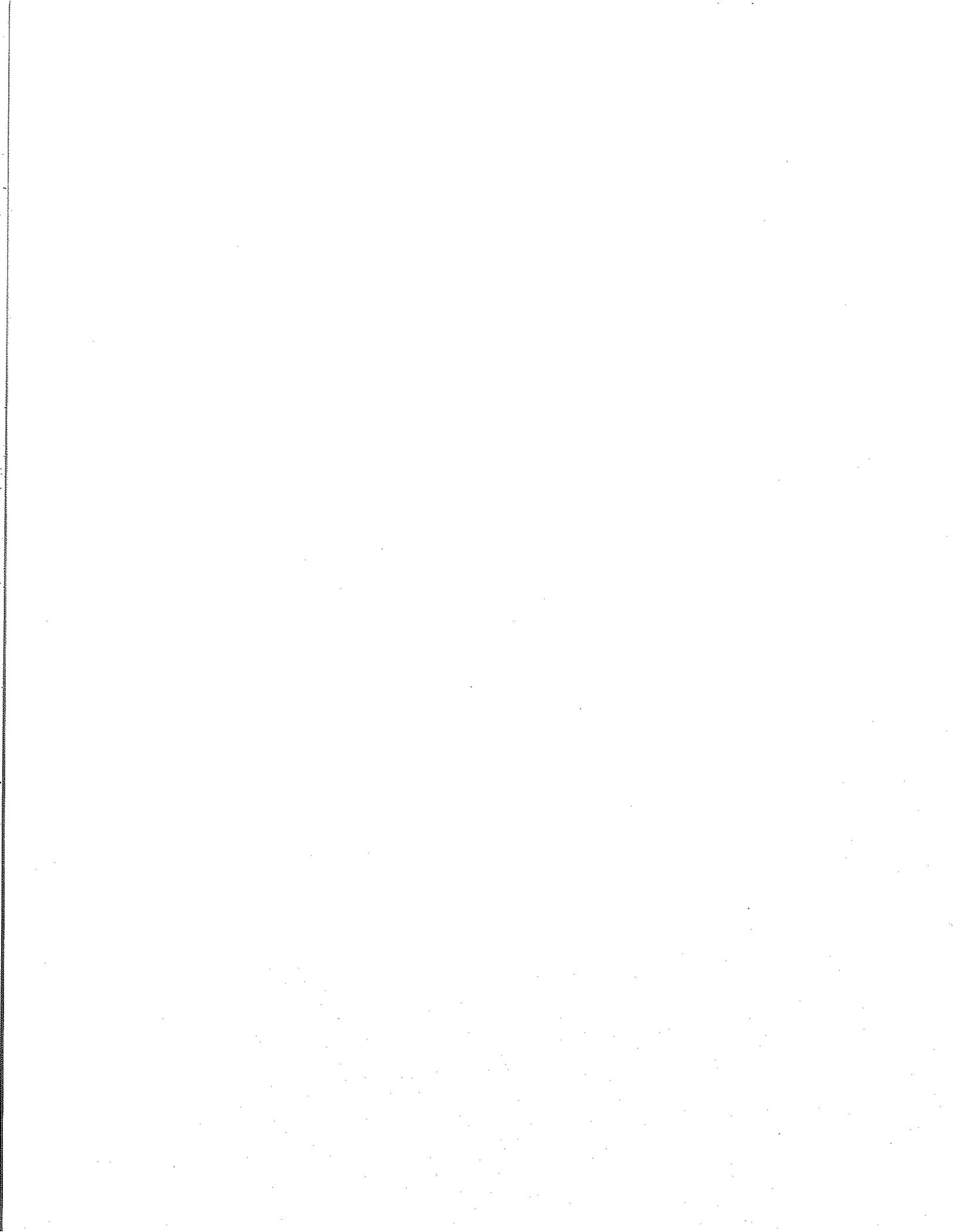
The Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof, except for one necessary odd denomination maturing April 1, 2007. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable October 1, 2006 and semi-annually thereafter on April 1 and October 1 in each year until maturity. Principal and interest will be paid by the City to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. See "Book-Entry-Only System" herein.

The Bonds are offered and received by the purchaser and subject to the receipt of the unqualified legal opinion as to the validity of the Bonds of Walsh & Walsh, LLP, Bond Counsel, of Saratoga Springs, New York. It is anticipated that the Bonds will be available for delivery in New York, New York on or about April 6, 2006.

March 23, 2006

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE CITY DATED MARCH 12, 2006 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12. OTHER THAN AS SET FORTH ON THE REVISED COVER, THE REVISION OF THE "DEBT STATEMENT SUMMARY" SECTION, THE REVISION OF THE "DEBT RATIOS" SECTION, THE REVISION OF THE "CONTINUING DISCLOSURE UNDERTAKING" SECTION AND THE REVISION OF THE "RATING" SECTION, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

THE ADIRONDACK TRUST COMPANY



CITY OFFICIALS

VALERIE KEEHN

Mayor

MATTHEW McCABE

Commissioner of Finance

JOHN P. FRANCK

Commissioner of Accounts
City Clerk

RONALD J. KIM

Commissioner of Public Safety

THOMAS G. McTYGUE

Commissioner of Public Works

MICHAEL J. ENGLERT

City Attorney

FISCAL ADVISORS & MARKETING, INC.

City Financial Advisor

WALSH & WALSH, LLP

Bond Counsel

No person has been authorized by the City of Saratoga Springs to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Saratoga Springs.

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OFFICIAL STATEMENT
of the
CITY of SARATOGA SPRINGS
SARATOGA COUNTY, NEW YORK

Relating To
\$8,469,600 Public Improvement (Serial) Bonds, 2006

This Official Statement, which includes the cover page, has been prepared by the City of Saratoga Springs, Saratoga County, New York (the "City," "County," and "State," respectively), in connection with the sale by the City of \$8,469,600 principal amount of Public Improvement (Serial) Bonds, 2006 (herein, the "Bonds").

The factors affecting the City's financial condition and the Bonds are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the City tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

THE BONDS

Description of the Bonds

The Bonds will be dated April 1, 2006 and will mature in the principal amounts on April 1 in each of the years as shown on the cover page hereof.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000, or integral multiples thereof, except for one necessary odd denomination maturing April 1, 2007. Purchasers will not receive certificates representing their interest in the Bonds.

Interest on the Bonds will be payable October 1, 2006 and semi-annually thereafter on April 1 and October 1, in each year until maturity. Principal and interest will be paid by the City to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the City referred to therein.

Optional Redemption

Bonds maturing on or before April 1, 2015 shall not be subject to redemption prior to maturity. The Bonds maturing on or after April 1, 2016 shall be subject to redemption prior to maturity on not less than thirty (30) days notice as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the City on April 1, 2015 or on any interest payment date thereafter at par, plus accrued interest to the date of redemption at par value.

If less than all of the bonds of any maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by the City by lot in any customary manner of selection as determined by the Commissioner of Finance. Notice of such call for redemption shall be given by mailing such notice to the registered holder not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds and Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Unless otherwise noted, the information contained in the preceding paragraphs of this subsection, "Book-Entry-Only System," has been supplied by DTC. The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Source: The Depository Trust Company.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity, except for one necessary odd denomination maturing April 1, 2007. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the City upon termination of the book-entry-only system. Interest on the Bonds will be payable on October 1, 2006 and semi-annually thereafter on April 1 and October 1 in each year to maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the fifteenth day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Certificate of Determination of the Commissioner of Finance authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

Purposes of Issue

The Bonds are issued pursuant to the Constitution and Statutes of the State of New York, including among others, the General City Law and the Local Finance Law, the City Charter and bond resolutions duly adopted by the City Council on September 16, 2003, August 16, 2005, and February 7, 2006 for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Multi Purpose Recreation Facility	\$ 1,865,000
Geyser Park Lights	49,000
Geyser Park Sprinklers	15,000
Skate Park Continued Replacement	45,000
Police Department Floor Replaced	10,000
Police Department Bathroom Renovation	15,000
Jail Cell Renovation	50,000
Police Department Electrical Repair	40,000
Interlaken Water System	410,000
Dump Truck	120,000
Sweeper	160,000
Arts Council Building	60,000
Casino Exterior	250,000
South East Storm Sewer	100,000
Excelsior Culvert	225,000
Maple Avenue Storm Sewer	175,000
South Broadway Water Line	200,000
Building Upgrade Station 2 Fire House	105,000
Open Space	3,172,000
Interlaken Water System – Engineer Consultant	78,600
Water Treatment Plant Disinfection System	1,300,000
Excelsior Culvert – Engineer Consultant	<u>25,000</u>
Total	\$ 8,469,600

THE CITY

General Information

The City, with a land area of 28.4 square miles, is situated in the eastern portion of upstate New York, approximately 30 miles north of the City of Albany. It is approximately equidistant (200 miles) from the Cities of New York and Montreal, Canada. The resort area of Lake George is approximately 20 miles north of the City.

The City has traditionally been a prime summer resort community due to the influx of tourists to the Saratoga Race Track and the Saratoga Performing Arts Center. The City has two colleges, Skidmore College and Empire State College and has experienced considerable retail and commercial growth in recent years. See "Recent Development Activity", herein.

Air transportation is provided by the Glens Falls and Albany International Airports. Passenger rail service is available on the Amtrak New York-Montreal line and freight service is provided by the Delaware and Hudson Railroad. Major highways in, and in close proximity to, the City include Interstate Route #87 (The Northway), U. S. Route 9 and New York State Route 29. Both I-87 and U.S. 9 connect the City with Montreal and Albany, where access to The New York State Thruway is available.

Major Employers

Some of the major employers located within the City are as follows:

<u>Name of Employer</u>	<u>Type of Business</u>	<u>Number Employed</u>
Saratoga Springs City School District	Public School System	988
Quad Graphics	Manufacturing	825
Saratoga Hospital	Health Services	823
Skidmore College	Higher Education	713
Wesley Health Care	Health Services	356
New Country Motor Car Group	Retail	350
City of Saratoga Springs	Municipal Services	328
Four Winds -- Saratoga	Health Services	315
Ball Corporation	Manufacturing	230
Espey Manufacturing & Electronics Company	Manufacturing	200
Ellsworth Ice Cream	Wholesale Ice Cream	200

Population Trends

	<u>City of Saratoga Springs</u>	<u>Saratoga County</u>	<u>New York State</u>
1970	18,845	121,764	18,236,882
1980	23,906	153,759	17,558,072
1990	25,001	181,276	17,990,455
2000	26,186	200,635	18,976,457
2004	27,686	212,706	19,254,630

Source: U.S. Census.

Banking Facilities

The City is served by numerous commercial and savings banks. These include The Adirondack Trust Company, NBT Bank, N.A., Bank of America, N.A., Saratoga National Bank and Trust Company, HSBC Bank USA, Trustco Bank, First National Bank of Scotia and Charter One Bank.

Recent Development Activity

Over the past four years the City has continued to experience significant new construction and rehabilitation of businesses within the City. New construction of commercial buildings that have been completed include:

<u>Name</u>	<u>Type of Business</u>	<u>Type of Development</u>	<u>Estimated Value</u>
Boarding School	Education	Addition	\$ 2,500,000
City National Bank	Bank	New Construction	1,500,000
CVS Pharmacy	Retail	New Construction	1,000,000
Unlimited Potential	Manufacturing/Office	New Construction	900,000
Great American Bicycle Co.	Manufacturing	New Construction	700,000
Slack Chemical Warehouse	Warehouse	New Construction	700,000
Longfellows Inn	Inn/Lodging	Rehabilitation	600,000
Grande Storage Facility	Self Storage Facility	Extension	400,000
Adirondack Motel	Motel/Lodging	Addition	200,000
Saratoga Gaming & Raceway	Race Track/Club House	Addition/Rehabilitation	13,000,000
Congress Park Centre Bldg. 2	Retail & Residential	New Construction	3,000,000
Ryder Truck Facility	Truck Repair Facility	New Construction	800,000
Plaza 15 Mini Storage	Self Storage Facility	New Construction	200,000
Franklin Square Dev. Phase II	Retail, Office, Residential	New Construction	5,000,000
Marriott Courtyard Hotel	Hotel/Lodging	New Construction	16,000,000
Congress Park Centre Bldg. 3	Retail & Office	New Construction	11,000,000
Saratoga School Bus Garage	Bus Garage	New Construction	8,000,000
Train Station	Railroad	New Construction	4,500,000
Saratoga Arms	Commercial	Addition	1,000,000
Saratoga Independent School	Education	New Construction	600,000
Empire State College Franklin Square	Education	Rehabilitation	3,500,000
Phase III	Retail & Residential	New Construction	19,900,000
The Mill--Phase 2A	Office	Addition	700,000
Playmore Farms Inn	Inn/Lodging	Additions	900,000
Saratoga Hospital Radiation Therapy Center	Hospital	Addition	1,600,000
Franklin Square Phase IV	Retail & Residential	New Construction	34,000,000
Marriott Residency Inn	Hotel	New Construction	5,000,000
Downtown Parking Deck	Parking	New Construction	<u>2,570,000</u>
		TOTAL	\$ 139,770,000

New construction of commercial buildings that are under construction include:

<u>Name</u>	<u>Type of Business</u>	<u>Type of Development</u>	<u>Estimated Value</u>
Preservation Hall	Commercial	Addition	\$ 3,000,000
Spa Storage	Self Storage Facility	New Construction	5,000,000
Office Building	Medical/Professional	New Construction	5,500,000
Skidmore College Dormitories	Education/Housing	New Construction	22,700,000
Adirondack Trust Company	Retail/Office	New Construction	3,400,000
East Ave. Project	Office	New Construction	2,500,000
Empire State College	Education	Addition	10,000,000
Saratoga Hotel	Hotel/Conference Center	Rehabilitation	<u>11,000,000</u>
		TOTAL	\$ 63,100,000

New construction of retail and office buildings that are planned, but not approved at this time include:

<u>Name</u>	<u>Type of Business</u>	<u>Type of Development</u>	<u>Estimated Value</u>
Allerdice Mixed Use Project	Retail/Office/Residential	New Construction	\$ 7,000,000
Saratoga Springs City Center	Commercial	Addition	17,000,000
Saratoga Parking & Banquet	Retail/Restaurant/Parking	New Construction	10,000,000
The Schuyler at Saratoga	Office/Residential	New Construction	100,000,000
Saratoga Indoor Recreation Center	Indoor Recreation	New Construction	2,000,000
Saratoga Gaming & Raceway	Hotel Conference Center	New Construction	<u>20,000,000</u>
		TOTAL	\$ 156,000,000

New Construction of commercial buildings that are approved include:

<u>Name</u>	<u>Type of Business</u>	<u>Type of Development</u>	<u>Estimated Value</u>
Lofts at 54 Phila	Retail/Residential	New Construction	\$ 6,200,000
Holiday Inn	Hotel/Lodging	Addition	1,300,000
Excelsior Park Phase 1A	Office/Retail	New Construction	4,000,000
The Lexington Club Hotel	Hotel/Lodging	Addition	30,000,000
YMCA	Indoor Recreation	New Construction	10,000,000
Weibel Avenue Mixed Use Project	Retail/Office	New Construction	13,000,000
Stewarts' Mixed Use Project	Office/Residential	New Construction	7,200,000
Hampton Inn	Hotel/Office/Retail/Residential	New Construction	15,000,000
Saratoga Rowing Boat House	Recreation	New Construction	700,000
Franklin Square Phase V	Retail/Office/Residential	New Construction	30,000,000

<u>Name</u>	<u>Type of Business</u>	<u>Type of Development</u>	<u>Estimated Value</u>
Congress Park Centre Bldg. 5	Retail/Office/Residential	New Construction	20,000,000
Kelleher Office Building	Office	New Construction	1,700,000
Canfield Medical Arts	Office	New Construction	<u>2,500,000</u>
	TOTAL		\$ 141,600,000

Over the past four years the City has also continued to experience significant residential development within the City. In the past four years the City has issued 848 building permits (420 single-family units and 428 multi-family units) for new residential units. The City also has approximately 680 new residential units (300 single-family units and 380 multi-family units) recently approved or in the planning process, but not yet under construction.

