

OFFICIAL STATEMENT

NEW ISSUE

RATING: Moody's "Aaa" (INSURED)**

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.

\$9,228,760

**CITY of SARATOGA SPRINGS
SARATOGA COUNTY, NEW YORK
GENERAL OBLIGATIONS**

**\$9,228,760 Public Improvement (Serial) Bonds, 2007
CUSIP #: 803531**

Dated: July 1, 2007

Due: July 1, 2008-2030

MATURITIES

Year	Amount	Rate	Yield	CSP	Year	Amount	Rate	Yield	CSP	Year	Amount	Rate	Yield	CSP
2008	\$ 248,760	4.20%	3.73%	KH4	2016	\$ 340,000	4.25%	4.02%	KR2	2024	\$ 475,000 *	4.25%	4.20%	KZ4
2009	250,000	4.20	3.83	KJ0	2017	355,000 *	4.25	4.05	KS0	2025	500,000 *	4.25	4.22	LA8
2010	260,000	4.20	3.90	KK7	2018	370,000 *	4.25	4.08	KT8	2026	520,000 *	4.30	4.24	LB6
2011	275,000	4.25	3.86	KL5	2019	385,000 *	4.25	4.10	KU5	2027	545,000 *	4.30	4.26	LC4
2012	285,000	4.25	3.90	KM3	2020	400,000 *	4.25	4.12	KV3	2028	565,000 *	4.30	4.30	LD2
2013	295,000	4.25	3.93	KN1	2021	420,000 *	4.25	4.14	KW1	2029	590,000 *	4.35	4.35	LE0
2014	310,000	4.25	3.96	KP6	2022	440,000 *	4.25	4.16	KX9	2030	620,000 *	4.35	4.37	LF7
2015	325,000	4.25	4.00	KQ4	2023	455,000 *	4.25	4.18	KY7					

** The Bonds maturing in the years 2017 to 2030 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.

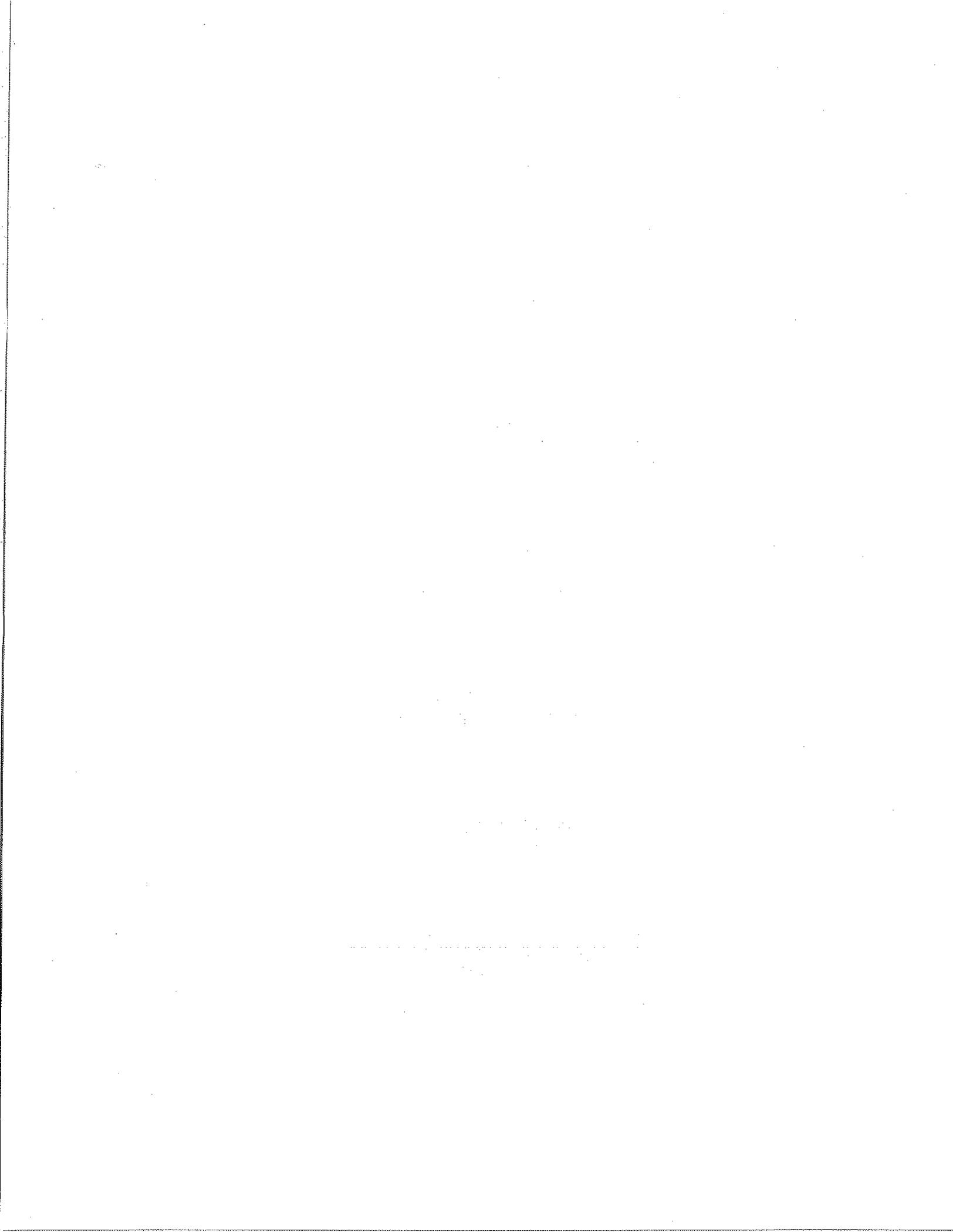
The Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof, except for one necessary odd denomination maturing July 1, 2008. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable January 1, 2008 and semi-annually thereafter on July 1 and January 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.

