

OFFICIAL STATEMENT

NEW ISSUE

STANDARD & POOR'S RATING: "AA+" Stable Outlook

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, nor is such interest included in adjusted current earnings of certain corporations for purposes of the federal alternative minimum tax imposed on corporations; 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.

\$6,645,383
CITY of SARATOGA SPRINGS

SARATOGA COUNTY, NEW YORK

GENERAL OBLIGATIONS

\$6,645,383 Public Improvement (Serial) Bonds, 2012

CUSIP BASE: 803531

Dated: May 23, 2012

Due: May 15, 2013-2039

MATURITIES

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>
2013	\$100,383	2.00%	0.40%	QN5	2022	\$215,000*	2.00%	1.90%	QX3	2031	\$275,000*	3.125%	2.55%	RG9
2014	185,000	2.00	0.55	QP0	2023	220,000*	2.00	2.00	QY1	2032	285,000*	3.125	2.60	RH7
2015	185,000	2.00	0.65	QQ8	2024	225,000*	2.50	2.05	QZ8	2033	295,000*	3.125	2.75	RJ3
2016	190,000	2.00	0.85	QR6	2025	230,000*	2.50	2.15	RA2	2034	305,000*	3.125	2.90	RK0
2017	195,000	2.00	1.00	QS4	2026	235,000*	2.50	2.25	RB0	2035	315,000*	3.250	3.00	RL8
2018	200,000	2.00	1.20	QT2	2027	240,000*	2.50	2.35	RC8	2036	325,000*	3.250	3.05	RM6
2019	200,000	2.00	1.40	QU9	2028	250,000*	3.00	2.40	RD6	2037	335,000*	3.250	3.10	RN4
2020	205,000*	2.00	1.60	QV7	2029	260,000*	3.00	2.45	RE4	2038	345,000*	3.250	3.15	RP9
2021	210,000*	2.00	1.80	QW5	2030	265,000*	3.10	2.50	RF1	2039	355,000*	3.250	3.20	RQ7

* The Bonds maturing in the years 2020 to 2039 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, subject to statutory limitations which may be imposed by Chapter 97 of the Laws of 2011. See "New Tax Levy Limitation Law" herein.

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 May 15, 2013. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable May 15, 2013, November 15, 2013 and semi-annually thereafter on May 15 and November 15 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 May 23, 2012.

May 8, 2012

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE CITY DATED APRIL 24, 2012 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 DATED DATE ON PAGE 30, AND APPENDIX B, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

CITY OFFICIALS

SCOTT T. JOHNSON

Mayor

MICHELE D. CLARK- MADIGAN

Commissioner of Finance

M. LYNN BACHNER

Deputy Commissioner of Finance

CHRISTINE GILLMETT-BROWN

Director of Finance

JOHN P. FRANCK

Commissioner of Accounts

City Clerk

CHRISTIAN E. MATHIESEN

Commissioner of Public Safety

ANTHONY J. SCIROCCO

Commissioner of Public Works

JOSEPH SCALA, ESQ.

City Attorney

FISCAL ADVISORS & MARKETING, INC.

City Financial Advisor

WALSH & WALSH, LLP

Bond Counsel

No person has been authorized by 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 City of Saratoga Springs.

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

Relating To
\$6,645,383 Public Improvement (Serial) Bonds, 2012

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 \$6,645,383 principal amount of Public Improvement (Serial) Bonds, 2012 (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 May 23, 2012 and will mature in the principal amounts on May 15 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 May 15, 2013. Purchasers will not receive certificates representing their interest in the Bonds.

Interest on the Bonds will be payable May 15, 2013, November 15, 2013 and semi-annually thereafter on May 15 and November 15, 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 May 15, 2019 shall not be subject to redemption prior to maturity. The Bonds maturing on or after May 15, 2020 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 May 15, 2019 or on any date thereafter at par (100%), plus accrued interest to the date of redemption.

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 in the aggregate principal amount of such issue, and will be deposited with DTC.

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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 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”). Effective August 9, 2011, Standard & Poor’s has downgraded DTC’s rating to “AA+,” this adjustment to “AA+” is not in any way a reflection on DTCC’s clearing and overall operations or a result of any company-specific event. This action by Standard & Poor’s followed the lowering of its long-term sovereign credit rating on the U.S., and is simply due to that change. In its announcement, Standard & Poor’s reaffirmed the short-term counterparty credit rating for DTC, NSCC and FICC at “A-1+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 Bonds 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 Bonds 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 Bonds; 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 upon DTC’s receipt of funds and corresponding detail information from the City, on payable date 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 nor its nominee, City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, 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. 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, as applicable.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND 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.