Form of City Government

The governing body (City Council) of the City is composed of an elected mayor and four Commissioners. The Mayor and all Commissioners are elected for a term of two years at elections held every odd numbered year and serve from the following January 1. Each Commissioner is the head of one of the four departments of the City government. The four departments are Finance, Public Works, Public Safety and Accounts.

Financial Organization

The Commissioner of Finance is the chief fiscal officer of the City whose responsibility it is to receive, disburse and account for all financial transactions of the City. All financial accounting and cash flow procedures are computerized.

Budgetary Procedures

The Mayor and the Commissioners present their budget for the following fiscal year to the Commissioner of Finance on or before September 15 each year. The Commissioner of Finance then prepares a comprehensive budget for the forthcoming year and submits it to the City Council at the first regularly scheduled meeting of the Council in October each year. After receiving the proposed budget, the City Council shall publish in the Official City newspaper a summary of the budget and a notice stating the times and places where copies of the budget message and comprehensive budget are available for inspection by the public and the time and place, not less than one week after such publication, for at least two public hearings on the proposed budgets, the first of which shall be held on or before November 1. The summary and notice shall be placed on file at the City Clerk's office to be available for public review. The Council, at a regular or special meeting held after the second public hearing but not later than the 30th day of November shall by resolution adopt, or amend and adopt, the budget, which budget when adopted shall thereupon become the annual budget of the City for the ensuing fiscal year. During the year, several supplementary appropriations by resolution are necessary.

Investment Policy

Pursuant to the statutes of the State of New York, the City is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the City; (6) obligations of a New York public corporation which are made lawful investments by the City pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of City moneys held in certain reserve funds established pursuant to law, obligations issued by the City. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the City's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the City may also purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities be delivered to a third party custodian bank or trust company.

State Aid

The City receives financial assistance from the State. In its proposed budget for the current fiscal year, approximately 11.32% of the revenues of the City are estimated to be received in the form of State aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities in the State, including the City, in any year, the City may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, in any year municipalities and cities in the State, including the City, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the City. No assurance can be given that present State aid levels will be maintained in the future. In view of the State's continuing budget problems, future State aid reductions are likely. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the City requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures (See also "MARKET AND RISK FACTORS").

Employees

The City provides services through approximately 328 full-time employees. The bargaining units, approximate number of members and contract expiration dates are as follows:

Bargaining Unit	Number of Members ⁽¹⁾	Contract Expiration Date
Fire Department	54	12/31/06
Fire Chiefs	2	12/31/03 ⁽²⁾
PBA	64	12/31/05 ⁽²⁾
Police Lieutenants	4	12/31/05 ⁽²⁾
Police Chiefs	3	12/31/05 ⁽²⁾
CSEA City Hall	97	12/31/08
CSEA DPW	89	12/31/08

⁽¹⁾ As of December 31, 2005.
⁽²⁾ Currently under negotiation.

Pension Payments

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"; with ERS, the "Retirement Systems"). The ERS and PFRS together are generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute 3% of gross annual salary toward the cost of retirement programs.

The City has budgeted \$1,507,309 for PFRS and \$1,003,244 for ERS in 2006. For the four years 2001 through 2004, the City's contributions to the ERS and PFRS together were: \$89,917, \$107,623, \$656,344 and \$2,509,139, respectively. For 2005 the City did not budget for a retirement system payment. The City decided to make the 2005-06 contribution from the 2006 budget. The 2005-06 PFRS payment was \$1,505,895 and the ERS payment was \$1,003,244.

In the state of New York, historically there has been a state mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement Systems in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became under funded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for the ERS and PFRS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS and PFRS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year will be based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

On July 30, 2004, Governor Pataki signed into law Chapter 260 of the Laws of 2004 ("Chapter 260"). Chapter 260 contains three components which alter the way municipalities and school districts contribute to the state pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to the effective date of the provisions of Chapter 260, the annual retirement bill sent to municipalities and school districts from the state has reflected pension payments due between April 1 and March 31, consistent with the state fiscal year.

Chapter 260 provides for the following changes:

- **Contribution Payment Date Change:** The law changes the date on which local pension contributions are due to the state. Effective immediately, the annual required contribution is due Feb. 1 annually instead of Dec. 15. As a result, no payment will be due in calendar year 2004. With many municipalities (but no school districts except those whose pension payments are made through the related city, such as Buffalo, Rochester, Syracuse and Yonkers) in the state on a calendar fiscal year end, this adjustment provides a significant one-time benefit for fiscal 2004, allowing certain municipalities to use 2004 resources otherwise meant for pension expenditures for other budgeting purposes or to add to fund balance.
- **Pension Cost Amortization-Extension of Payout Period:** The law also extends the ability of municipalities to amortize a portion of the current year pension cost over a period of 10 years, extending the term from five years as authorized under the 2003 Chapter 49 legislation. Municipalities can amortize, either directly through the state retirement system at a fixed interest rate annually determined by the state comptroller or through the capital markets, pension payments in excess of 7% of eligible payroll in 2005, 9.5% in 2006, and 10.5% in 2007.
- **Pension Contributions Reserve Fund:** The law creates special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

The one unclear aspect of Chapter 260 is the accounting treatment of the payment date change. The basic issue is whether or not a portion or all of the payment due on Feb. 1, 2005 should be accrued as a liability on the 2004 balance sheet. Among municipalities, approaches on how best to handle this question have varied to date. Some are choosing to take advantage of the reserve fund authorization and plan to set aside the full pension accrual on the balance sheet in fiscal 2004 and appropriate those resources for the Feb. 1, 2005 payment date ("Approach One"). Others have decided to take the full benefit for fiscal 2004 by not including any pension liability in 2004 and including the Feb. 1, 2005 payment as an appropriation in the 2005 budget to be funded from 2005 resources ("Approach Two"). Finally, some plan to accrue 75% of the pension liability in 2004 (consistent with salaries accrued during the three quarters starting April 1, the starting date of the retirement system billing period, and a Dec. 31 local government fiscal year end) and defer the remaining 25% to 2005 ("Approach Three").

GASB has recently released an Exposure Draft of a Technical Bulletin (No. 2005-X) in order to clarify the standards for recognition of governmental fund liabilities and expenditures related to post employment benefits (pensions as well as other post employment benefits).

GASB intends to issue a final Technical Bulletin by the end of this year, to be effective for financial statements issued after December 31, 2004. In effect, if adopted in its present form, pension costs accrued in 2004 will be counted as 2004 expenses. The State Comptroller has provided, in a memorandum to local government officials dated October 19, 2004, advice that local governments are "allowed to have a budget that is independent of their modified accrual fund financial statements". In this approach the State Comptroller advises that a government "will accrue the pension cost on its financial statements but will not show it as a cost on its budget".

State Comptroller Alan Hevesi has announced that employer contribution rates for ERS and PFRS for the payments due February 1, 2006 will be 10.7% and 15.0% of eligible payroll respectively. Comptroller Hevesi also announced that the amortization rate for 2005 is 5% for those employers choosing to amortize through ERS, any portion of the 2005 bill in excess of 7% of eligible payroll. The first of 10 installments would be due with the February 2006 payments.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the City's employees is not subject to the direction of the City. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the City, which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

It should also be noted that the City provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that will require governmental entities, such as the City, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting. Although GASB 45 encourages earlier adoption, implementation is required by the following dates, based on the size of government measured by annual revenue:

Annual Revenue	Effective for Fiscal Year Ending After:
Greater than \$100 million	December 15, 2006
Between \$10 million and \$100 million	December 15, 2007
Less than \$10 million	December 15, 2008

School districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. This protection from unilateral reduction of benefits has been extended annually and continued through May 15, 2006 pursuant to Chapter 16 of the Laws of 2006. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 will require municipalities and school districts account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The City expects to be in compliance with the requirements of GASB 45 by or before the applicable effective date.

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

Unemployment Rate Statistics

Unemployment statistics are not available for the City as such. The smallest area for which such statistics are available (which includes the City) is Saratoga County. The information set forth below with respect to Saratoga County is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that Saratoga County is necessarily representative of the City, or vice versa.

	<u>Annual Average</u>						
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Saratoga County	3.3%	3.3%	2.9%	3.4%	3.6%	3.8%	N/A
New York State	5.2%	4.6%	4.9%	6.1%	6.4%	5.8%	N/A

	<u>Monthly Figures</u>											
	<u>2005</u>					<u>2006</u>						
	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>
Saratoga County	4.2%	4.1%	3.3%	3.4%	3.6%	3.1%	3.6%	3.1%	3.7%	3.6%	3.8%	N/A
New York State	4.9%	4.7%	4.8%	4.7%	5.2%	4.6%	5.1%	4.6%	5.3%	5.0%	5.2%	N/A

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose for which the Bonds are to be issued is the City Charter and the Local Finance Law.

No principal or interest upon any obligation of the City is past due.

The fiscal year of the City is the calendar year.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the City.

Financial Statements

The City retains an independent certified public accountant firm for a continuous independent audit of all financial transactions of the City. The last such available final audit covers the fiscal year ending December 31, 2004 and may be found attached hereto as appendices to this Official Statement. The financial affairs of the City are also subject to annual audits by the State Comptroller. Certain financial information of the City may be found in the Appendices to this Official Statement.

The City complies with the Uniform System of Accounts as prescribed for cities in New York State by the State Comptroller. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending December 31, 2003 the City is required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis.

TAX INFORMATION

Valuations

Fiscal Years Ending December 31:	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Assessed Valuation	\$ 1,452,282,874	\$ 1,494,612,419	\$ 1,528,588,725	\$ 2,575,882,013	\$ 2,790,688,218
New York State Equalization Rate	93.77%	88.06%	78.00%	100.00%	100.00%
Full Valuation	\$ 1,548,771,328	\$ 1,697,265,977	\$ 1,959,729,135	\$ 2,575,882,013	\$ 2,790,688,218

Tax Rate Per \$1,000 (Assessed)

Fiscal Years Ending December 31:	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Inside Area	\$ 27.37	\$ 29.85	\$ 32.08	\$ 5.11	\$ 4.25
Outside Area	28.16	29.72	31.93	5.08	4.23

Tax Levy and Collection Record

Fiscal Years Ending December 31:	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total Tax Levy	\$ 11,544,264	\$ 13,175,978	\$ 13,276,073	\$ 17,343,078	\$ 22,162,251	\$ 20,619,595
Uncollected End of Year	416,776	411,133	513,901	1,111,400	1,437,235	N/A
% Uncollected	3.61%	3.12%	3.87%	6.40%	6.50%	N/A

Tax Collection Procedure

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.

County due dates are the same as City and are collected on one bill. Interest is added on City and County at a rate of 6%, the day after the due date for each quarter. It increases at a rate of 1.5% until it caps at 15%. A discount of 2.25% is offered to taxpayers paying the full year of City and County on or before March 1.

On October 1st of each year, the City enforces the payment of all taxes and assessments (i.e., County, City, School) by tax sale.

The City only counts as tax revenue that part of total taxes and tax sales collected prior to March 1st of the ensuing year. Uncollected taxes, including tax sale receivables and property acquired for taxes, are fully reserved by deferred revenues and an allowance for doubtful receivables.

Larger Taxpayers - 2005 Assessment Roll for 2006

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
NYRA	Race Track	\$ 57,175,000
National Grid	Utility	34,705,753
Quad Graphics	Manufacturing	27,000,000
Prime Hotel	Hotel/Lodging	22,121,960
Saratoga Harness	Race Track	15,876,300
Eton Centers	Apt./Retail	15,702,120
Galileo Northeast, LLC	Retail	14,828,600
Ball Manufacturing	Manufacturing	14,365,000 ⁽¹⁾
Spa Hotel, LLC	Hotel	14,040,000
Verizon	Utility	13,441,945

The ten largest taxpayers listed above have a total assessed valuation of \$229,256,678 which represents 8.22% of the City's tax base.

⁽¹⁾ Filed Tax Certiorari Claim seeking a \$6,365,000 reduction for the 2004 and 2005 tax years. No decision has been made as of the time of this Official Statement.

Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending December 31:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Five-Year Average Full Valuation.....	\$ 1,624,007,700	\$ 1,839,388,985	\$ 2,114,467,334
Tax Limit - 2% of Five Year Average	32,480,154	36,787,780	42,289,347
Add: Exclusions From Tax Limit	<u>7,500,460</u>	<u>6,886,091</u>	<u>0</u>
Total Taxing Power	\$ 39,980,614	\$ 43,673,871	\$ 42,289,347
Less Total Levy	<u>10,823,939</u>	<u>11,764,991</u>	<u>13,171,432</u>
Tax Margin	<u>\$ 29,156,675</u>	<u>\$ 31,908,880</u>	<u>\$ 29,117,915</u>

CITY INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the City (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the City and the Bonds include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the City shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is utilized, no installment may be more than fifty per centum in excess of the smallest prior installment. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

The City Charter requires approval by voter referendum when long term bonding exceeds 1% of the average full valuation of taxable real estate of the City. The debt limit at 1%, as imposed by the City at December 31, 2006 was \$21,144,673.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the City to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the City Charter and the General Municipal Law.

Pursuant to the Local Finance Law and its Charter, the City authorizes the issuance of Bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the City Council, the finance board of the City. Customarily, the City Council has delegated to the Commissioner of Finance, as chief fiscal officer of the City, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication, or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the City complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement. The City has complied with this estoppel procedure in connection with the issuance of the Bonds.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. The City has authorized bonds for a variety of City objects or purposes.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein).

In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

Fiscal Years Ending December 31:	2001	2002	2003	2004	2005
Bonds	\$ 9,315,000	\$ 10,813,865	\$ 10,075,000	\$ 13,273,279	\$ 16,927,465
Bond Anticipation Notes	366,343	0	0	0	2,678,600
Other Debt ⁽¹⁾	0	0	0	3,000,000	0
Totals	\$ 9,681,343	\$ 10,813,865	\$ 10,075,000	\$ 16,273,279	\$ 19,606,065

(1) Represents Tax Anticipation Notes and/or Revenue Anticipation Notes.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City as of March 8, 2006.

	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2006-2035	\$ 16,594,186
<u>Bond Anticipation Notes</u>		
Open Space	July 20, 2006	\$ 1,170,000
Interlaken Water System - Engineer Consultant	July 20, 2006	78,600
Water Treatment Plant Disinfection System	July 20, 2006	1,300,000
Excelsior Culvert – Engineer Consultant	July 20, 2006	25,000
Building Upgrade Station 2 Fire House	July 20, 2006	105,000
<u>Tax Anticipation Notes</u>	March 27, 2006	\$ 1,000,000
	Total Indebtedness	\$ 20,272,786

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin shown on a Debt Statement prepared as of March 8, 2006:

Five-Year Average Full Valuation of Taxable Real Property	\$ 2,114,467,334
Debt Limit - 7% thereof ⁽¹⁾	148,012,713

Inclusions:

Bonds	\$ 16,594,184
Bond Anticipation Notes	2,678,600
Total Inclusions	\$ 19,272,784

Exclusions:

Sewer Debt ⁽²⁾	\$ 319,000
Water Debt ⁽³⁾	3,646,024
Appropriations	327,981
Total Exclusions	\$ 4,293,005

Total Net Indebtedness Subject to Debt Limit..... **\$ 14,979,779**

Net Debt-Contracting Margin..... **\$ 133,032,934**

The percent of debt contracting power exhausted is..... 10.1%

Note: The issuance of the Bonds will increase the net indebtedness of the City by \$5,181,000.

(1) The City Charter requires approval by voter referendum when long term bonding exceeds 1% of the average full valuation of taxable real estate of the City. The debt limit at 1%, as imposed by the City at December 31, 2006 was \$21,144,673.

(2) Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law.

(3) Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.

Other Obligations

The City has entered into various lease agreements. On December 15, 2002 the City entered into a lease agreement for \$3,901 for the lease of a copier. The City makes monthly payments of \$162.01. As of December 31, 2005 \$1,198.44 remained outstanding against this lease. On April 6, 2004 and April 16, 2004 the City entered into lease agreements for \$10,188 for (1) one police vehicle and \$91,692 for nine (9) police vehicles, respectively. The City makes monthly payments of \$283 and \$283 respectively. As of December 31, 2005 \$3,962 and \$38,205, respectively, remained outstanding against these leases. On September 10, 2004 the City entered into a lease agreement for \$154,195 for the lease of heavy equipment. The City makes annual payments of \$50,121.69. As of December 31, 2005 \$47,081.25 remained outstanding against this lease.

Bonded Debt Service

A schedule of Bonded Debt Service, including principal of the Bonds, may be found in the Appendices to this Official Statement.

Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. Estimated bonds and bond anticipation notes are listed as of the close of the last fiscal year of the respective municipalities, adjusted to include subsequent bond issues.

Unit	Outstanding Indebtedness	Exclusions ⁽¹⁾	Net Indebtedness	Approximate % Applicable	Overlapping Indebtedness
County of Saratoga	\$ 18,955,000	\$ 1,175,000 ⁽²⁾	\$ 17,780,000	14.16%	\$ 2,517,648
City School District of the City of Saratoga Springs	84,628,142	59,661,994 ⁽³⁾	24,966,148	60.25%	<u>15,042,104</u>
					<u>\$ 17,559,752</u>

⁽¹⁾ Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.

⁽²⁾ Appropriations.

⁽³⁾ Estimated State Building aid.

Source: New York State Office of the State Comptroller.

Debt Ratios

The following table sets forth certain ratios related to the City's indebtedness as of March 8, 2006:

	Amount of Indebtedness	Per Capita ^(a)	Percentage of Full Valuation ^(b)
Gross Direct Indebtedness ^(c)	\$ 19,272,784	\$ 696.12	0.91%
Net Direct Indebtedness ^(c)	14,979,779	541.06	0.71%
Gross Direct Plus Net Overlapping Indebtedness ^(d)	36,832,536	1,330.37	1.74%
Net Direct Plus Net Overlapping Indebtedness ^(d)	32,539,531	1,175.31	1.54%

Note: ^(a) The City's 2004 population is 27,686. (See "Population Trends" herein.)

^(b) The City's five year average full valuation of taxable real estate is \$2,114,467,334. (See "Valuations, Rates and Tax Levies" herein.)

^(c) See "Debt Statement Summary" herein.

^(d) The City's applicable share of net overlapping indebtedness is \$17,559,752. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal or of interest on the Bonds.

In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any County, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule"), as the same may be amended or officially interpreted from time to time, promulgated by the Securities and Exchange Commission (the "Commission"), the City has agreed to provide, or cause to be provided,

- (i) during any succeeding fiscal year in which the Bonds are outstanding, to each nationally recognized municipal securities information repository ("NRMSIR") designated by the Commission in accordance with the Rule, and to the New York State information depository, if New York State creates a depository ("SID"), certain annual financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced under the headings "The City", "Tax Information", "City Indebtedness", "Litigation" and all Appendices and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of audit) for the preceding fiscal year, if any; such information, data and audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if audited financial statements are prepared, sixty days following receipt by the City of audited financial statements for the preceding fiscal year, but, in no event, not later than the last business day of each such succeeding fiscal year.

- (ii) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, notice of the occurrence of any of the following events with respect to the Bonds, if such event is material:
 - (a) principal and interest payment delinquencies
 - (b) non-payment related defaults
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties
 - (d) unscheduled draws on credit enhancements reflecting financial difficulties
 - (e) substitution of credit or liquidity providers, or their failure to perform
 - (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds
 - (g) modifications to rights of Bondholders
 - (h) bond calls
 - (i) defeasances
 - (j) release, substitution, or sale of property securing repayment of the Bonds
 - (k) rating changes

The City may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above, if the City determines that any such other event is material with respect to the Bonds; but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

- (iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, notice of its failure to provide the City aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The City reserves the right to terminate its obligations to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, and notices of material events, as set forth above, if and when the City no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The City acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City's obligations under its continuing disclosure undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds to recover monetary damages.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that, the City agrees that any such modification will be done in a manner consistent with the Rule.

The City is in compliance with all prior undertakings pursuant to the rule. However, the City's Continuing Disclosure Filing for the Fiscal Years Ending December 31, 2002 and 2003 were not done within six months after the end of each respective fiscal year. All subsequent filings have been made within a timely manner. As of the date of this Official Statement all required filings have been made to the appropriate repositories.

An undertaking to provide continuing disclosure as described above will be provided to the purchaser at closing.

MARKET AND RISK FACTORS

The financial condition of the City as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or any of their respective agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in this year or future years, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. While no delay in State aid is anticipated this fiscal year, in several recent years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

TAX EXEMPTION

In the opinion of Walsh & Walsh, LLP, Saratoga Springs, New York, Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings.

The opinion described above is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions on the investment and use of proceeds of the Bonds and certain requirements to rebate arbitrage earnings from the investment of proceeds of the Bonds to the federal government. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance, regardless of when such noncompliance occurs. The City will covenant in its arbitrage and use of proceeds certificate with respect to the Bonds to comply with certain procedures and guidelines designed to assure satisfaction of the continuing requirements of the Code.

Bond Counsel is further of the opinion that, under existing law, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

The Bonds are being designated by the City as "qualified tax-exempt obligations" pursuant to the provisions of Section 265 (b) (3) of the Code. The City will represent in its arbitrage and use of proceeds certificate that (1) the City does not reasonably anticipate that the amount of tax-exempt obligations (within the meaning of Section 265 (b) (3) (C) of the Code) to be issued by the City (and any subordinate entities) in calendar year 2006 will exceed \$10,000,000, and (2) the amount of "qualified tax-exempt obligations" issued by the City (and any subordinate entities) during the current calendar year does not as of this date, and including this issue, exceed \$10,000,000.

Prospective owners of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds and, for taxable years beginning after December 31, 1995, taxpayers who are otherwise eligible for the earned income credit.

PROSPECTIVE OWNERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO ANY POSSIBLE COLLATERAL TAX CONSEQUENCES RESULTING FROM THEIR OWNERSHIP OF THE BONDS. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY SUCH CONSEQUENCES.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds. Legislation affecting municipal bonds currently is being considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

Legal matters incident to the authorization, issuance and sale of the Bonds will be covered by the final approving opinion of Walsh & Walsh, LLP, Saratoga Springs, New York, Bond Counsel. Copies of such opinion will be available at the time of delivery of the Bonds. Such legal opinion will state that, under existing law, (1) the Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the City, for the payment of which the City has validly pledged its faith and credit, and all the taxable real property within the boundaries of the City is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to the rate or amount, and (2) interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings; and subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Such opinion shall also contain further statements to the effect that (a) the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting creditors' rights generally enacted before or after the date of such opinion, and by equitable principles, whether considered at law or in equity, (b) the scope of its engagement as Bond Counsel in relation to the issuance of the Bonds has extended solely to rendering the opinions described herein, and such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the City, together with other legally available sources of revenue, if any, will be sufficient to enable the City to pay the principal of or interest on the Bonds as the same respectively become due and payable, and (c) it has not examined, reviewed or passed upon the accuracy, completeness or fairness of any factual information which may have been furnished to the purchaser of the Bonds by or on behalf of the City, and, accordingly, Bond Counsel expresses no opinion as to whether the City, in connection with the sale of the Bonds, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. The City does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the City.

RATING

Moody's Investors Service, Inc. has assigned its municipal bond rating of "A1 with Negative Outlook" to the Bonds. Such rating reflects only the view of such organization, and an explanation of the significance of such rating may be obtained from: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, (212) 553-0300. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn by such rating agency, if in its judgment, circumstances so warrant. A revision or withdrawal of such rating may have an effect on the market price of such Bonds.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The City will act as Paying Agent for the Bonds. The City's contact information is as follows: Commissioner of Finance, City Hall, Saratoga Springs, New York 12866, Phone: (518) 587-3550, ext. 577, Telefax: (518) 580-0781.

CITY of SARATOGA SPRINGS

Dated: March 12, 2006

MATTHEW McCABE
Commissioner of Finance
and Chief Fiscal Officer

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GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2003</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 3,036,651	\$ 3,593,905
Receivables:		
Taxes	0	0
Investments Restricted	17,260	17,260
Other Receivables	1,891,947	1,720,879
Inventory	1,319	0
School District Taxes	0	0
Tax Sale Certificates	0	0
Property Acquired for Taxes	0	0
Assessments	0	0
Due from:		
Other Funds	422,258	1,576,906
Other Governments	1,555,606	1,852,494
State and Local	0	0
Miscellaneous Current Assets	0	0
Prepaid Expenses	0	504,609
TOTAL ASSETS	<u><u>\$ 6,925,041</u></u>	<u><u>\$ 9,266,053</u></u>
<u>LIABILITIES AND FUND EQUITY</u>		
Accounts Payable and Accrued Liabilities	\$ 556,783	\$ 428,878
Notes Payable	0	3,000,000
Due to Other Governments	295,396	341,373
Due to Other Funds	0	0
Deferred Revenue	633,180	593,428
Unpaid Interest and Matured Bonds Payable	0	0
TOTAL LIABILITIES	<u><u>1,485,359</u></u>	<u><u>4,363,679</u></u>
<u>FUND EQUITY</u>		
Reserved	\$ 3,561,527	\$ 3,017,215
Unreserved:		
Appropriated	1,491,624	72,144
Unappropriated	386,531	1,813,015
TOTAL FUND EQUITY	<u><u>5,439,682</u></u>	<u><u>4,902,374</u></u>
TOTAL LIABILITIES and FUND EQUITY	<u><u>\$ 6,925,041</u></u>	<u><u>\$ 9,266,053</u></u>

Source: Audited financial reports of the City. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
REVENUES				
Real Property Taxes and Tax Items	\$ 7,127,815	\$ 7,775,297	\$ 8,349,976	\$ 9,237,989
Non-Property Taxes	9,217,625	9,603,815	8,929,940	8,620,988
Departmental Income	1,271,872	1,643,160	1,537,072	1,543,092
Intergovernmental Charges	136,461	136,541	206,310	179,288
Use of Money & Property	502,207	524,267	382,116	348,991
Licenses and Permits	212,711	168,850	205,998	245,383
Fines and Forfeitures	446,172	762,428	525,246	666,403
Sale of Property and Compensation for Loss	297,211	301,151	596,065	1,400,074
Miscellaneous	98,002	71,806	69,958	35,207
Interfund Revenues	3,846	1,365	1,590	0
Revenues from State Sources	2,353,499	2,494,630	2,882,817	3,312,174
Revenues from Federal Sources	178,943	276,105	173,709	247,402
Total Revenues	\$ 21,846,364	\$ 23,759,415	\$ 23,860,797	\$ 25,836,991
EXPENDITURES				
General Government Support	\$ 3,326,501	\$ 3,735,638	\$ 4,104,376	\$ 5,120,949
Education	0	0	0	0
Public Safety	7,911,560	8,655,666	9,079,127	9,760,553
Health	62,051	65,546	72,026	81,774
Transportation	2,946,745	3,326,726	3,227,659	3,343,451
Economic Assistance and Opportunity	85,080	291,891	96,729	106,740
Culture and Recreation	1,703,830	1,915,720	2,003,781	2,010,763
Home and Community Services	380,107	461,565	563,880	524,505
Employee Benefits	3,840,951	4,230,396	4,672,128	5,551,576
Debt Service	22,925	22,025	26,125	0
Total Expenditures	\$ 20,279,750	\$ 22,705,173	\$ 23,845,831	\$ 26,500,311
Excess of Revenues Over (Under) Expenditures	\$ 1,566,614	\$ 1,054,242	\$ 14,966	(\$ 663,320)
Other Financing Sources (Uses):				
Operating Transfers In	0	0	20,000	5,748
Operating Transfers Out	0	(509,272)	(167,879)	(797,125)
Total Other Financing	0	(509,272)	(147,879)	(791,377)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,566,614	544,970	(132,913)	(1,454,697)
FUND BALANCE				
Fund Balance - Beginning of Year	4,915,708	6,482,322	7,027,292	6,894,379
Prior Period Adjustments (net)	0	0	0	0
Fund Balance - End of Year	\$ 6,482,322	\$ 7,027,292	\$ 6,894,379	\$ 5,439,682

(1) Residual Equity Transfer.