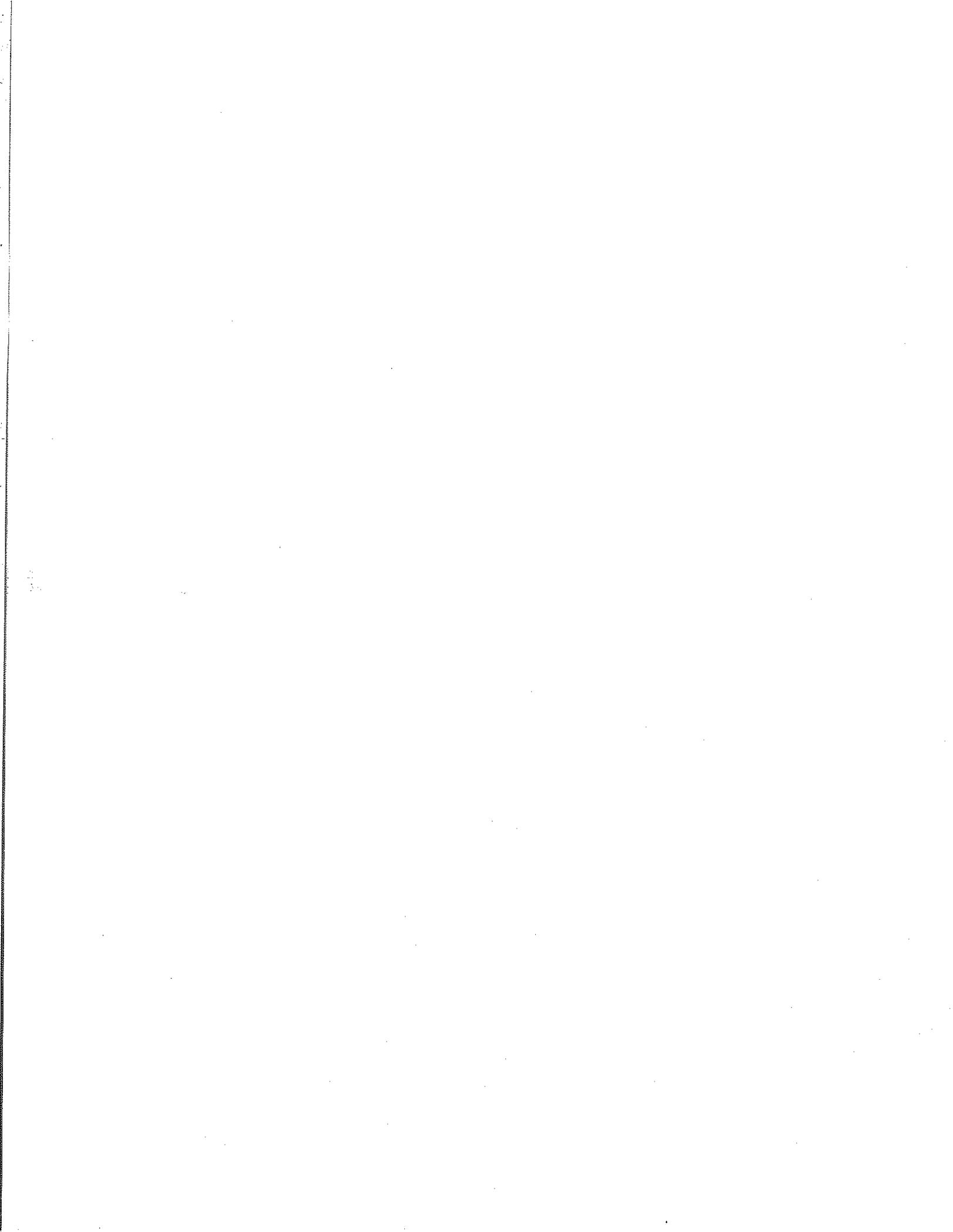
The Bonds are offered and received by the purchaser and subject to the receipt of the unqualified legal opinion as to the validity of the Bonds of Walsh & Walsh, LLP, Bond Counsel, of Saratoga Springs, New York. It is anticipated that the Bonds will be available for delivery in New York, New York on or about July 11, 2007.

June 26, 2007

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE CITY DATED JUNE 13, 2007 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 "TABLE OF CONTENTS" PAGE, THE REVISION OF THE "RATING" SECTION, THE REVISION OF THE DATED DATE ON PAGE 24 AND THE INCLUSION OF "APPENDIX - D", THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

STIFEL NICOLAUS & CO., INC.





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

\$9,228,760 Public Improvement (Serial) Bonds, 2007

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 \$9,228,760 principal amount of Public Improvement (Serial) Bonds, 2007 (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 July 1, 2007 and will mature in the principal amounts on July 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 July 1, 2008. Purchasers will not receive certificates representing their interest in the Bonds.

Interest on the Bonds will be payable January 1, 2008 and semi-annually thereafter on July 1 and January 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 July 1, 2016 shall not be subject to redemption prior to maturity. The Bonds maturing on or after July 1, 2017 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 July 1, 2016 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 July 1, 2008. 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 January 1, 2008 and semi-annually thereafter on July 1 and January 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 for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Lake Avenue Fire Station Apron	\$ 35,000
South Broadway Construction and Improvements	360,140
Interlaken Water System Improvements	102,400
Water Disinfection Improvements	125,000
Arts Center Building Foundation Repairs	50,000
Canfield Casino Exterior Repairs – Phase III	350,000
Putnam Street Parking Deck Repairs	410,000
Congress Park Restrooms	120,000
Southeast Storm Drainage Improvements	300,000
Geyser Road Industrial Park Sanitary Sewer	300,000
Compost Grinder Machine	375,000
Waterfront Recreation Area	200,000
Downtown Pedestrian Improvement	60,000
Police Radio System Upgrade	78,600
City Hall Security System	21,000
New Municipal Facility	1,000,000
Fire Engine #1	375,000
New EMS Facility East of Northway	150,000
Replace Traffic Signal	120,000
New Traffic Signal	149,600
Indoor Recreation Center	4,330,000
South Side Park Netting	10,000
DPW Garage Floor Reconstruction & Lift Replacement	200,000
Lake Avenue Fire Station Apron	<u>7,020</u>
Total	\$ 9,228,760

The proceeds of the Bonds will retire \$622,540 bond anticipation notes and provide \$8,606,220 in new monies for the abovementioned purposes.

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

Note: The 2005 estimated population for the City is 28,036.

Source: U.S. Census.

Banking Facilities

The City is served by numerous commercial and savings banks. These include The Adirondack Trust Company, KeyBank, N.A., Ballston Spa National Bank, 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 Citizens Bank, N.A.