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 May 15, 2013. 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 May 15, 2013, November 15, 2013 and semi-annually thereafter on May 15 and November 15, in each year until 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 last business 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 last business 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>
Spirit of Life Restoration	\$	25,000
City Buildings and Facilities: Repairs and Upgrades		200,000
Canfield Casino Rehabilitation Project		300,000
Lake Avenue Fire Department Infrastructure		453,599
Lake Avenue Fire Station – Sidewalk Replacement		16,786
Police Department Infrastructure Renovation Project		46,490
Radio Communications Replacement – FD		24,663
Security Camera System – Downtown/Congress Park		125,000
West Avenue Fire Department Parking Lot Improvement		54,120
Sound and Recording System		17,000
Ice Rink Rehabilitation		185,725
Woodlawn Avenue Parking Deck		3,082,000
Waste Water Pump Stations Annual Upgrades		100,000
Water Treatment Plant Filter Upgrades		1,665,000
Infrastructure Improvement and Replacement Project		<u>350,000</u>
Total Amount to be borrowed	\$	6,645,383

The proceeds of the Bonds will provide 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.

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
2008	28,844	217,191	19,490,297
2010	26,586	219,607	19,378,102

Source: U.S. Census.

Wealth and Income Indicators

Per capita income statistics are available for the City, County and State. Listed below are select figures from the 1990, 2000 and 2010 Census reports.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
City of:						
Saratoga Springs	\$ 15,644	\$ 23,945	\$35,342	\$ 41,936	\$ 58,213	\$ 86,114
County of:						
Saratoga	15,644	23,945	32,186	41,936	58,213	81,251
State of:						
New York	16,501	23,389	30,948	39,741	51,691	67,405

Source: U.S. Bureau of the Census.

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
Four Winds – Saratoga	Health Services	315
City of Saratoga Springs	Municipal Services	290
Ball Corporation	Manufacturing	230
Espey Manufacturing & Electronics Company	Manufacturing	200
Holiday Inn	Hotel and Conference Center	180

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, Trustco Bank, First National Bank of Scotia, RBS Citizens Bank, N.A., First Niagara Bank, N.A. and Mohawk Community Bank.

Recent Development Activity

Over recent years the City has continued to experience 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>
Saratoga Surgical Specialists 373 Church Street	Medical	New Construction	\$ 1,150,000
Church St Medical Office 381 Church Street	Medical	New Construction	1,000,000
Excelsior Park Phase 1A	Office/Retail	New Construction	4,000,000
Skidmore College Music Center	Institutional	New Construction	32,000,000
Palette Stone Storage Bldg	Industrial	New Construction	500,000
Lofts at 54 Phila	Retail/Residential	New Construction	6,200,000
Broadway Mixed-Use Building – Park Place	Retail/Office/Residential	New Construction	30,000,000
Saratoga Strike Zone	Bowling Alley	Rehabilitation	750,000
11 Federal Street	Commercial	Addition	275,000
Adirondack Motel	Motel/Lodging	Addition	200,000
Saratoga Gaming & Raceway	Race Track/Club House	Addition/Rehabilitation	13,000,000
Congress Park Centre Bldg. 2	Retail & Residential	New Construction	3,000,000
Ryder Truck Facility	Truck Repair Facility	New Construction	800,000
Plaza 15 Mini Storage	Self Storage Facility	New Construction	200,000
Franklin Square Dev. Phase II	Retail, Office, Residential	New Construction	5,000,000
Marriott Courtyard Hotel	Hotel/Lodging	New Construction	16,000,000
Congress Park Centre Bldg. 3	Retail & Office	New Construction	11,000,000
Saratoga School Bus Garage	Bus Garage	New Construction	8,000,000
Train Station	Railroad	New Construction	4,500,000
Saratoga Arms	Commercial	Addition	1,000,000
Saratoga Independent School	Education	New Construction	600,000
Empire State College	Education	Rehabilitation	3,500,000
Franklin Square 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
Kohl's Department Store	Retail	New Construction	4,000,000
Franklin Square Phase V	Retail/Office/Residential	New Construction	36,000,000
Saratoga Gaming and Raceway	Racino Addition	Addition	15,000,000
Mt. Olive Church	Church Addition	Addition	Unknown
Kamen Center	Retail/Office/Residential	New Construction	1,250,000
Limoncello's Ristorante	Restaurant	Rehabilitation	60,000
Slack Chemical Warehouse	Warehouse	Addition	400,000
Eagle Associates Warehouse	Warehouse/Distribution	New Construction	12,000,000
Ellis Avenue Condominiums	Residential	New Construction	N/A
Price Chopper – Route 50	Retail	Addition	N/A
Greentree Farms	Horse Stables	New Construction	Unknown
City Center	Commercial	Addition	17,000,000
West Avenue Commons- 2 West Ave	Retail/Office/Residential	New Construction	10,800,000
Saratoga Hospital Emergency Dept	Medical	Addition	Unknown
Fasig Tipton	Horse Sales Facility	Addition/Renovation	Unknown
Saratoga Indoor Recreation Center	Indoor Recreation	New Construction	6,000,000
Skidmore North Hall	Educational	Addition	Unknown
Old Saratoga Brewing Co.	Distribution	Addition	Unknown
Saratoga Hotel	Hotel/Conference Center	Rehabilitation	11,000,000
Saratoga Eagle 45 Duplainville Rd	Manufacturing	Addition	N/A
McDonald's Rebuild	Retail	Rehabilitation	N/A
Allerdice Glass and Aluminum	Retail/Office	Addition	N/A
Transitional Services	Institutional	Addition	Unknown
Posie Peddler 92 West Ave	Florist	Rehabilitation	N/A
Leonard Bus Facility	Commercial	New Construction	N/A
Saratoga Cleaners 228 Washington St.	Dry Cleaner	Rehabilitation	<u>N/A</u>
TOTAL			\$ 375,655,000