Source: Audited financial reports of the City. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending December 31:

	2004			2005	2006
	Adopted Budget	Modified Budget	Actual	Adopted Budget	Adopted Budget
REVENUES					
Real Property Taxes and Tax Items	\$ 10,569,818	\$ 10,579,871	\$ 10,742,185	\$ 12,719,355	15,224,399
Non-Property Taxes	9,466,620	9,466,620	9,767,976	9,734,120	10,147,145
Departmental Income	1,388,150	1,598,806	1,492,636	1,412,040	1,327,690
Intergovernmental Charges	192,100	196,953	198,774	197,100	246,650
Use of Money & Property	360,000	363,440	368,449	400,000	425,000
Licenses and Permits	248,400	248,400	293,876	275,123	290,950
Fines and Forfeitures	689,000	689,000	561,470	689,000	570,000
Sale of Property and Compensation for Loss	309,300	381,830	361,539	238,250	205,800
Miscellaneous	34,000	86,229	62,764	43,000	32,500
Interfund Revenues	0	0	0	3,400	6,400
Revenues from State Sources	3,197,033	3,282,546	3,477,815	3,129,740	3,656,530
Revenues from Federal Sources	96,100	292,839	365,991	139,677	149,500
Total Revenues	\$ 26,550,521	\$ 27,186,534	\$ 27,693,475	\$ 28,980,805	\$ 32,282,564
EXPENDITURES					
General Government Support	\$ 4,485,385	\$ 5,253,746	\$ 4,727,625	\$ 4,738,619	\$ 4,954,688
Education	0	12,000	10,015	30,000	0
Public Safety	10,538,555	10,989,321	10,405,804	11,153,742	11,906,735
Health	135,150	170,063	31,512	128,550	152,000
Transportation	3,298,619	3,473,465	3,419,293	3,435,151	3,872,209
Economic Assistance and Opportunity	208,650	541,473	132,930	180,583	198,603
Culture and Recreation	2,069,158	2,281,600	2,111,710	2,155,665	2,316,919
Home and Community Services	762,837	882,170	754,997	914,996	918,816
Employee Benefits	7,531,859	6,757,284	6,457,043	5,856,499	7,962,594
Debt Service	0	11,500	3,050	7,000	0
Total Expenditures	\$ 29,030,213	\$ 30,372,622	\$ 28,053,979	\$ 28,600,804	\$ 32,282,564
Excess of Revenues Over (Under) Expenditures	<u>(\$ 2,479,692)</u>	<u>(\$ 3,186,088)</u>	<u>(\$ 360,504)</u>	<u>\$ 380,001</u>	<u>\$ 0</u>
Other Financing Sources (Uses):					
Operating Transfers In	3,400	13,906	10,507	0	
Operating Transfers Out	984,668	1,117,256	(406,902)	380,001	0
Total Other Financing	<u>988,068</u>	<u>1,131,162</u>	<u>(396,395)</u>	<u>(380,001)</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,491,624)</u>	<u>(2,054,926)</u>	<u>(756,899)</u>	<u>(0)</u>	<u>0</u>
FUND BALANCE					
Fund Balance - Beginning of Year	5,439,682	5,439,682	5,439,683	4,902,374	4,902,374
Prior Period Adjustments (net)	0	0	219,590	0	0
Fund Balance - End of Year	<u>\$ 3,948,058</u>	<u>\$ 3,384,756</u>	<u>\$ 4,902,374</u>	<u>\$ 4,902,374</u>	<u>\$ 4,902,374</u>

Source: Audited financial report and budgets of the City. This Appendix is not itself audited.

Changes In Fund Equity

Fiscal Years Ending December 31:	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>WATER FUND</u>					
Fund Equity - Beginning of Year	\$ 931,162	\$ 1,040,118	\$ 1,279,432	\$ 1,780,517	\$ 1,934,525
Prior Period Adjustments (net)	0	0	0	2,027,116	0
Revenues & Other Sources	2,303,779	2,368,163	2,349,349	2,207,528	2,214,049
Expenditures & Other Uses	2,194,823	2,128,849	1,848,264	2,299,169	2,545,005
Fund Equity - End of Year	\$ 1,040,118	\$ 1,279,432	\$ 1,780,517	\$ 3,715,992	\$ 1,603,569
<u>SEWER FUND</u>					
Fund Equity - Beginning of Year	\$ 159,663	\$ 331,854	\$ 859,962	\$ 1,024,754	\$ 1,058,149
Prior Period Adjustments (net)	0	0	0	378,004	0
Revenues & Other Sources	2,362,936	2,834,020	3,181,130	3,233,123	3,000,599
Expenditures & Other Uses	2,190,745	2,305,912	3,016,338	3,070,518	3,267,565
Fund Equity - End of Year	\$ 331,854	\$ 859,962	\$ 1,024,754	\$ 1,565,363	\$ 791,183

Source: Audited and annual financial reports of the City.

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	Excluding This Issue			Principal of This Issue	Total Principal All Issues
	Principal	Interest	Total		
2006	850,000	553,878.13	1,403,878.13		850,000
2007	880,000	514,378.75	1,394,378.75	144,600	1,024,600
2008	900,000	473,162.50	1,373,162.50	155,000	1,055,000
2009	940,000	430,639.38	1,370,639.38	160,000	1,100,000
2010	960,000	386,152.51	1,346,152.51	165,000	1,125,000
2011	890,000	340,371.26	1,230,371.26	170,000	1,060,000
2012	910,000	297,475.63	1,207,475.63	180,000	1,090,000
2013	915,000	253,285.63	1,168,285.63	190,000	1,105,000
2014	620,000	208,663.13	828,663.13	195,000	815,000
2015	465,000	183,443.75	648,443.75	205,000	670,000
2016	450,000	162,031.25	612,031.25	215,000	665,000
2017	375,000	141,027.50	516,027.50	225,000	600,000
2018	200,000	127,440.00	327,440.00	235,000	435,000
2019	210,000	119,425.00	329,425.00	245,000	455,000
2020	215,000	111,015.00	326,015.00	255,000	470,000
2021	225,000	102,405.00	327,405.00	270,000	495,000
2022	235,000	93,400.00	328,400.00	285,000	520,000
2023	140,000	84,000.00	224,000.00	295,000	435,000
2024	150,000	78,200.00	228,200.00	310,000	460,000
2025	155,000	72,100.00	227,100.00	325,000	480,000
2026	160,000	65,800.00	225,800.00	345,000	505,000
2027	170,000	59,200.00	229,200.00	360,000	530,000
2028	175,000	52,300.00	227,300.00	380,000	555,000
2029	185,000	45,100.00	230,100.00	395,000	580,000
2030	190,000	37,600.00	227,600.00	415,000	605,000
2031	200,000	29,800.00	229,800.00	430,000	630,000
2032	205,000	21,700.00	226,700.00	450,000	655,000
2033	215,000	13,300.00	228,300.00	470,000	685,000
2034	225,000	4,500.00	229,500.00	490,000	715,000
2035	0	0.00	0.00	510,000	510,000
TOTALS	\$ 12,410,000	\$ 5,061,794.40	\$ 17,471,794.40	\$ 8,469,600	\$ 20,879,600

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FINANCIAL STATEMENTS

December 31, 2004

Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

CITY OF SARATOGA SPRINGS, NEW YORK

FINANCIAL REPORT

December 31, 2004

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, New York, as of and for the year ended December 31, 2004, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, New York, as of December 31, 2004, 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 September 6, 2005, on our consideration of the City of Saratoga Springs, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Bollam Sheedy Torani & Co LLP

Albany, New York
September 6, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2004. We encourage readers to consider the information presented here in conjunction with our basic financial statements, which can be found on pages 12 through 39 and our supplemental information which can be found on pages 41 through 43 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities on December 31, 2004, by \$29,343,529. Of this amount, \$1,959,019 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- At December 31, 2004, the City's governmental funds reported a combined ending fund balance of \$8,275,863. All of the fund balance was reserved for specific purposes. The combined unreserved fund balance was a deficit of \$1,678,525, which resulted from outstanding commitments in the Capital Projects Fund.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$1,885,159, or 7% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Debt Service Fund, and Special Grant Fund, all of which are considered to be major funds. Data from the other two governmental funds, the Downtown Special Assessment District (SAD) and the West Avenue Special Assessment District (WASAD) are combined into a single, aggregated presentation. The unreserved unappropriated fund balance as of December 31, 2004, for the SAD was \$148,480 and for the WASAD was \$47,800. The SAD intends to use the accumulated fund balance for parking projects that benefit the district. The WASAD intends to use the accumulated fund balance to pay debt on outstanding bonds issued to finance improvements in the district. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14, 16, and 18 of this report.

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 39 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 \$29,343,529 at December 31, 2004.

By far the largest portion (\$15,513,293) of the City's net assets (50%) reflects its investment in capital assets (i.e., land, buildings, improvements, infrastructure, work in progress, and machinery and equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF SARATOGA SPRINGS

CONDENSED STATEMENTS OF NET ASSETS

	Governmental Activities		Business-type Activities		2004	2003
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>Total</u>	<u>Total</u>
Current and other assets	\$ 14,635,150	\$ 10,616,943	\$ 8,421,600	\$ 8,388,419	\$23,056,750	\$ 19,005,362
Capital assets, net	<u>27,289,655</u>	<u>19,412,834</u>	<u>1,496,917</u>	<u>1,596,248</u>	<u>28,786,572</u>	<u>21,009,082</u>
Total assets	<u>41,924,805</u>	<u>30,029,777</u>	<u>9,918,517</u>	<u>9,984,667</u>	<u>51,843,322</u>	<u>40,014,444</u>
Long-term liabilities	14,205,605	10,075,000	-	-	14,205,605	10,075,000
Other liabilities	<u>7,711,164</u>	<u>4,499,993</u>	<u>583,024</u>	<u>336,818</u>	<u>8,294,188</u>	<u>4,836,811</u>
Total liabilities	<u>21,916,769</u>	<u>14,574,993</u>	<u>583,024</u>	<u>336,818</u>	<u>22,499,793</u>	<u>14,911,811</u>
Net assets						
Invested in capital assets, net of related debt	14,016,376	9,337,834	1,496,917	1,596,248	15,513,293	10,934,082
Restricted	6,554,727	4,720,397	5,316,760	4,779,375	11,871,217	9,499,772
Unrestricted	<u>(562,797)</u>	<u>1,396,553</u>	<u>2,521,816</u>	<u>3,272,226</u>	<u>1,959,019</u>	<u>4,668,779</u>
Total net assets	<u>\$ 20,008,036</u>	<u>\$ 15,454,784</u>	<u>\$ 9,335,493</u>	<u>\$ 9,647,849</u>	<u>\$29,343,529</u>	<u>\$25,102,633</u>

An additional portion of the City's net assets (\$11,871,217) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,959,019) may be used to meet the City's ongoing obligations to citizens and creditors.