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>
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	2,570,000
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 Rowing Boat House	Recreation	New Construction	700,000
YMCA	Indoor Recreation	New Construction	10,000,000
Care Lane Office Building	Medical/Professional	New Construction	5,500,000
		TOTAL	\$ 186,270,000

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>
Saratoga Hotel	Hotel/Conference Center	Rehabilitation	\$ 11,000,000
Preservation Hall	Commercial	Addition	3,000,000
Saratoga Gaming & Raceway	Racino Addition	Addition	15,000,000
Franklin Square Phase V	Retail/Office/Residential	New	36,000,000
Hampton Inn/Condos	Hotel/Office/Retail/Residential	New	35,000,000
The Lexington Club Hotel	Hotel/Residential	New	30,000,000
Kohl's Department Store	Retail	New	4,000,000
		TOTAL	\$ 135,000,000

New commercial buildings that are approved, but not yet under construction:

<u>Name</u>	<u>Type of Business</u>	<u>Type of Development</u>	<u>Estimated Value</u>
Broadway Mixed-Use Building	Retail/Office/Residential	New Construction	\$ 30,000,000
Lofts at 54 Phila	Retail/Residential	New Construction	6,200,000
Excelsior Park			

Phase 1A Weibel Avenue	Office/Retail	New Construction	4,000,000
Mixed Use Project Stewarts'	Retail/Office	New Construction	13,000,000
Mixed Use Project Congress Park Centre Bldg. 5	Office/Residential	New Construction	7,200,000
Canfield Medical Arts	Retail/Office/Residential	New Construction	20,000,000
West Avenue Commons	Office	New Construction	2,500,000
	Retail/Office/Residential	New Construction	10,800,000
		TOTAL	\$ 93,700,000

New commercial buildings that are planned, but do not yet have all development approvals 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
Downtown Marketplace	Retail-Office	Addition	7,000,000
Lake Avenue Mixed-Use Project	Retail/Office/Residential	New Construction	7,500,000
Arlington Hotel	Hotel/Retail	New Construction	13,000,000
Eagle Associates Warehouse	Warehouse/Distribution	New Construction	12,000,000
Skidmore College Music Center	Institutional	New Construction	32,000,000
Jelenik Mixed-Use Building	Retail/Office/Residential	New Construction	7,500,000
Spa Hotel II – Banquet & Restaurant	Restaurant	New Construction	1,500,000
Slack Chemical Warehouse	Warehouse	Addition	400,000
The Schuyler at Saratoga	Office/Residential	New Construction	100,000,000
Saratoga Indoor Recreation Center	Indoor Recreation	New Construction	6,000,000
Police Department	Institutional	New Construction	8,000,000
EMS Facility	Institutional	New Construction	3,000,000
		TOTAL	\$ 221,900,000

Over the past four years the City has also continue to experience significant residential development within the City. In the past four years the City has issued 826 building permits (356 single-family units and 470 multi-family units) for new residential units. The City also has approximately 633 new residential units (197 single-family units and 436 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 budget for the current fiscal year, approximately 18.72% 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:

<u>Bargaining Unit</u>	<u>Number of Members</u> ⁽¹⁾	<u>Contract Expiration Date</u>
Fire Department	54	12/31/06 ⁽²⁾
Fire Chiefs	2	12/31/08
PBA	60	12/31/08
Police Lieutenants	4	12/31/08
Police Chiefs	3	12/31/08
CSEA City Hall	96	12/31/08
CSEA DPW	91	12/31/08

⁽¹⁾ As of March 23, 2007

⁽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 \$2,089,043 for PFRS and \$981,871 for ERS in 2007. For the years 2002 through 2006, the City's contributions to the ERS and PFRS together were: \$107,623, \$656,344, \$1,445,741, \$2,509,139 and \$2,688,776, 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.

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.

In September 2006, the State Comptroller announced that the amortization rate for 2007 is 5% for those employers choosing to amortize through ERS, any portion of the 2007 bill in excess of 10.5% of payroll. The first installment is due with the February 2008 payment. The City pays its ERS contribution in full each year.

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

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Saratoga County	3.3%	2.9%	3.4%	3.6%	3.8%	3.6%	3.5%
New York State	4.6%	4.9%	6.1%	6.4%	5.8%	5.0%	4.5%

	<u>Monthly Figures</u>											
	2006						2007					
	<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>	<u>Mar</u>	<u>Apr</u>
Saratoga County	3.3%	3.4%	3.5%	3.2%	3.2%	2.9%	3.1%	3.1%	4.1%	4.2%	3.8%	3.4%
New York State	4.4%	4.4%	4.9%	4.3%	4.1%	3.8%	3.9%	3.8%	4.9%	4.9%	4.3%	4.0%

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, 2005 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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Valuation	\$ 1,494,612,419	\$ 1,528,588,725	\$ 2,575,882,013	\$ 2,790,688,218	\$ 2,881,654,553
New York State					
Equalization Rate	88.06%	78.00%	100.00%	100.00%	84.00%
Full Valuation	\$ 1,697,265,977	\$ 1,959,729,135	\$ 2,575,882,013	\$ 2,790,688,218	\$ 3,430,541,134

Tax Rate Per \$1,000 (Assessed)

Fiscal Years Ending December 31:	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Inside Area	\$ 29.85	\$ 32.08	\$ 5.11	\$ 4.25	\$ 4.96
Outside Area	29.72	31.93	5.08	4.23	4.92

Tax Levy and Collection Record

Fiscal Years Ending December 31:	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Tax Levy	\$ 13,175,978	\$ 13,276,073	\$ 17,343,078	\$ 22,162,251	\$ 22,225,280	\$ 24,515,046
Uncollected End of Year	411,133	513,901	1,111,400	1,437,235	1,509,249	N/A
% Uncollected	3.12%	3.87%	6.40%	6.50%	6.79%	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 - 2006 Assessment Roll for 2007

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
NYRA	Race Track	\$ 57,175,000
National Grid	Utility	32,365,609
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
Spa Hotel, LLC	Hotel	14,040,000
Ball Metal	Manufacturing	11,600,000
Don Green Enterprises Inc.	Shopping Center	11,500,000 ⁽¹⁾

The ten largest taxpayers listed above have a total assessed valuation of \$222,209,589 which represents 7.71% of the City's tax base.

(1) Filed Tax Certiorari Claim in 2005 seeking a reduction to \$8,281,000 for each year. 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>2005</u>	<u>2006</u>	<u>2007</u>
Five-Year Average Full Valuation.....	\$ 1,839,388,985	\$ 2,114,467,334	\$ 2,490,821,295
Tax Limit - 2% of Five Year Average	36,787,780	42,289,347	49,816,426
Add: Exclusions From Tax Limit	<u>6,886,091</u>	<u>0</u>	<u>0</u>
Total Taxing Power	\$ 43,673,871	\$ 42,289,347	\$ 49,816,426
Less Total Levy	<u>11,764,991</u>	<u>13,171,432</u>	<u>13,069,118</u>
Tax Margin	<u>\$ 31,908,880</u>	<u>\$ 29,117,915</u>	<u>\$ 36,747,308</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 2% of the average full valuation of taxable real estate of the City. The debt limit at 2%, as imposed by the City at August 1, 2006 was \$42,289,347.