The City experienced a decrease in net assets during 2004 totaling \$2,282,701 as shown in the following statement:

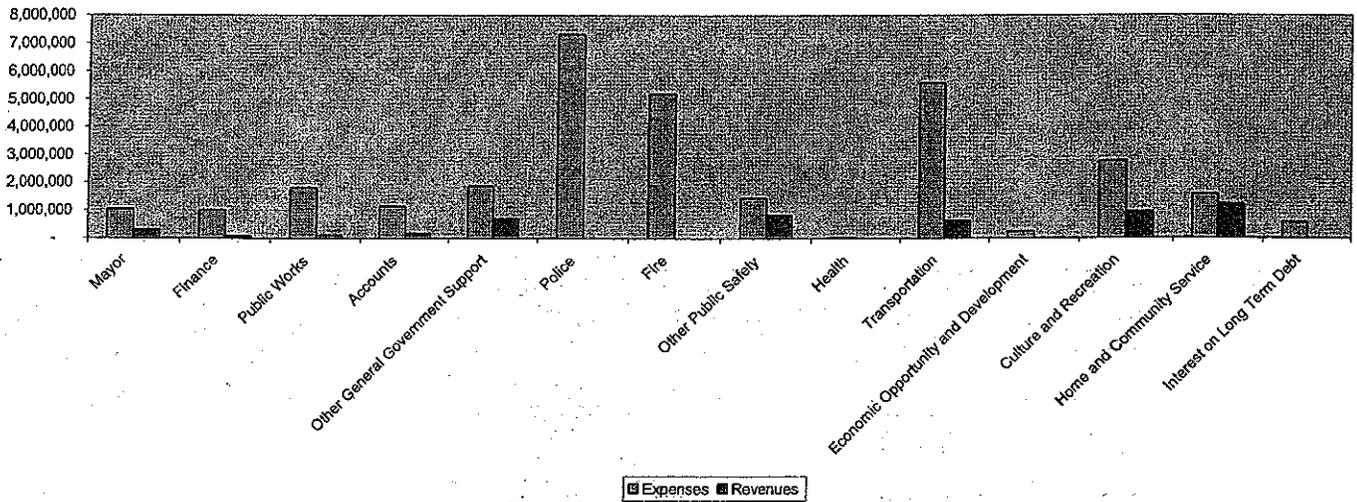
CITY OF SARATOGA SPRINGS

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		2004	2003
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>Total</u>	<u>Total</u>
REVENUES						
Program revenues						
Charges for services	\$ 3,348,263	\$ 4,631,780	\$ 5,547,989	\$ 5,895,863	\$ 8,896,252	\$10,527,643
Operating grants and contributions	1,108,528	1,184,793	68,951	8,150	1,177,479	1,192,943
Capital grants and contributions	486,787	1,076,779	-	-	486,787	1,076,779
General revenues						
Property taxes	11,808,480	10,843,519	296,484	484,843	12,104,964	11,328,362
Other taxes	9,797,390	8,608,887	611,292	416,421	10,408,682	9,025,308
Grants and contributions not restricted to specific programs	2,817,284	2,944,902	-	-	2,817,284	2,944,902
Other	<u>278,388</u>	<u>267,541</u>	<u>166,668</u>	<u>174,302</u>	<u>445,056</u>	<u>441,843</u>
Total revenues	<u>29,645,120</u>	<u>29,558,201</u>	<u>6,691,384</u>	<u>6,979,579</u>	<u>36,336,504</u>	<u>36,537,780</u>
EXPENSES						
General government support						
Mayor	1,035,378	1,591,938	-	-	1,035,378	1,591,938
Finance	1,005,626	792,274	-	-	1,005,626	792,274
Public works	1,815,089	2,896,705	-	-	1,815,089	2,896,705
Accounts	1,147,686	902,826	-	-	1,147,686	902,826
Other general government support	1,873,264	1,196,455	-	-	1,873,264	1,196,455
Public safety						
Police	7,328,405	7,164,903	-	-	7,328,405	7,164,903
Fire	5,209,168	5,566,729	-	-	5,209,168	5,566,729
Other public safety	1,444,087	1,353,528	-	-	1,444,087	1,353,528
Health	36,065	87,117	-	-	36,065	87,117
Transportation	5,582,079	3,530,931	-	-	5,582,079	3,530,931
Economic opportunity and development	235,122	144,143	-	-	235,122	144,143
Culture and recreation	2,769,345	2,613,824	-	-	2,769,345	2,613,824
Home and community service	1,562,336	1,492,389	-	-	1,562,336	1,492,389
Interest on long-term debt	571,815	385,993	-	-	571,815	385,993
Water	-	-	2,629,299	2,299,169	2,629,299	2,299,169
Sewer	-	-	3,306,911	3,070,518	3,306,911	3,070,518
City Center Authority	-	-	<u>1,067,530</u>	<u>1,073,031</u>	<u>1,067,530</u>	<u>1,073,031</u>
Total expenses	<u>31,615,465</u>	<u>29,719,755</u>	<u>7,003,740</u>	<u>6,442,718</u>	<u>38,619,205</u>	<u>36,162,473</u>
Increase (decrease) in net assets	(1,970,345)	(161,554)	(312,356)	536,861	(2,282,701)	375,307
NET ASSETS, beginning of year, as restated	<u>21,978,381</u>	<u>15,616,338</u>	<u>9,647,849</u>	<u>9,110,988</u>	<u>31,626,230</u>	<u>24,727,326</u>
NET ASSETS, end of year	<u>\$20,008,036</u>	<u>\$15,454,784</u>	<u>\$9,335,493</u>	<u>\$ 9,647,849</u>	<u>\$29,343,529</u>	<u>\$25,102,633</u>

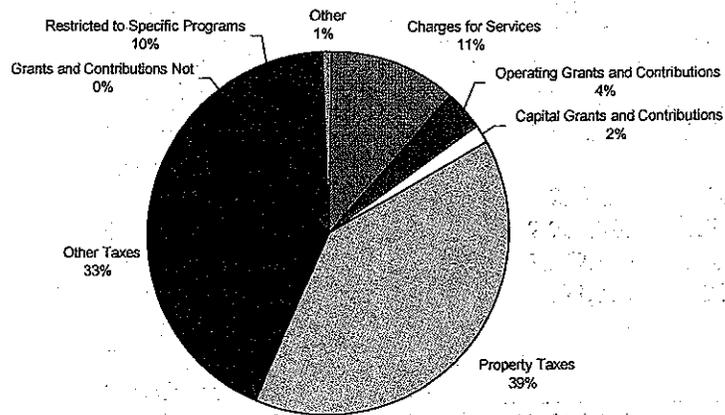
Governmental activities. Governmental activities decreased the City's net assets by \$1,970,345. The following chart shows the expenses and program revenues of the various governmental activities:

Expenses and Program Revenues - Governmental Activities



For the most part, increases in expenses closely paralleled inflation, increases in contractual obligations, and growth in demand for services. The City's major governmental activities are financed almost entirely by real property taxes, non-property taxes, and other general revenues. To meet the demand for these services, the City increased property tax revenues by 14%. The City also benefited from low mortgage rates and experienced an increase in mortgage taxes during 2004. Sales tax increased in 2004, reaching an all time high.

Revenues by Source - Governmental Activities

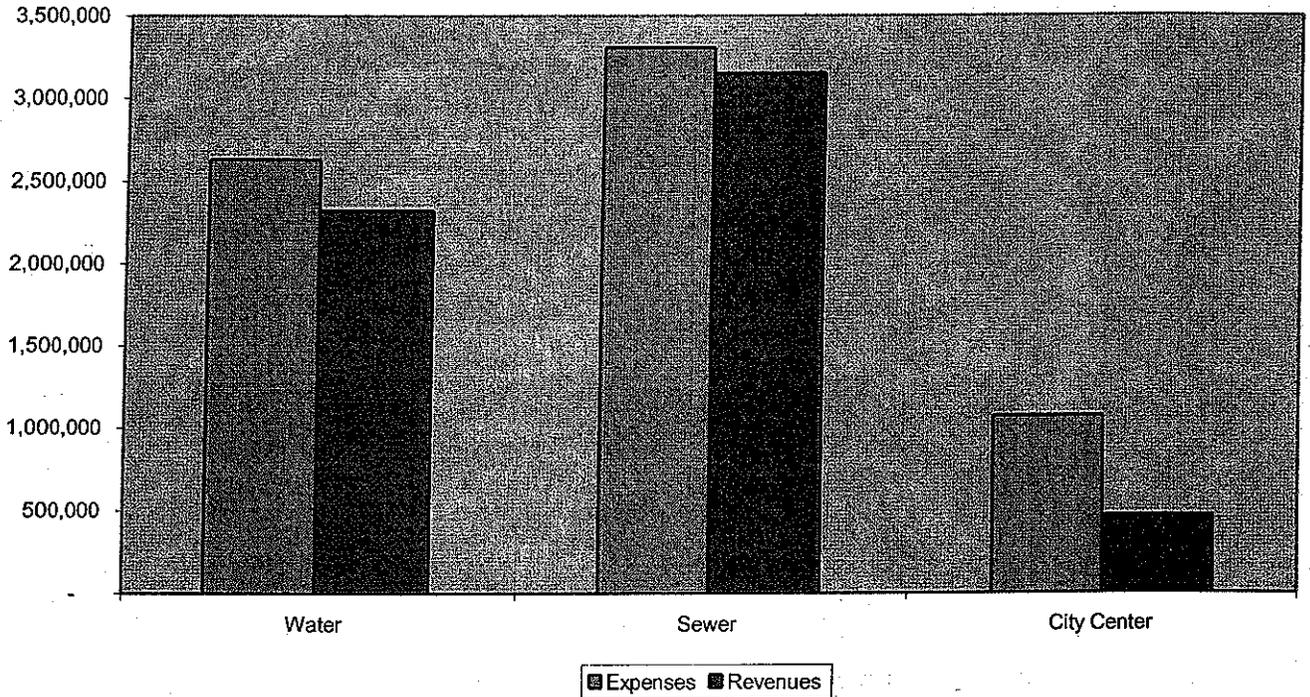


Charges for Services
 Operating Grants and Contributions
 Capital Grants and Contributions
 Property Taxes
 Other Taxes
 Grants and Contributions Not
 Restricted to Specific Programs
 Other

The following chart shows revenues by source for all governmental activities, with general revenues totaling 83% and program revenues totaling 17%:

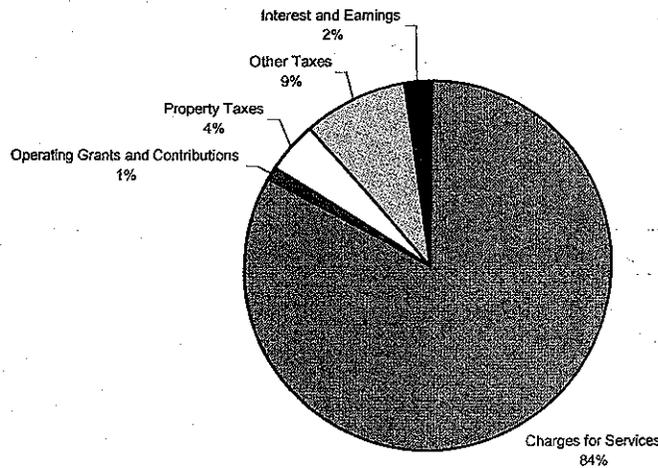
Business-type activities. Business-type activities decreased the City net assets by \$312,356. Key elements are as follows. The City Center Authority experienced the first full year of the 1% hotel occupancy tax enacted in June 2003.

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 water and sewer activity. Hotel occupancy taxes and net assets available from the previous year covered the shortfall in the City Center activity.

Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City governmental funds reported combined ending fund balances of \$8,275,863, an increase of \$912,960 in comparison with 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 (\$3,670,330), 2) pay debt service (\$984,969), and 3) pay for the capital improvements (\$3,858,246) and 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 \$1,885,159, while total fund balance reached \$4,902,374. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved unappropriated fund balance represents one percent of total General Fund expenditures, while total fund balance represents 18 percent of that same amount.

The fund balance of the City's General Fund decreased by \$537,308 during the current fiscal year. Key factors in this operating deficit are as follows:

1. 2004 sales tax collections were \$8,119,000, a \$1,166,000 increase from 2003 actual collections and \$519,000 greater than 2004 budget. This was partly due to adjustments received by the City from taxpayer reporting errors since the City left the County formula.
2. Mortgage tax receipts were \$1,715,000 in 2004, \$147,000 higher than 2003 actual and \$215,000 greater than the 2004 budget. Mortgage tax receipts increased due to a growing market and continued refinancing.
3. OTB surcharge actual revenue was \$135,000, \$186,000 less than budgeted and down \$100,000 from 2003. As the method and place of betting continues to change, OTB revenue steadily decreases each fiscal year.
4. Parking ticket revenue was budgeted at \$450,000 for 2004, and actual revenue was \$327,000. Actual ticket fines are down \$85,000 from 2003.
5. Personal service costs increased \$236,000 as a result of salary increases, overtime, contractual obligations, etc. Total actual personal service expenses for 2004 were \$16,005,000 and \$15,769,000 in 2003. The City signed union contract agreements with the PBA for \$177,000 and the firefighters for \$54,000. The funds were not included in the 2004 adopted budget, leaving the City to draw upon surplus. The City employed 340 full-time and 289 part-time people in 2004. Five full time people and 11 part-time people were added to the staff in 2004.
6. The City lost an appeal with SCC Associates and was required to pay \$218,000. The appeal was based on a discrepancy regarding the City Center closing in 1999.
7. Unreserved cash balances were \$793,000 greater in 2004 than 2003. The 2004 unreserved cash balance was \$1,502,000. The increase in unreserved cash was due to the \$3,000,000 Tax Anticipation Note the City borrowed on December 21, 2004. The City paid the note in full on March 23, 2005. Reserved cash balances were \$236,000 lower than in 2002. Reserved cash of \$2,092,000 can only be used for specific purposes and cannot be used to meet the general expenses of the City.

8. 2004 tax receivables of \$1,090,000 decreased by \$107,000 due to a decrease in delinquent 2004 City and County taxes and property the City previously placed a lien upon, despite an increase in delinquent school taxes.
9. The 2004 amended budget was 4.55% higher than the adopted budget. The 2003 amended budget was 9.24% higher than the adopted budget. (Refer to budget comparison chart.)
10. The City's actual expenses were \$1,279,000 less than the amended budget.
11. The City planned to use \$2,055,000 in surplus to balance the 2004 budget. 2003 sales tax collections of \$6,953,000 were \$314,000 less than 2002 actual collections and \$1,347,000 less than budgeted.