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

<u>Fiscal Years Ending December 31:</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Bonds	\$ 10,813,865	\$ 10,075,000	\$ 13,273,279	\$ 16,927,465	\$ 24,384,600
Bond Anticipation Notes	0	0	0	2,678,600	622,540
Other Debt ⁽¹⁾	<u>0</u>	<u>0</u>	<u>3,000,000</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 10,813,865</u>	<u>\$ 10,075,000</u>	<u>\$ 16,273,279</u>	<u>\$ 19,606,065</u>	<u>\$ 24,007,140</u>

⁽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 June 11, 2007.

<u>Bonds</u>	<u>Maturity</u>	<u>Amount</u>
	2007-2035	\$ 23,770,000
<u>Bond Anticipation Notes</u>		
South Broadway Construction & Improvements	July 12, 2007	\$ 360,140
Interlaken Water System	July 12, 2007	102,400
Water Treatment Plant Disinfection System	July 12, 2007	125,000
Lake Avenue Fire Station Apron	July 12, 2007	<u>35,000</u>
	Total Bond Anticipation Notes	<u>\$ 622,540</u>
	Total Indebtedness	<u>\$ 24,392,540</u>

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin shown on a Debt Statement prepared as of June 11, 2007:

Five-Year Average Full Valuation of Taxable Real Property.....	\$ 2,490,821,295
Debt Limit - 7% thereof ⁽¹⁾	174,357,490

Inclusions:

Bonds.....	\$ 23,770,000	
Bond Anticipation Notes	<u>622,540</u>	
Total Inclusions.....		<u>\$ 24,392,540</u>

Exclusions:

Sewer Debt ⁽²⁾	\$ 0	
Water Debt ⁽³⁾	4,849,600	
Appropriations.....	<u>858,900</u>	
Total Exclusions.....		<u>\$ 5,708,500</u>

Total Net Indebtedness Subject to Debt Limit..... \$ 18,684,040

Net Debt-Contracting Margin..... \$ 155,673,450

The percent of debt contracting power exhausted is 10.72%

Note: The issuance of the Bonds will increase the net indebtedness of the City by \$8,606,220.

⁽¹⁾ The City Charter requires approval by voter referendum when long term bonding exceeds 2% of the average full valuation of taxable real estate of the City. The debt limit at 2%, as imposed by the City at August 1, 2006 was \$42,289,347.

⁽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, 2006 the lease was paid in full. \$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, 2006 \$566 and \$7,641, 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, 2006 the lease was paid in full.

The City has Special District debt outstanding in the amount of \$463,043 and \$3,172,000 open space debt which was approved by voter referendum.

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.

<u>Unit</u>	<u>Outstanding Indebtedness</u>	<u>Exclusions</u> ⁽¹⁾	<u>Net Indebtedness</u>	<u>Approximate % Applicable</u>	<u>Overlapping Indebtedness</u>
County of Saratoga	\$ 16,105,000	\$ 225,000 ⁽²⁾	\$ 15,880,000	14.16%	\$ 2,248,608
City School District of the City of Saratoga Springs	76,158,120	53,691,475 ⁽³⁾	22,466,645	60.25%	<u>13,536,154</u>
					<u>\$ 15,784,762</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 June 11, 2007:

	<u>Amount of Indebtedness</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Valuation</u> ^(b)
Gross Direct Indebtedness ^(c)	\$ 24,392,540	\$ 870.04	.98%
Net Direct Indebtedness ^(c)	18,684,040	666.43	.75%
Gross Direct Plus Net Overlapping Indebtedness ^(d)	40,177,302	1,433.06	1.61%
Net Direct Plus Net Overlapping Indebtedness ^(d)	34,468,802	1,229.45	1.38%

Note: ^(a) The City's 2005 population is 28,036. (See "Population Trends" herein.)

^(b) The City's five year average full valuation of taxable real estate is \$2,490,821,295. (See "Valuations, Rates and Tax Levies" herein.)

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

^(d) The City's applicable share of net overlapping indebtedness is \$15,784,762. (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 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 2007 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. ("Moody's") will assign its Municipal Bond rating of "Aaa" based upon the issuance by MBIA Insurance Corporation of its standard form of Municipal Bond Insurance Policy with respect to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating of the Bonds may have an adverse effect on the market price of the 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: June 26, 2007

MATTHEW McCABE
Commissioner of Finance
and Chief Fiscal Officer

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GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2005</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 507,086	\$ 959,954
Cash and Cash Equivalents, special reserves	1,800,912	1,666,641
Investments	17,260	17,260
Investments, special reserves	1,509,398	0
Receivables, net allowances for uncollectibles	2,048,445	2,422,851
Receivables from Other Governments	1,870,686	1,725,653
Due from Other Funds	478,910	1,205,004
Prepaid Expenses	68,713	144,458
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 8,301,410</u>	<u>\$ 8,141,821</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Accounts Payable and Accrued Liabilities	\$ 705,456	\$ 1,457,215
Notes Payable	0	0
Due to Other Governments	2,196,034	2,184,903
Due to Other Funds	11	0
Deferred Tax Revenue	871,274	1,599,260
Unpaid Interest and Matured Bonds Payable	0	108,066
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>3,772,775</u>	<u>5,349,444</u>
 <u>FUND EQUITY</u>		
Reserved	\$ 4,155,153	\$ 2,551,610
Unreserved:		
Appropriated	964,827	75,044
Unappropriated	(591,345)	165,723
	<hr/>	<hr/>
TOTAL FUND EQUITY	<u>4,528,635</u>	<u>2,792,377</u>
 TOTAL LIABILITIES and FUND EQUITY	 <u>\$ 8,301,410</u>	 <u>\$ 8,141,821</u>