The following chart identifies the major expense lines which had a significant budget remaining as of December 31, 2004:

Org/Object/Description	Revised 2004 Budget	Actual 2004 Expense	Encumbrances	Available Budget	PCT Used
A3143411 51950 Fire department comp time	\$ 256,895	\$ 214,791.46	-	\$42,103.38	83.6
A3729999 59010 Contingency	45,576	-	-	45,576.18	00.0
A3143411 51730 Firefighters salary	2,066,985	2,020,978.05	-	46,006.95	97.8
A3729038 58030 City portion social security	1,250,000	1,202,059.52	-	47,940.48	96.2
A3729068 58010 Hospitalization	3,300,000	3,251,513.50	-	48,486.50	98.5
A3729021 51170 Pensioners	478,000	429,468.91	-	48,531.09	89.8
A3143121 51950 Police comp time	476,991	382,333.79	-	94,657.42	80.2
A3729081 51990 Sick leave	136,000	35,709.97	-	100,290.03	26.3
A3729018 58040 Other employees retirement	595,378	446,533.15	-	148,844.35	75.0
A3051914 54773 Liability insurance	684,261	513,220.13	15,205.81	155,835.41	77.2
A3729018 58020 Police and fire retirement	794,549	595,911.75	-	198,637.25	75.0

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

1. The Water Fund ended 2004 with net assets of \$3,276,171. Of this amount, \$1,435,381 represented the City's investment in water capital assets net of related debt, \$1,125,574 is reserved for water line extension projects, and the balance of \$715,216 is unrestricted. Of the unrestricted amount, \$123,000 is reserved for encumbrances, and \$589,516 is appropriated for the 2005 budget.
2. The Sewer Fund had net assets of \$1,232,033 at year-end. Of this amount, \$25,722 represented the City's investment in sewer capital assets net of related debt, and the balance of \$1,206,311 is unrestricted. Of the unrestricted amount, \$798,000 is appropriated for the 2005 budget.
3. The City Center Authority Fund had net assets of \$4,827,289 as of December 31, 2004. Of this amount, \$35,814 represented the City's investment in capital assets net of related debt, \$4,191,185 is reserved for capital improvements, and the balance of \$600,290 is unrestricted for City Center operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the revised budget and actual amounts for revenues and transfers in was \$506,941. The City's inability to meet the parking ticket budget, included under fines and forfeitures, was covered by sales tax and mortgage tax. The difference between the revised budget and actual amounts for expenditures and transfers out was \$2,318,643. A portion of the unexpended funds, \$897,009, was encumbered to 2005 for commitments made by the City. The remainder of the variance was for unspent funds in the categories noted in number 10 under Governmental funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$28,786,572 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, work in progress, and infrastructure assets, such as roads, streets, and water systems.

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

- Various equipment purchases, such as loader and dump truck
- West Side Infrastructure Project

CITY OF SARATOGA SPRINGS CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		2004	2003
	2004	2003	2004	2003	Total	Total
Land	\$ 514,641	\$ 514,641	\$ 66,941	\$ 66,941	\$ 581,582	\$ 581,582
Buildings	10,327,368	10,586,426	400,226	410,266	10,727,594	10,996,692
Improvements	747,619	841,363	-	-	747,619	841,363
Machinery, equipment and vehicles	5,853,542	5,594,025	147,537	191,292	6,001,079	5,785,317
Infrastructure	8,147,159	1,876,379	882,213	927,749	9,029,372	2,804,128
Work in progress	1,699,326	-	-	-	1,699,326	-
Total	\$27,289,655	\$19,412,834	\$ 1,496,917	\$ 1,596,248	\$28,786,572	\$21,009,082

Additional information on the City's capital assets can be found in Note A9 on page 29 and Note C3 on pages 32-35 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,273,279. Of this amount, \$12,560,815 comprises debt backed by the full faith and credit of the City, and \$712,464 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

The City's total debt increased by \$3,198,279 (24%) during the current fiscal year by new debt issued April 2004 for \$3,948,279.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average of the total assessed valuation. The current debt limitation for the City is \$113,680,539, which is significantly in excess of the City outstanding general obligation debt. In addition, the City has a self-imposed limit of 1% of the five-year average total assessed value. The City's debt limitation is \$16,240,077, which is significantly in excess of the City outstanding general obligation debt.

On October 15, 2004, the City opted to provide certain benefits to firefighters for past services under Section 384E of the PFRS plan. The total past service credit costs were \$1,078,728. The City opted to pay for this program over a ten-year term with interest starting the third year at 8% per annum. In fiscal year ended December 31, 2004, the City paid the first of 10 installments of \$146,402, which did not include interest. The unpaid balance of \$932,326 at December 31, 2004, is included in the financial statements as a governmental liability.

Since this liability pertains to services provided by firefighters prior to October 15, 2004, the City recognized this liability as of January 1, 2004. This recognition resulted in a decrease in the beginning net assets of the governmental activities for the year ended December 31, 2003.

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

ECONOMIC FACTORS

The City is growing and thriving. The residential and commercial tax base grew at a rate of 15% in 2004. 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

STATEMENT OF NET ASSETS

December 31, 2004

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and cash equivalents	\$ 2,171,629	\$ 908,345	\$ 3,079,974
Investments	17,260	-	17,260
Receivables, net of allowance for uncollectibles	5,488,013	2,107,358	7,595,371
Internal balance due from business-type activities	88,897	-	88,897
Due from fiduciary funds	445	-	445
Accrued interest	80,239	-	80,239
Inventories	-	37,816	37,816
Prepaid expenses	504,609	51,321	555,930
Restricted assets			
Cash and cash equivalents	6,284,058	3,082,794	9,366,852
Investments	-	2,233,966	2,233,966
Capital assets, net of accumulated depreciation			
Land	514,641	66,941	581,582
Buildings	10,327,367	400,226	10,727,593
Improvements other than buildings	747,620	-	747,620
Machinery and equipment	5,853,542	147,537	6,001,079
Infrastructure	8,147,159	882,213	9,029,372
Work in progress	1,699,326	-	1,699,326
Total assets	<u>41,924,805</u>	<u>9,918,517</u>	<u>51,843,322</u>
LIABILITIES			
Accounts payable and other current liabilities	5,050,306	494,127	5,544,433
Bond interest payable	593,184	-	593,184
Internal balance due to governmental activities	-	88,897	88,897
Noncurrent liabilities			
Due within one year	3,863,279	-	3,863,279
Due in more than one year	12,410,000	-	12,410,000
Total liabilities	<u>21,916,769</u>	<u>583,024</u>	<u>22,499,793</u>
NET ASSETS			
Invested in capital assets, net of related debt	14,016,376	1,496,917	15,513,293
Restricted for			
Capital improvements	1,360,875	4,191,186	5,552,061
Debt service	730,794	-	730,794
Water line extension projects	-	1,125,574	1,125,574
Community development	242,711	-	242,711
Special districts	208,904	-	208,904
Special district insurance reserve	1,894	-	1,894
Capital projects	3,431,164	-	3,431,164
Other purposes	578,115	-	578,115
Unrestricted	<u>(562,797)</u>	<u>2,521,816</u>	<u>1,959,019</u>
Total net assets	<u>\$ 20,008,036</u>	<u>\$ 9,335,493</u>	<u>\$29,343,529</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

STATEMENT OF ACTIVITIES
Year Ended December 31, 2004

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				
General government support				
Mayor	\$ 1,035,378	\$ 305,080	\$ -	\$ -
Finance	1,005,626	77,173	-	-
Public works	1,815,089	73,583	41,755	-
Accounts	1,147,686	92,722	86,540	-
Other general government support	1,873,264	655,529	37,700	-
Police	7,328,405	-	-	-
Fire	5,209,168	-	-	-
Other public safety	1,444,087	667,352	157,022	-
Health	36,065	-	-	-
Transportation	5,582,079	-	159,848	456,927
Economic opportunity and development	235,122	-	-	-
Culture and recreation	2,769,345	873,433	31,227	25,000
Home and community service	1,562,336	603,391	594,436	4,860
Interest on long-term debt	571,815	-	-	-
Total governmental activities	31,615,465	3,348,263	1,108,528	486,787
BUSINESS-TYPE ACTIVITIES				
Water	2,629,299	2,178,146	-	-
Sewer	3,306,911	2,973,581	-	-
City Center Authority	1,067,530	396,262	68,951	-
Total business-type activities	7,003,740	5,547,989	68,951	-
Total government	\$ 38,619,205	\$ 8,896,252	\$ 1,177,479	\$ 486,787
GENERAL REVENUES				
Real property tax and related tax items				
Non-property tax items	11,808,480	296,484	11,808,480	12,104,964
Other general revenues	9,797,390	611,292	9,797,390	10,408,682
Interest earnings	115,007	-	115,007	115,007
State aid and mortgage taxes not restricted to specific purposes	163,381	166,668	163,381	330,049
Total general revenues	2,817,284	2,817,284	2,817,284	2,817,284
CHANGE IN NET ASSETS				
NET ASSETS, beginning of year	15,454,784	9,647,849	15,454,784	25,102,633
Prior Period Adjustments				
Infrastructure accumulated depreciation (Note C3)	7,602,325	-	7,602,325	7,602,325
Retirement liability for past service costs (Note C6e)	(1,078,728)	-	(1,078,728)	(1,078,728)
NET ASSETS, end of year	\$ 20,008,036	\$ 9,335,493	\$ 20,008,036	\$ 29,343,529

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

CITY OF SARATOGA SPRINGS, NEW YORK

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2004

	General	Capital Projects	Debt Service	Special Grant	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 1,473,699	-	\$ 246,215	\$ 242,811	\$ 208,904	\$ 2,171,629
Cash, special reserves	2,120,206	3,431,164	730,794	-	1,894	6,284,058
Investments	17,260	-	-	-	-	17,260
Receivables, net of allowance for uncollectibles	1,720,879	-	5,949	325,121	-	2,051,949
Receivables from other governments	1,852,494	808,128	-	110,227	-	2,770,849
Prepaid expenses	504,609	-	-	-	-	504,609
Due from other funds	1,576,906	-	3,311	-	-	1,580,217
Total assets	\$ 9,266,053	\$ 4,239,292	\$ 986,269	\$ 678,159	\$ 210,798	\$ 15,380,571
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 428,878	\$ 793,878	\$ 700	\$ 110,277	\$ -	\$ 1,333,733
Notes payable	3,000,000	-	-	-	-	3,000,000
Due to other funds	-	1,461,187	-	17,065	12,624	1,490,876
Due to other governments	341,373	-	-	-	-	341,373
Deferred tax revenue	593,428	-	-	-	-	593,428
Other deferred revenue	-	-	600	-	-	600
Total liabilities	4,363,679	2,255,065	1,300	472,040	12,624	7,104,708
Fund balances						
Reserved for						
Encumbrances	897,009	2,773,321	-	-	-	3,670,330
Capital Reserve	427,082	3,431,164	-	-	-	3,858,246
Debt	-	-	730,794	-	-	730,794
Other reserves	1,693,124	-	-	-	1,894	1,695,018
Unreserved						
Appropriated for 2005	72,144	-	-	-	-	72,144
Unappropriated	1,813,015	(4,220,258)	254,175	206,119	196,280	(1,750,669)
Total fund balances	4,902,374	1,984,227	984,969	206,119	198,174	8,275,863
Total liabilities and fund balances	\$ 9,266,053	\$ 4,239,292	\$ 986,269	\$ 678,159	\$ 210,798	\$ 15,380,571

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

CITY OF SARATOGA SPRINGS, NEW YORK

RECONCILIATION OF THE TOTAL FUND BALANCES IN
THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
December 31, 2004

Total fund balances in the fund financial statements for the governmental funds	\$ 8,275,863
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.	27,289,655
Long-term liabilities for bonded debt are included as liabilities in the government-wide statements and are deducted.	(13,273,279)
Long-term liabilities for past service costs for the PFRS 384e retirement plan are included as liabilities in the government-wide statements and are deducted.	(932,326)
Accrued interest on property, school taxes, and community development loans on receivables for revenues earned, measurable, but not available and are added.	80,239
Deferred revenue and deferred tax revenue are added to the government-wide statements as revenue.	938,726
Net receivables for revenues earned, measurable but not available to provide financial resources, are included in the government-wide statements as assets and are added.	665,216
Other current liabilities for compensated absences are included in the government-wide statements as liabilities and are deducted.	(2,442,874)
Current liabilities for interest payable on long-term debt are included in the government-wide statements as liabilities and are deducted.	(593,184)
Total net assets, end of year	<u>\$ 20,008,036</u>

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

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Health	31,512	-	-	-	-	31,512
Transportation	3,279,264	157,610	-	-	-	3,436,874
Economic opportunity and development	132,930	-	-	-	-	132,930
Culture and recreation	2,111,710	147,599	-	-	32,019	2,291,328
Home and community service	754,997	-	-	622,505	-	1,377,502
Employee benefits	6,457,043	-	-	-	-	6,457,043
Debt Service	-	-	-	-	-	-
Principal	-	-	740,523	-	9,477	750,000
Interest	3,050	-	440,628	-	6,864	450,542
Capital outlay	-	-	-	-	-	-
Mayor	-	-	-	-	-	-
Finance	10,364	-	-	-	-	10,364
Public works	12,680	-	-	-	-	12,680
Accounts	58,657	-	-	-	-	58,657
Police	6,778	-	-	-	-	6,778
Fire	383,219	-	-	-	-	383,219
Other public safety	12,478	-	-	-	-	12,478
Transportation	37,275	-	-	-	-	37,275
Home and community service	140,029	408,999	-	-	-	549,028
Total expenditures	<u>28,053,979</u>	<u>3,220,753</u>	<u>1,186,151</u>	<u>622,505</u>	<u>61,408</u>	<u>33,144,796</u>
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	10,507	796,356	49,503	-	-	856,366
Interfund transfers out	(406,902)	(10,506)	(389,455)	-	(49,503)	(856,366)
Total other financing sources and uses	<u>(396,395)</u>	<u>785,850</u>	<u>(339,952)</u>	<u>-</u>	<u>(49,503)</u>	<u>-</u>
Net change in fund balances	(756,899)	1,774,365	(304,116)	(35,114)	15,136	693,372
FUND BALANCE, beginning of year	5,439,683	209,862	1,289,085	241,233	183,038	7,362,901
Prior period adjustment - increase in prepaid expenses (Note A7)	219,590	-	-	-	-	219,590
FUND BALANCE, end of year	\$ 4,902,374	\$1,984,227	\$ 984,969	\$ 206,119	\$ 198,174	\$ 8,275,863

The accompanying Notes to 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, 2004

Net change in fund balances shown for total governmental funds. \$ 693,373

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

Capital outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the differences between expenditures for acquisition of capital assets and depreciation expense for the period.

Capital expenditures	2,659,805	
Depreciation expense	<u>2,385,309</u>	274,496

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

Current year revenues	745,455	
Prior year revenues	<u>990,879</u>	(245,424)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; i.e. deferred revenue.

Current year deferred revenues	938,726	
Prior year deferred revenues	<u>938,069</u>	657

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

146,402

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

750,000

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

(3,948,279)

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

Current year expenditures	450,542	
Allocated expenses	<u>576,297</u>	(125,755)

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

Current year expenditures	2,927,059	
Expenses incurred during current year	<u>2,442,874</u>	484,185

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

Transfers in	856,366	
Transfers out	<u>856,366</u>	-

Change in net assets of governmental activities shown in the statement of activities		<u>\$ (1,970,345)</u>
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CITY OF SARATOGA SPRINGS, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
 Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Revised - Positive (Negative)
	Adopted	Revised		
REVENUES				
Real property taxes and tax items	\$10,569,818	\$ 10,579,871	\$ 10,742,185	\$ 162,314
Non-property taxes	9,466,620	9,466,620	9,767,976	301,356
Departmental income	1,388,150	1,598,806	1,492,636	(106,170)
Intergovernmental charges	192,100	196,953	198,774	1,821
Use of money and property	360,000	363,440	368,449	5,009
Licenses and permits	248,400	248,400	293,876	45,476
Fines and forfeitures	689,000	689,000	561,470	(127,530)
Sale of property and compensation for loss	309,300	381,830	361,539	(20,291)
Miscellaneous	34,000	86,229	62,764	(23,465)
State aid	3,197,033	3,282,546	3,477,815	195,269
Federal aid	96,100	292,839	365,991	73,152
Total revenues	<u>26,550,521</u>	<u>27,186,534</u>	<u>27,693,475</u>	<u>506,941</u>
EXPENDITURES				
General government support	4,485,385	5,253,746	4,727,625	526,121
Education	-	12,000	10,015	1,985
Public safety	10,538,555	10,989,321	10,405,804	583,517
Health	135,150	170,063	31,512	138,551
Transportation	3,298,619	3,473,465	3,419,293	54,172
Economic opportunity and development	208,650	541,473	132,930	408,543
Culture and recreation	2,069,158	2,281,600	2,111,710	169,890
Home and community service	762,837	882,170	754,997	127,173
Employee benefits	7,531,859	6,757,284	6,457,043	300,241
Debt service	-	11,500	3,050	8,450
Total expenditures	<u>29,030,213</u>	<u>30,372,622</u>	<u>28,053,979</u>	<u>2,318,643</u>
OTHER FUNDING SOURCES (USES)				
Interfund transfers in	3,400	13,906	10,507	(3,398)
Proceeds of obligations	1,049,668	23,322	-	(23,322)
Other budgetary purposes	(65,000)	1,139,510	-	(1,139,510)
Interfund transfers out	-	(45,576)	(406,902)	(361,326)
Total other financing sources (uses)	<u>988,068</u>	<u>1,131,162</u>	<u>(396,395)</u>	<u>(1,527,556)</u>
Appropriated fund balance (budget) and net change in fund balances (actual)	<u>(1,491,624)</u>	<u>(2,054,926)</u>	<u>(756,899)</u>	<u>1,298,028</u>
FUND BALANCE, beginning of year	5,439,682	5,439,682	5,439,683	-
Prior period adjustment - increase in prepaid expenses (Note A7)	-	-	219,590	219,590
FUND BALANCE, end of year	<u>\$ 3,948,058</u>	<u>\$ 3,384,756</u>	<u>\$ 4,902,374</u>	<u>\$ 1,517,618</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2004

	<u>Water</u>	<u>Sewer</u>	<u>City Center Authority</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 142,521	\$ 121,552	\$ 644,272	\$ 908,345
Receivables, net of allowance for uncollectibles	706,717	1,210,996	189,645	2,107,358
Inventories	18,908	18,908	-	37,816
Prepaid expenses	27,741	17,197	6,383	51,321
Restricted assets				
Cash and cash equivalents	1,125,574	-	1,957,220	3,082,794
Investments	-	-	2,233,966	2,233,966
Capital assets, net of accumulated depreciation				
Land	66,941	-	-	66,941
Buildings	400,226	-	-	400,226
Machinery and equipment	86,001	25,722	35,814	147,537
Infrastructure	882,213	-	-	882,213
Total assets	<u>3,456,842</u>	<u>1,394,375</u>	<u>5,067,300</u>	<u>9,918,517</u>
LIABILITIES				
Accounts payable and other current liabilities	180,671	73,385	240,071	494,127
Due to governmental activities	-	88,957	(60)	88,897
Total liabilities	<u>180,671</u>	<u>162,342</u>	<u>240,011</u>	<u>583,024</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,435,381	25,722	35,814	1,496,917
Restricted for				
Capital improvements	-	-	4,191,185	4,191,185
Water line extension projects	1,125,574	-	-	1,125,574
Unrestricted	715,216	1,206,311	600,290	2,521,817
Total net assets	<u>\$ 3,276,171</u>	<u>\$ 1,232,033</u>	<u>\$ 4,827,289</u>	<u>\$ 9,335,493</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
Year Ended December 31, 2004**

	<u>Water</u>	<u>Sewer</u>	<u>City Center Authority</u>	<u>Total</u>
OPERATING REVENUES				
Water sales	\$ 2,178,146	\$ -	\$ -	\$ 2,178,146
Sewer sales	-	2,973,581	-	2,973,581
Connection fees	-	-	68,951	68,951
Federal aid	-	-	-	-
Facility charges	-	-	396,262	396,262
Total operating revenues	<u>2,178,146</u>	<u>2,973,581</u>	<u>465,213</u>	<u>5,616,940</u>
OPERATING EXPENSES				
Costs of sales and services	2,403,716	2,823,500	500,362	5,727,578
Administration	180,047	478,860	540,828	1,199,735
Depreciation	45,536	4,551	26,340	76,427
Total operating expenses	<u>2,629,299</u>	<u>3,306,911</u>	<u>1,067,530</u>	<u>7,003,740</u>
Operating loss	<u>(451,153)</u>	<u>(333,330)</u>	<u>(602,317)</u>	<u>(1,386,800)</u>
NONOPERATING REVENUES				
Payment in lieu of taxes	-	-	296,484	296,484
Hotel occupancy tax	-	-	611,292	611,292
Interest and earnings	11,332	-	155,336	166,668
Total nonoperating revenues	<u>11,332</u>	<u>-</u>	<u>1,063,112</u>	<u>1,074,444</u>
CHANGE IN NET ASSETS	(439,821)	(333,330)	460,795	(312,356)
NET ASSETS, beginning of year	<u>3,715,992</u>	<u>1,565,363</u>	<u>4,366,494</u>	<u>9,647,849</u>
NET ASSETS, end of year	<u>\$ 3,276,171</u>	<u>\$ 1,232,033</u>	<u>\$ 4,827,289</u>	<u>\$ 9,335,493</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended December 31, 2004

	<u>Water</u>	<u>Sewer</u>	<u>City Center Authority</u>	<u>Total</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Charges for services	\$2,321,714	\$3,101,895	\$ 346,137	\$ 5,769,746
Operating grants and contributions	-	-	68,951	68,951
Payments to suppliers	(1,612,763)	(2,615,375)	(517,498)	(4,745,636)
Payments to employees	(915,447)	(592,756)	(447,764)	(1,955,967)
	<u>(206,496)</u>	<u>(106,236)</u>	<u>(550,174)</u>	<u>(862,906)</u>
CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES				
Payments in lieu of taxes	-	-	296,484	296,484
Hotel occupancy taxes	-	-	611,292	611,292
	<u>-</u>	<u>-</u>	<u>907,776</u>	<u>907,776</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES				
Interest and dividends received	11,331	-	155,336	166,667
Increase in investments	-	-	39,583	39,583
	<u>11,331</u>	<u>-</u>	<u>194,919</u>	<u>206,250</u>
Net increase (decrease) in cash and cash equivalents	<u>(195,165)</u>	<u>(106,236)</u>	<u>552,521</u>	<u>251,120</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,463,260</u>	<u>227,788</u>	<u>2,048,971</u>	<u>3,740,019</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$1,268,095</u>	<u>\$ 121,552</u>	<u>\$2,601,492</u>	<u>\$ 3,991,139</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating loss	(451,153)	(333,330)	(602,317)	(1,386,800)
(Increase) decrease in				
Receivables, net of allowances	105,218	70,832	(50,125)	125,925
Decrease in inventory	(3,639)	(3,639)	-	(7,278)
Prepaid expenses	(9,930)	(7,069)	(502)	(17,501)
Accrued interest	38,350	57,482	-	95,832
Increase (decrease) in				
Accounts payable and other liabilities	43,848	15,980	76,490	136,318
Due to other funds	-	88,957	(60)	88,897
Depreciation expense	70,810	4,551	26,340	101,701
Net cash provided (used) by operating activities	<u>\$ (206,496)</u>	<u>\$ (106,236)</u>	<u>\$ (550,174)</u>	<u>\$ (862,906)</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

December 31, 2004

	Agency Funds
ASSETS	
Cash and cash equivalents	<u>\$1,064,449</u>
LIABILITIES	
Accounts payable	1,036,361
Due to other governments	27,643
Due to other funds	<u>445</u>
Total liabilities	<u>1,064,449</u>
NET ASSETS	<u>\$ -</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

1. Reporting Entity

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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 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

During June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*. The Statement establishes new financial reporting requirements for state and local governments throughout the United States. It requires the reporting of new information and the restricting of much of the information that governments have presented in the past.

During 2003 the City implemented GASB Statement No. 34, which required a change in format of reporting financial statements. The new governmental reporting model has the following sections: Management's Discussion and Analysis, Government-wide Financial Statements, and Fund Financial Statements. Under the new reporting model, the City's infrastructure has been added to the capital assets and appropriately depreciated.

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

The statement of net assets presents the financial condition of the City's activities at year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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, 2004

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 fund and 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, fines, 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, 2004

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.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Fund Accounting - Continued

Special Revenue Funds are used to account for specific revenues (other than major capital projects) that are legally restricted to expenditure for particular purposes. The Special Grant Fund accounts for community development block grants and revolving loan funds. The City has two special districts, Downtown Special Assessment District (SAD) and West Avenue Special Assessment District (WASAD). Both were created to make improvements in the boundaries of the district and are funded through a special assessment on the property owners in the district.

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 such as depreciation to recover costs of providing such service, including capital costs such as depreciation or debt service. Proprietary 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 a Proprietary Fund's principal ongoing operations. The principal operating revenues of the City Center Authority Fund, Water Fund, and Sewer Fund are charges to customers for sales and services. The Water Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City maintains the following enterprise funds:

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. *Fund Accounting - Continued*

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

5. *Cash, Cash Equivalents, and Investments*

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

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

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

6. *Receivables and Payables*

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 four percent of outstanding property and school taxes and water and sewer rents at December 31, 2004.

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.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

During 2004, the City changed its method of recording prepaid items from the purchase method to the consumption method. Accordingly, payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid expenses. As a result of this change, pension costs billed by the various New York State Retirement Systems for the pension plan year April 1 to March 31 are allocated over that period. Insurance costs are allocated based on the policy period. This change resulted in a prior period adjustment to increase fund balance by \$219,590.

8. *Restricted Assets*

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

9. *Capital Assets*

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

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

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

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

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

10. *Compensated Absences*

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Long-Term Obligations

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

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

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

12. Fund Equity

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

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Legal Compliance and Budgets

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

1. *Legal Compliance and Budgets - Continued*

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 \$200,000 (\$100,000 on checking and \$100,000 on time deposits and other cash accounts). This collateral is to be in the form of state and local government securities held in trust for and pledged to secure the City's deposits. The City's deposits were adequately insured or collateralized as of December 31, 2004.

Investments

The City had an investment balance of \$17,260 as of December 31, 2004. This consisted of a worker's compensation bond on deposit with New York State.

The City Center Authority had restricted investments as of December 31, 2004, for \$2,233,966. This balance consisted of U. S. Treasury Notes for \$1,909,238, U. S. Government Agencies Federal Home Loan Mortgage and FNMA for \$304,784, and accrued interest for \$19,944. The investments are restricted for future expansion of the Center.

Restricted Cash

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

Debt service	\$ 730,794
Special District	1,894
Capital project	3,431,164
Capital reserves	1,360,875
Council designated	<u>759,331</u>
Total restricted	<u>\$ 6,284,058</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

Restricted Cash - Continued

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

Capital reserves for City Center improvements	\$ 4,191,186
Water line extension	<u>1,125,574</u>
Total Restricted	<u>\$ 5,316,760</u>

2. Receivables

Receivables at year-end for the City's individual major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>General</u>	<u>Capital</u>	<u>Debt Service</u>	<u>Special Grant</u>	<u>Water</u>	<u>Sewer</u>	<u>City Center Authority</u>	<u>Total</u>
City and county taxes	\$ 408,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 408,506
School taxes	295,168	-	-	-	-	-	-	295,168
Tax sales	386,763	-	-	-	-	-	-	386,763
Water rents	-	-	-	-	729,014	-	-	729,014
Sewer rents	-	-	-	-	-	1,249,732	-	1,249,732
Accounts	1,180,766	-	5,950	-	-	-	28,412	1,215,128
Rehabilitation loans	-	-	-	325,121	-	-	-	325,121
State and federal	1,581,510	808,128	-	110,227	-	-	-	2,499,865
Other governments	<u>270,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,233</u>	<u>432,217</u>
Total receivables	4,123,697	808,128	5,950	435,348	729,014	1,249,732	189,645	7,541,514
Allowance for uncollectible accounts	<u>(550,324)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,297)</u>	<u>(38,736)</u>	<u>-</u>	<u>(611,357)</u>
Total net receivables	<u>\$ 3,573,373</u>	<u>\$ 808,128</u>	<u>\$ 5,950</u>	<u>\$ 435,348</u>	<u>\$ 706,717</u>	<u>\$ 1,210,996</u>	<u>\$ 189,645</u>	<u>\$ 6,930,157</u>

3. Capital Assets and Prior Period Adjustment

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

During 2004, the City recalculated the amount of depreciation expense and accumulated depreciation allocated to governmental infrastructure as of December 31, 2003. The recalculation was based on available information indicating the net capital asset value of the infrastructure was greater than recorded in the initial inventory. The recalculation resulted in a prior period decrease in accumulated depreciation for infrastructure amounting to \$7,602,325. The amount of accumulated depreciation shown below is computed as follows:

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

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

Accumulated depreciation for infrastructure reported at December 31, 2003	\$ 29,396,606
Prior-period adjustment decreasing amount reported	<u>7,602,325</u>
Adjusted accumulated depreciation for infrastructure at December 31, 2003	<u>\$ 21,794,281</u>

During 2004, the City also excluded certain small equipment items from the capital assets of the City Center Authority, since the cost of these items was below the City's capitalization levels. The effect on the financial statements of the Authority was negligible, as most of these equipment items had been fully depreciated.