Source: Audited and Annual 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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
REVENUES				
Real Property Taxes and Tax Items	\$ 7,775,297	\$ 8,349,976	\$ 9,237,989	\$ 10,742,185
Non-Property Taxes	9,603,815	8,929,940	8,620,988	9,767,976
Departmental Income	1,643,160	1,537,072	1,543,092	1,492,636
Intergovernmental Charges	136,541	206,310	179,288	198,774
Use of Money & Property	524,267	382,116	348,991	368,449
Licenses and Permits	168,850	205,998	245,383	293,876
Fines and Forfeitures	762,428	525,246	666,403	561,470
Sale of Property and Compensation for Loss	301,151	596,065	1,400,074	361,539
Miscellaneous	71,806	69,958	35,207	62,764
Interfund Revenues	1,365	1,590	0	0
Revenues from State Sources	2,494,630	2,882,817	3,312,174	3,477,815
Revenues from Federal Sources	276,105	173,709	247,402	365,991
Total Revenues	<u>\$ 23,759,415</u>	<u>\$ 23,860,797</u>	<u>\$ 25,836,991</u>	<u>\$ 27,693,475</u>
EXPENDITURES				
General Government Support	\$ 3,735,638	\$ 4,104,376	\$ 5,120,949	\$ 4,727,625
Education	0	0	0	10,015
Public Safety	8,655,666	9,079,127	9,760,553	10,405,804
Health	65,546	72,026	81,774	31,512
Transportation	3,326,726	3,227,659	3,343,451	3,419,293
Economic Assistance and Opportunity	291,891	96,729	106,740	132,930
Culture and Recreation	1,915,720	2,003,781	2,010,763	2,111,710
Home and Community Services	461,565	563,880	524,505	754,997
Employee Benefits	4,230,396	4,672,128	5,551,576	6,457,043
Debt Service	22,025	26,125	0	3,050
Total Expenditures	<u>\$ 22,705,173</u>	<u>\$ 23,845,831</u>	<u>\$ 26,500,311</u>	<u>\$ 28,053,979</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 1,054,242</u>	<u>\$ 14,966</u>	<u>(\$ 663,320)</u>	<u>(\$ 360,504)</u>
Other Financing Sources (Uses):				
Operating Transfers In	0	20,000	5,748	10,507
Operating Transfers Out	<u>(509,272)</u>	<u>(167,879)</u>	<u>(797,125)</u>	<u>(406,902)</u>
Total Other Financing	<u>(509,272)</u>	<u>(147,879)</u>	<u>(791,377)</u>	<u>(396,395)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>544,970</u>	<u>(132,913)</u>	<u>(1,454,697)</u>	<u>(756,899)</u>
FUND BALANCE				
Fund Balance - Beginning of Year	6,482,322	7,027,292	6,894,379	5,439,683
Prior Period Adjustments (net)	0	0	0	219,590
Fund Balance - End of Year	<u>\$ 7,027,292</u>	<u>\$ 6,894,379</u>	<u>\$ 5,439,682</u>	<u>\$ 4,902,374</u>

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:	2005			2006	2007
	Adopted Budget	Modified Budget	Actual	Adopted Budget	Adopted Budget
REVENUES					
Real Property Taxes and Tax Items	\$ 12,647,211	\$ 12,747,211	\$ 12,351,608	15,224,399	\$ 13,928,263
Non-Property Taxes	9,734,120	9,734,120	9,935,826	10,147,145	11,609,415
Departmental Income	1,412,040	1,540,698	1,449,605	1,327,690	1,373,640
Intergovernmental Charges	197,100	239,460	1,243,724	246,650	243,650
Use of Money & Property	400,000	400,000	410,837	425,000	400,000
Licenses and Permits	275,123	275,123	299,383	290,950	286,450
Fines and Forfeitures	689,000	689,000	499,958	570,000	615,000
Sale of Property and Compensation for Loss	238,250	319,852	326,026	205,800	246,366
Miscellaneous	43,000	116,499	217,164	32,500	76,450
Interfund Revenues	0	0	0	6,400	0
Revenues from State Sources	3,129,740	3,293,998	4,014,691	3,656,530	6,649,204
Revenues from Federal Sources	139,677	524,447	217,375	149,500	89,000
Total Revenues	\$ 28,905,261	\$ 29,880,408	\$ 30,966,197	\$ 32,282,564	\$ 35,517,438
EXPENDITURES					
General Government Support	\$ 6,993,547	\$ 7,551,840	\$ 7,367,891	\$ 4,954,688	\$ 5,325,659
Education	30,000	31,986	6,525	0	0
Public Safety	14,726,302	15,630,382	16,267,178	11,906,735	12,772,444
Health	18,550	19,910	19,151	152,000	139,015
Transportation	3,435,151	3,936,752	3,817,912	3,872,209	4,052,528
Economic Assistance and Opportunity	118,440	118,438	182,244	198,603	198,319
Culture and Recreation	2,266,675	2,548,149	2,301,707	2,316,919	2,496,887
Home and Community Services	914,996	1,067,529	924,119	918,816	1,054,752
Employee Benefits	18,000	18,000	15,532	7,962,594	9,477,834
Debt Service	7,000	35,667	34,665	0	0
Total Expenditures	\$ 28,528,661	\$ 30,958,653	\$ 30,936,924	\$ 32,282,564	\$ 35,517,438
Excess of Revenues Over (Under) Expenditures	\$ 376,600	(\$ 1,078,245)	\$ 29,273	\$ 0	\$ 0
Other Financing Sources (Uses):					
Other Budgetary purposes	(380,000)	(42,456)	0		
Operating Transfers In	3,400	19,110	4,988	0	0
Operating Transfers Out	(72,144)	(408,000)	(408,000)	0	0
Total Other Financing	(448,744)	(431,346)	(403,012)	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(72,144)	(1,509,591)	(373,739)	0	0
FUND BALANCE					
Fund Balance - Beginning of Year	72,144	1,509,591	4,902,374	0	0
Prior Period Adjustments (net)	0		0	0	0
Fund Balance - End of Year	\$ 0	\$ 0	\$ 4,528,635	\$ 0	\$ 0

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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>WATER FUND</u>					
Fund Equity - Beginning of Year	\$ 1,040,118	\$ 1,279,432	\$ 1,780,517	\$ 1,934,525	\$ 1,603,569
Prior Period Adjustments (net)	0	0	2,027,116	0	0
Revenues & Other Sources	2,368,163	2,349,349	2,207,528	2,214,049	2,301,593
Expenditures & Other Uses	2,128,849	1,848,264	2,299,169	2,545,005	2,496,291
Fund Equity - End of Year	\$ 1,279,432	\$ 1,780,517	\$ 3,715,992	\$ 1,603,569	\$ 1,408,871
<u>SEWER FUND</u>					
Fund Equity - Beginning of Year	\$ 331,854	\$ 859,962	\$ 1,024,754	\$ 1,058,149	\$ 791,183
Prior Period Adjustments (net)	0	0	378,004	0	0
Revenues & Other Sources	2,834,020	3,181,130	3,233,123	3,000,599	3,306,363
Expenditures & Other Uses	2,305,912	3,016,338	3,070,518	3,267,565	3,461,970
Fund Equity - End of Year	\$ 859,962	\$ 1,024,754	\$ 1,565,363	\$ 791,183	\$ 635,576