Capital asset activity for the year ended December 31, 2004, as adjusted, is shown on the following pages:

GOVERNMENTAL ACTIVITIES

	January 1, 2004	Additions	Retire- ments	December 31, 2004
Governmental non-depreciable capital assets				
Land	\$ 514,641	\$ -	\$ -	\$ 514,641
Governmental depreciable capital assets				
Buildings	13,898,341	-	-	13,898,341
Improvements	2,852,812	-	-	2,852,812
Machinery, equipment, and vehicles	9,801,729	960,479	(516,075)	10,246,133
Infrastructure	31,272,985	-	-	31,272,985
Work in progress	-	1,699,326	-	1,699,326
Total depreciable capital assets	<u>57,825,867</u>	<u>2,659,805</u>	<u>(516,075)</u>	<u>59,969,597</u>
Accumulated depreciation				
Buildings	(3,311,915)	(259,059)	-	(3,570,974)
Improvements other than buildings	(2,011,449)	(93,743)	-	(2,105,192)
Machinery, equipment, and vehicles	(4,207,704)	(700,962)	516,075	(4,392,591)
Infrastructure, as restated	<u>(21,794,281)</u>	<u>(1,331,545)</u>	-	<u>(23,125,826)</u>
Total accumulated depreciation	<u>(31,325,349)</u>	<u>(2,385,309)</u>	<u>516,075</u>	<u>(33,194,583)</u>
Net governmental depreciable capital assets	<u>26,500,518</u>	<u>274,496</u>	-	<u>26,775,014</u>
Net Capital Assets - governmental activities	<u>\$ 27,015,159</u>	<u>\$ 274,496</u>	\$ -	<u>\$ 27,289,655</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

3. *Capital Assets* - Continued

	January 1, 2004	Additions	Retire- Ments	December 31, 2004
BUSINESS-TYPE ACTIVITIES				
WATER				
Land	\$ 66,941	\$ -	\$ -	\$ 66,941
Water depreciable capital assets				
Buildings	538,616	-	-	538,616
Machinery, equipment, and vehicles	177,379	-	-	177,379
Infrastructure	<u>11,586,711</u>	-	-	<u>11,586,711</u>
Total depreciable capital assets	<u>12,302,706</u>	-	-	<u>12,302,706</u>
Accumulated depreciation				
Buildings	(128,350)	(10,040)	-	\$ (138,390)
Machinery, equipment, and vehicles	(76,144)	(15,234)	-	(91,378)
Infrastructure	<u>(10,658,962)</u>	<u>(45,536)</u>	-	<u>(10,704,498)</u>
Total accumulated depreciation	<u>(10,863,456)</u>	<u>(70,810)</u>	-	<u>(10,934,266)</u>
Net water depreciable capital assets	<u>1,439,250</u>	<u>(70,810)</u>	-	<u>1,368,440</u>
Net capital assets - water activity	<u>\$ 1,506,191</u>	<u>\$ (70,810)</u>	<u>\$ -</u>	<u>\$ 1,435,381</u>
SEWER				
Sewer depreciable capital assets				
Machinery, equipment, and vehicles	\$ 53,044	\$ -	\$ -	\$ 53,044
Accumulated depreciation	<u>(22,771)</u>	<u>(4,551)</u>	-	<u>(27,322)</u>
Net capital assets - sewer activity	<u>\$ 30,273</u>	<u>\$ (4,551)</u>	<u>\$ -</u>	<u>\$ 25,722</u>
CITY CENTER AUTHORITY				
City Center Authority depreciable capital assets				
Machinery, equipment, and vehicles	\$ 567,370	\$ 2,370	\$ (401,821)	\$ 167,919
Accumulated depreciation	<u>(507,586)</u>	<u>(384,802)</u>	<u>9,321</u>	<u>(132,105)</u>
Net capital assets - City Center Authority	<u>\$ 59,784</u>	<u>\$ 387,172</u>	<u>\$ 392,500</u>	<u>\$ 35,814</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government support - Mayor	\$ 11,387
General government support - finance	19,010
General government support - DPW	348,690
General government support - accounts	3,739
Police	80,151
Fire	186,721
Other public safety	16,640
Transportation	1,650,962
Culture and recreation	42,117
Home and community service	<u>25,892</u>
Total depreciation expense - governmental activities	<u>\$2,385,309</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

3. *Capital Assets - Continued*

Business-type activities	
Sewer	\$ 4,551
Water	70,810
City center authority	<u>26,340</u>
 Total depreciation expense - business-type activities	 <u>\$ 101,701</u>

4. *Interfund Receivables, Payables, and Transfers*

The composition of interfund balances as of December 31, 2004, is as follows:

Due to/from other funds in the fund financial statements:

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
General	\$ -	\$ 1,576,906
City Center Authority	(60)	-
Sewer	88,957	-
Capital	1,461,186	-
SAD	3,311	-
WASAD	9,313	-
Fiduciary	445	-
Debt Service	-	3,311
Special Grant	<u>17,065</u>	<u>-</u>
 Total	 <u>\$ 1,580,217</u>	 <u>\$ 1,580,217</u>

Amounts in the government-wide financial statements:

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
Internal balances		
Governmental	\$ -	\$ 88,897
Business-type	88,897	-
Due from fiduciary funds		
Governmental	-	445

Interfund transfers:

<u>Fund</u>	<u>In</u>	<u>Out</u>
General	\$ 10,507	\$ 406,902
Capital	796,356	10,506
WASAD	-	49,503
Debt Service	<u>49,503</u>	<u>389,455</u>
 Total	 <u>\$ 856,366</u>	 <u>\$ 856,366</u>

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

5. Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. On April 8, 2004, the City issued a \$3,948,279, 30-year, general obligation bond.

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

Governmental activities:

<u>Public Improvement Bonds</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>2004</u>
Serial Bond, EFC	03/97	02/17	3.40%	\$ 2,845,000
Serial Bond, general obligation	07/93	03/13	4.75%	1,420,000
Serial Bond, general obligation	10/97	09/17	4.50%	1,815,000
Serial Bond, general obligation	06/00	06/14	5.12%	1,295,000
Serial Bond, general obligation	09/02	09/22	3.90%	1,950,000
Serial Bond, general obligation	04/04	02/34	4.00%	<u>3,948,279</u>
				<u>\$ 13,273,279</u>

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

	<u>Principal</u>	<u>Interest</u>
For the year ending December 31, 2005	\$ 863,279	\$ 593,184
2006	845,000	553,978
2007	875,000	514,679
2008	900,000	473,563
2009	935,000	431,139
For the years ending December 31, 2010 through 2014	4,280,000	1,490,648
2015 through 2029	1,700,000	739,368
2020 through 2024	965,000	475,020
2025 through 2029	850,000	300,200
2030 through 2034	<u>1,060,000</u>	<u>109,400</u>
Total	<u>\$ 13,273,279</u>	<u>\$ 5,681,179</u>

Of the total outstanding indebtedness of the City in the sum of \$13,273,279, \$8,889,005 was subject to the statutory debt limit and represented approximately 55% of the City's \$16,240,077 self-imposed debt limit.

Special Assessment Debt

At December 31, 2004, the amount of special assessment debt outstanding for SAD and WASAD was \$129,190 and \$583,274, respectively. These amounts are reflected in the governmental activities statement of net assets and included in the schedules above.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

5. *Long-Term Debt - Continued*

Other Liabilities

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

	January 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2004</u>
Sick time	\$ 2,505,022	\$ 72,813	\$ (35,709)	\$2,542,126
Compensatory time	<u>543,456</u>	<u>708,566</u>	<u>(625,515)</u>	<u>626,507</u>
	<u>\$ 3,048,478</u>	<u>\$ 781,379</u>	<u>\$(661,224)</u>	<u>\$3,168,633</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 established a Safety Committee to review potential areas of risk and to develop 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 2004 annual contribution to the worker's compensation pool was \$528,407.

b. Subsequent Events

On May 12, 2005, the City sold \$4,517,465 in general obligation serial bonds to finance various capital projects, with a fixed interest rate of 3.85%. On March 23, 2005, the City paid in full the \$3,000,000 Tax Anticipation Note issued on December 31, 2004, plus applicable interest at a rate of 1.6%. On July 29, 2005, the City issued a \$2,000,000 Revenue Anticipation Note to mature on September 29, 2005, interest at a rate of 2.6%. On July 20, 2005, the City issued a \$1,170,000 Bond Anticipation Note for Open Lands Acquisition to mature on July 20, 2006, interest at a rate of 2.6%.

c. Contingent Liabilities

The City is involved in certain suits and claims arising from a variety of sources. Aside from the following paragraph, 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, 2004**

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

6. *Other Items - Continued*

d. *Other Postemployment Benefits*

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

During the year, \$1,210,385 was paid on behalf of 197 retirees' contracts and recorded as an expenditure.

e. *Employee Retirement Systems and Pension Plan*

1. *Employee Retirement Systems Plan Description*

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

On October 15, 2004, the City opted to provide certain benefits to Firefighters for past services under Section 384E of the PFRS plan. The total past service credit costs were \$1,078,728. The City opted to pay for this program over a ten-year term with interest starting the third year at 8% per annum. In fiscal year ended December 31, 2004, the City paid the first of 10 installments of \$146,402, which did not include interest. The maturity schedule for this debt is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Paid December 31, 2004 (principal only)	\$ 146,402	\$ -	\$ 146,402
Payable February 1, 2006 (principal only)	138,191	-	138,191
Payable February 1, 2007	74,660	63,531	138,191
Payable February 1, 2008	80,633	57,558	138,191
Payable February 1, 2009	87,084	51,107	138,191
Payable February 1, 2010	94,050	44,141	138,191
Payable February 1, 2011	101,574	36,617	138,191
Payable February 1, 2012	109,700	28,491	138,191
Payable February 1, 2013	118,476	19,715	138,191
Payable February 1, 2014	<u>127,958</u>	<u>10,233</u>	<u>138,191</u>
Totals	<u>\$ 1,078,728</u>	<u>\$ 311,393</u>	<u>\$1,390,121</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

6. *Other Items - Continued*

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

1. *Employee Retirement Systems Plan Description - Continued*

The unpaid balance of \$932,326 at December 31, 2004, is included in the financial statements as a non-current governmental liability, of which \$138,191 is shown as due within one year.

Since this liability pertains to services provided by firefighters prior to 2004, the City recognized this liability as of January 1, 2004. This recognition resulted in a prior period decrease in the beginning net assets of the governmental activities for the year ended December 31, 2003.

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 expressed used in computing the employers' contributions. The required contributions for the current and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>	<u>384e</u>	<u>Total</u>
2004	\$ 651,192	\$ 648,147	\$ 146,402	\$1,445,741
2003	235,587	420,757	-	656,344
2002	29,940	77,683	-	107,623

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

3. *Local Pension Plan*

Prior to joining the New York State Retirement Systems, the City had its own pension plan. In 2004, there was one spouse of a retired employee still receiving benefits from the pension plan. The expense is charged to the General Fund as incurred. No liability has been recorded for future payments since the probability of paying the benefit in future years is unlikely.

f. *Labor Relations*

The City has 311 employees covered by seven (7) bargaining units. The Police Chiefs, Police Lieutenants, and Fire Chiefs contracts expired on December 31, 2003. The Firefighters' contract was approved by City Council on June 15, 2004, and will expire on December 31, 2006. The Police Benevolent Association contract was approved on July 20, 2004, and will expire on December 31, 2005. The other contracts are under negotiations. The CSEA City Hall and CSEA Public Works contracts expired on December 31, 2004.

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

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole of the City of Saratoga Springs, New York, as of and for the year ended December 31, 2004, 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
September 6, 2005

CITY OF SARATOGA SPRINGS, NEW YORK

SUPPLEMENTAL INFORMATION

December 31, 2004

Pension Plans

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

Prior to joining the Systems, the City had its own pension plan. In 2004, there was one spouse of a retired employee still receiving benefit from the pension plan. The expense is charged to general fund as incurred. No liability has been recorded for future payments since the probability of paying the benefit in future years is unlikely.

Non-Major Governmental Funds

The 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, 2004

	Downtown Special Assessment <u>District</u>	West Avenue Special Assessment <u>District</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 151,791	\$ 57,113	\$ 208,904
Cash, special reserves	<u>1,894</u>	<u>-</u>	<u>1,894</u>
Total assets	<u>\$ 153,685</u>	<u>\$ 57,113</u>	<u>\$ 210,798</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ <u>3,311</u>	\$ <u>9,313</u>	\$ <u>12,624</u>
Fund balances			
Reserved for district purposes	1,894	-	1,894
Unreserved - unappropriated	<u>148,480</u>	<u>47,800</u>	<u>196,280</u>
Total fund balances	<u>150,374</u>	<u>47,800</u>	<u>198,174</u>
Total liabilities and fund balances	<u>\$ 153,685</u>	<u>\$ 57,113</u>	<u>\$ 210,798</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2004**

	Downtown Special Assessment District	West Avenue Special Assessment District	Total
REVENUES			
Real property taxes	\$ 67,325	\$ 56,844	\$ 124,169
Interest earnings	1,427	451	1,878
Total revenues	<u>68,752</u>	<u>57,295</u>	<u>126,047</u>
EXPENDITURES			
Current			
Administration	-	13,048	13,048
Economic and development opportunity	32,019	-	32,019
Debt service			
Principal	9,477	-	9,477
Interest	6,864	-	6,864
Total expenditures	<u>48,360</u>	<u>13,048</u>	<u>61,408</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	-	-
Interfund transfers out	-	49,503	49,503
Total other financing sources (uses)	<u>-</u>	<u>(49,503)</u>	<u>(49,503)</u>
Net change in fund balances	20,392	(5,256)	15,136
FUND BALANCE, beginning of year	<u>129,982</u>	<u>53,056</u>	<u>183,038</u>
FUND BALANCE, end of year	<u>\$ 150,374</u>	<u>\$ 47,800</u>	<u>\$ 198,174</u>