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	Excluding This Issue			Principal of This Issue	Total Principal All Issues
	Principal	Interest	Total		
2007	1,189,600	1,035,755.25	2,225,355.25	0	1,189,600
2008	1,230,000	981,627.50	2,211,627.50	248,760	1,478,760
2009	1,280,000	925,576.88	2,205,576.88	250,000	1,530,000
2010	1,310,000	867,157.51	2,177,157.51	260,000	1,570,000
2011	1,255,000	806,942.51	2,061,942.51	275,000	1,530,000
2012	1,290,000	749,005.63	2,039,005.63	285,000	1,575,000
2013	1,315,000	689,060.63	2,004,060.63	295,000	1,610,000
2014	1,035,000	627,979.38	1,662,979.38	310,000	1,345,000
2015	900,000	585,597.50	1,485,597.50	325,000	1,225,000
2016	905,000	546,212.50	1,451,212.50	340,000	1,245,000
2017	855,000	506,330.00	1,361,330.00	355,000	1,210,000
2018	700,000	472,957.50	1,172,957.50	370,000	1,070,000
2019	730,000	444,347.50	1,174,347.50	385,000	1,115,000
2020	760,000	414,436.25	1,174,436.25	400,000	1,160,000
2021	795,000	383,312.50	1,178,312.50	420,000	1,215,000
2022	830,000	350,771.25	1,180,771.25	440,000	1,270,000
2023	760,000	316,822.50	1,076,822.50	455,000	1,215,000
2024	795,000	285,461.25	1,080,461.25	475,000	1,270,000
2025	480,000	259,418.75	739,418.75	500,000	980,000
2026	505,000	238,881.25	743,881.25	520,000	1,025,000
2027	530,000	217,300.00	747,300.00	545,000	1,075,000
2028	555,000	194,675.00	749,675.00	565,000	1,120,000
2029	580,000	171,006.25	751,006.25	590,000	1,170,000
2030	605,000	146,293.75	751,293.75	620,000	1,225,000
2031	630,000	120,537.50	750,537.50		630,000
2032	655,000	93,737.50	748,737.50		655,000
2033	685,000	65,787.50	750,787.50		685,000
2034	715,000	36,587.50	751,587.50		715,000
2035	510,000	10,837.50	520,837.50		510,000
TOTALS	\$ 24,384,600	\$ 12,544,416.52	\$ 36,929,016.52	\$ 9,228,760	\$ 33,613,360

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FINANCIAL STATEMENTS

December 31, 2005

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, 2005

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

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

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

Bollam Sheedy Torani & Co LLP

Albany, New York
June 21, 2006

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

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

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

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

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

CITY OF SARATOGA SPRINGS

CONDENSED STATEMENTS OF NET ASSETS

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

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

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

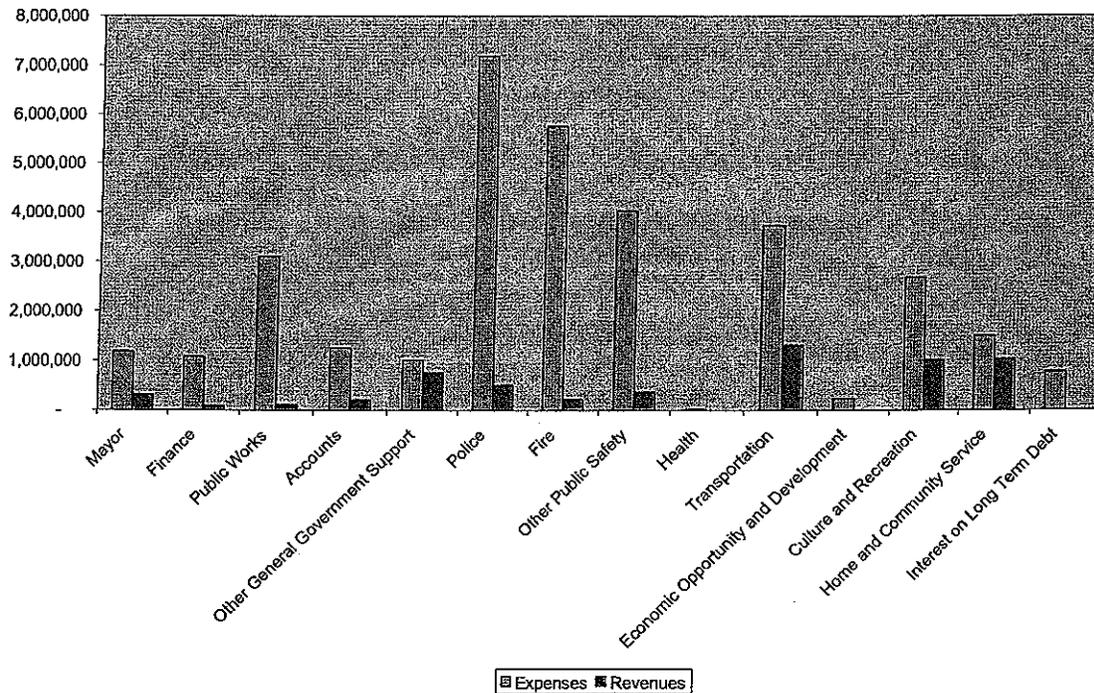
CITY OF SARATOGA SPRINGS

CHANGES IN NET ASSETS

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

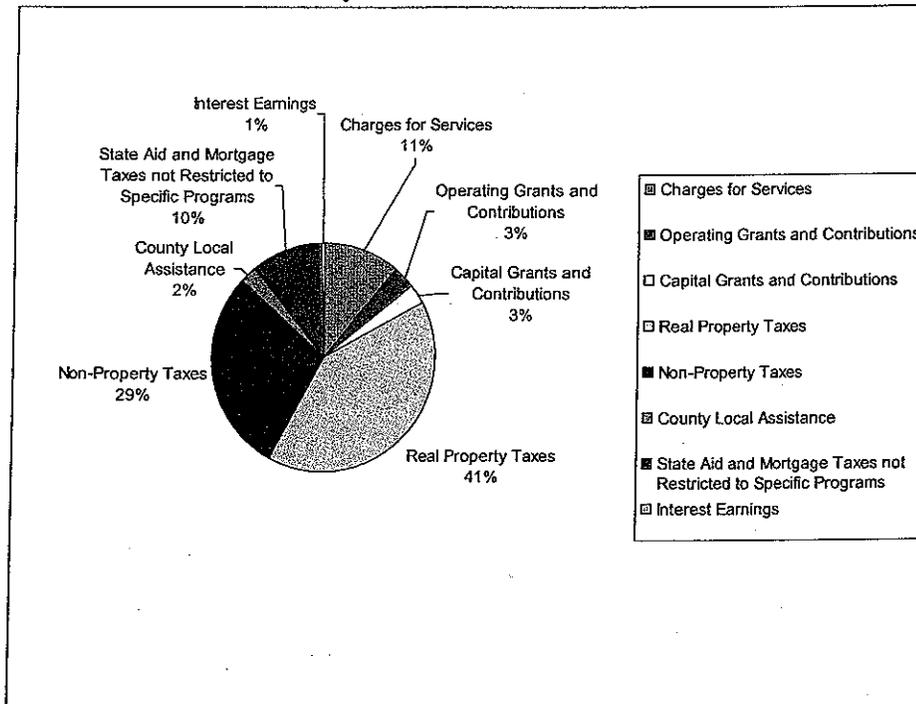
Governmental activities. Governmental activities increased the City's net assets by \$1,798,535. The following chart shows the expenses and program revenues of the various governmental activities:

Expenses and Program Revenues - Governmental Activities



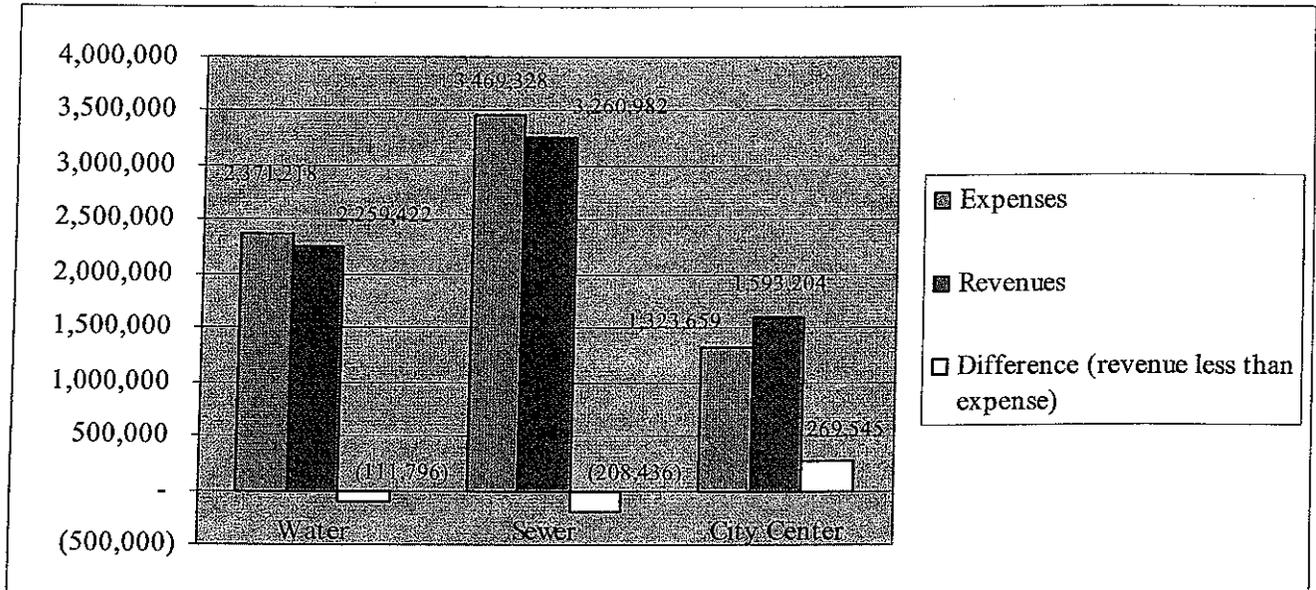
For the most part, increases in expenses closely paralleled inflation, increases in contractual obligations, and growth in demand for services. The City's major governmental activities are financed almost entirely by real property taxes, non-property taxes, and other general revenues. To meet the demand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

Revenues by Source - Governmental Activities



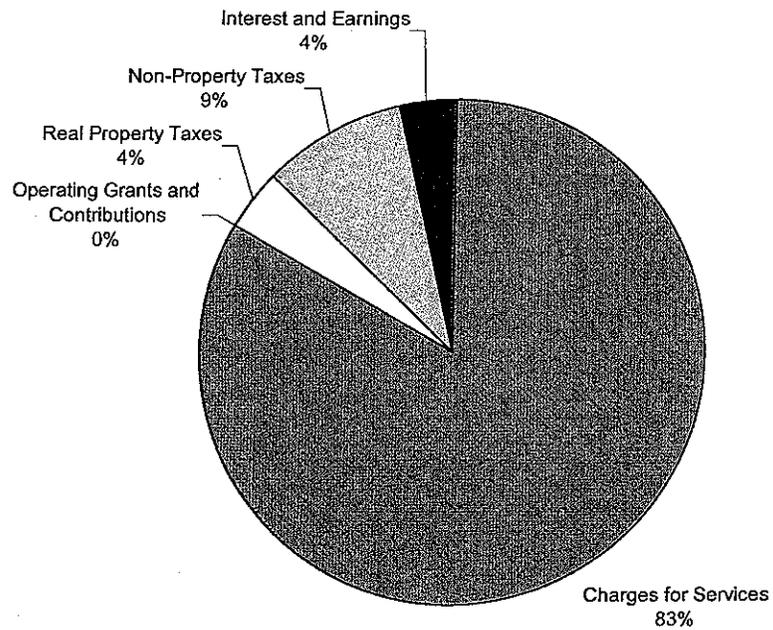
Business-type activities. Business-type activities decreased the City's net assets by \$50,687. Key elements are as follows.

Expenses and Revenues - Business-type Activities



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

Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

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

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

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

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

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

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

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

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

CITY OF SARATOGA SPRINGS CAPITAL ASSETS (net of depreciation)

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

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

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

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

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

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

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

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

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

ECONOMIC FACTORS

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

REQUESTS FOR INFORMATION

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

CITY OF SARATOGA SPRINGS, NEW YORK

GOVERNMENT-WIDE STATEMENTS
STATEMENT OF NET ASSETS
December 31, 2005

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

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

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

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

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

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

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

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

Retirement payments for past service costs are shown as expenditures in the governmental funds.

These payments are shown in the statement of net assets as a reduction of the related liabilities, and not shown as expenses in the statement of activities. This is the payment amount for the current year. 138,191

Bond principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net assets as a reduction of the related liabilities and not shown as expenses in the statement of activities. This is the payment amount for the current year. 863,278

Receipt of bond proceeds is recorded as a financing source in the governmental funds. These proceeds are shown in the statement of net assets as an increase in related liabilities. This is the amount of bonds issued and proceeds received during the current year. (4,517,466)

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

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

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

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

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

1. Reporting Entity

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

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

Excluded from the reporting entity:

The City of Saratoga Springs School District

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. *Reporting Entity - Continued*

The Saratoga Springs Housing Authority

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

2. *Government-Wide and Fund Financial Statements*

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

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

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

4. *Fund Accounting*

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

Fund Types

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Fund Accounting - Continued

Fund Types - Continued

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

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Cash, Cash Equivalents, and Investments*

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

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

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

6. *Receivables and Payables*

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

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

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

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

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

8. *Restricted Assets*

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. *Capital Assets*

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

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

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

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

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

10. *Compensated Absences*

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

11. *Long-Term Obligations*

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. *Long-Term Obligations - Continued*

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

12. *Fund Equity*

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

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. *Legal Compliance and Budgets*

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

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

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

2. *Excess of Expenditures Over Appropriations*

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash, Cash Equivalents, and Investments

Collateral

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

Investments

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

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

Restricted Cash

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

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

2. Receivables

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

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

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

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

3. Capital Assets and Prior Period Adjustment

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

3. Capital Assets and Prior Period Adjustment - Continued

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

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

GOVERNMENTAL ACTIVITIES	January 1, <u>2005</u>	<u>Additions</u>	Retire- <u>ments</u>	December 31, <u>2005</u>
Governmental non-depreciable capital assets				
Land, as restated	\$ 2,030,441	\$ 1,272,800	\$ (851,671)	\$ 2,451,570
Governmental depreciable capital assets				
Buildings	14,234,575	2,701,243	-	16,935,818
Improvements	2,852,812	-	-	2,852,812
Machinery, equipment, and vehicles	10,246,133	1,355,640	(355,315)	11,246,458
Infrastructure	31,272,985	395,317	-	31,668,302
Work in progress	<u>1,699,326</u>	<u>4,080,344</u>	<u>(1,699,326)</u>	<u>4,080,344</u>
Total depreciable capital assets	<u>60,305,831</u>	<u>8,532,544</u>	<u>(2,054,641)</u>	<u>66,783,734</u>
Accumulated depreciation				
Buildings	(3,570,974)	(353,548)	-	(3,924,522)
Improvements other than buildings	(2,105,192)	(76,499)	-	(2,181,691)
Machinery and equipment	(4,392,591)	(946,124)	355,315	(4,983,400)
Infrastructure, as restated	<u>(23,125,826)</u>	<u>(291,051)</u>	<u>-</u>	<u>(23,416,877)</u>
Total accumulated depreciation	<u>(33,194,583)</u>	<u>(1,667,222)</u>	<u>355,315</u>	<u>(34,506,490)</u>
Net governmental depreciable capital assets	<u>27,111,248</u>	<u>6,865,322</u>	<u>(1,699,326)</u>	<u>32,277,244</u>
Net capital assets, governmental activities	<u>\$ 29,141,689</u>	<u>\$ 8,138,122</u>	<u>\$ (2,550,997)</u>	<u>\$ 34,728,814</u>
 BUSINESS-TYPE ACTIVITIES				
WATER				
Land	\$ 66,941	\$ 8,900	\$ -	\$ 75,841
Depreciable capital assets				
Buildings	538,616	-	-	538,616
Machinery, equipment, and vehicles	177,379	160,009	(45,000)	292,388
Infrastructure	11,586,711	-	-	11,586,711
Work in progress	<u>-</u>	<u>103,572</u>	<u>-</u>	<u>103,572</u>
Total depreciable capital assets	<u>12,302,706</u>	<u>263,581</u>	<u>(45,000)</u>	<u>12,521,287</u>

CITY OF SARATOGA SPRINGS, NEW YORK

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

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

3. Capital Assets and Prior Period Adjustment - Continued

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

Depreciation expense was charged to functions/programs as follows:

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

4. Interfund Receivables, Payables, and Transfers

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

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

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

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

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

Interfund transfers in the governmental fund financial statements:

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

5. Indebtedness

Bond Anticipation Notes

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

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

General Obligation Bonds

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

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

5. *Indebtedness* - Continued

General Obligation Bonds - Continued

Governmental activities:

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

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

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

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

Special Assessment Debt

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

5. *Indebtedness - Continued*

Other Liabilities

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

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

6. *Other Items*

a. *Risk Management*

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

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

b. *Subsequent Events*

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

c. *Contingent Liabilities*

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

6. *Other Items - Continued*

d. *Other Postemployment Benefits*

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

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

e. *Employee Retirement Systems and Pension Plan*

1. *Employee Retirement Systems Plan Description*

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

6. *Other Items - Continued*

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

1. *Employee Retirement Systems Plan Description - Continued*

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

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

ERS Amortization	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2006	\$ 31,429	\$ 19,765	\$ 51,194
Payable February 1, 2007	33,000	18,194	51,194
Payable February 1, 2008	34,650	16,544	51,194
Payable February 1, 2009	36,383	14,811	51,194
Payable February 1, 2010	38,202	12,992	51,194
Payable February 1, 2011	40,112	11,082	51,194
Payable February 1, 2012	42,118	9,076	51,194
Payable February 1, 2013	44,223	6,971	51,194
Payable February 1, 2014	46,435	4,759	51,194
Payable February 1, 2015	<u>48,756</u>	<u>2,438</u>	<u>51,194</u>
Totals	<u>\$ 395,308</u>	<u>\$ 116,632</u>	<u>\$511,940</u>

PFRS Amortization	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2006	\$ 52,025	\$ 32,718	\$ 84,743
Payable February 1, 2007	54,626	30,117	84,743
Payable February 1, 2008	57,358	27,385	84,743
Payable February 1, 2009	60,225	24,518	84,743
Payable February 1, 2010	63,237	21,506	84,743
Payable February 1, 2011	66,399	18,344	84,743
Payable February 1, 2012	69,718	15,025	84,743
Payable February 1, 2013	73,204	11,539	84,743
Payable February 1, 2014	76,865	7,878	84,743
Payable February 1, 2015	<u>80,708</u>	<u>4,035</u>	<u>84,743</u>
Totals	<u>\$ 654,365</u>	<u>\$ 193,065</u>	<u>\$847,430</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

NOTE C - DETAILED NOTES ON ALL FUNDS - Continued

6. *Other Items - Continued*

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

1. *Employee Retirement Systems Plan Description - Continued*

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

2. *Employee Retirement Systems Funding Policy*

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

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

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

3. *Local Pension Plan*

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

f. *Labor Relations*

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2005

NOTE D - NEW ACCOUNTING STANDARDS

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

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

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

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

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

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

Bollam Sheedy Torani & Co LLP

Albany, New York
June 21, 2006

CITY OF SARATOGA SPRINGS, NEW YORK

SUPPLEMENTAL INFORMATION

December 31, 2005

Pension Plans

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

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

Non-Major Governmental Funds

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

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

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to APPENDIX - D for a specimen of MBIA's policy [(the "Policy")].

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading APPENDIX - D. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City of Saratoga Springs to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds] upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds] in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the [Bonds/Securities], and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited), and total capital and surplus of \$4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of \$11.2 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$4.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006;
and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the [Bonds/Securities] offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

FINANCIAL GUARANTY INSURANCE POLICY
MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to

or its successor (the "Paying Agent ") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Insurer, or any designee of the Insurer for such purpose. The term owner shall not include the Insurer or any party whose agreement with the Insurer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

STD-R-NY-7
01/05