New construction of commercial buildings that are under construction include:

<u>Name</u>	<u>Type of Business</u>	<u>Type of Development</u>	<u>Estimated Value</u>
Preservation Hall	Commercial	Addition	\$ 3,000,000
The Lexington Club Hotel	Hotel/Residential	New Construction	30,000,000
Spa Hotel II – Banquet & Restaurant	Restaurant	New Construction	1,500,000
SCA Properties	Medical/Professional	Addition	N/A
Market Center at Railroad	Retail/Office Residential	New Construction	30,000,000
Skidmore College	Education/Housing	New Construction	N/A
Scribner Village			
Hampton Inn/Condos	Hotel/Office/Retail/Residential	New Construction	35,000,000
60 Weibel Apts. (24,000 SF commercial/178 res. Units)	Retail/Office/ Residential	New Construction	Unknown
Mohr's Service Center	Commercial	New Construction	Unknown
West Side Stadium Café	Restaurant	Addition	N/A

112 Congress St Martell Brewing	Restaurant	New Construction	N/A
381 Broadway Saratoga Hospital	Office	New Construction	Unknown
Administrative Bldg. Gridley Street Stable	Horse track related	New Construction	N/A
Thisty Owl Wine Co./Bistro	Restaurant/retail	Substantial rehabilitation	<u>N/A</u>
		TOTAL	\$ 99,500,000

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>
58 Washington St	Office/Retail/Residential	New Construction	N/A
SBA/Verizon Wireless Route 50 S.	Cell Tower	Cell	N/A
Best Western Inn	Hotel	Addition (Pool)	Unknown
Canfield Medical Arts	Office	New Construction	2,500,000
Pavilion Place	Retail/Office/Residential	New Construction	7,500,000
166 Jefferson St Apts.	Residential	New Construction	Unknown
Ellsworth Ice Cream	Commercial/ Residential	New Construction	Unknown
Logistics One Flex 29, 31, 33 Cady Hill	Warehouse	New Construction/ Addition	N/A
KDI Properties	Commercial/ Residential	New Construction	N/A
Seward Street Apts	Residential	New Construction	N/A
420 Broadway	Retail/ Office/Residential	New Construction	N/A
Old Bryan Inn	Restaurant	Expansion	N/A
Leafarc, Inc.	Residential/Commercial	New Construction	N/A
Holiday Inn	Hotel/Commercial	Expansion	<u>N/A</u>
		TOTAL	\$ 10,000,000

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>
Congress Plaza Redvelop 46 Congress Street	Retail/Office/Residential	Rehabilitation/New Construction	N/A
SBA Verizon Wireless Weibel Ave	Cell Tower	New Construction	N/A
Cellco/Verizon Washington Street	Cell Tower	New Construction	N/A
129-135 Maple Ave	Residential, mixed use	New Construction	7,500,000
Washington Commons	Retail/ Medical office	New Construction	N/A
Family Dollar	Retail	New Construction	<u>N/A</u>
		TOTAL	\$ 7,500,000

In the past four years the City has issued 229 building permits (209 single- and two-family units and 20 multi-family units) for new residential units.

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 8% 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 292 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	53	12/31/10 ⁽²⁾
Fire Chiefs	2	12/31/08 ⁽²⁾
PBA	57	12/31/12
Police Lieutenants	4	12/31/08 ⁽²⁾
Police Chiefs	3	12/31/08 ⁽²⁾
CSEA City Hall	77	12/31/12
CSEA DPW	84	12/31/12

⁽¹⁾ As of March 8, 2012

⁽²⁾ Currently in negotiations.

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.

On December 10, 2009, then Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over the next thirty years. The legislation creates a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century.

Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

For the years 2002 through 2011 the City's contributions to the ERS and PFRS together were: \$107,623, \$656,344, \$1,445,741, \$2,509,139, \$2,688,776, \$2,920,814, \$3,004,301, \$2,916,890, \$3,123,287 and \$3,842,790, respectively. For 2005 the City did not budget for a retirement system payment. The City decided to make the 2005-06 contribution from the 2006 budget.

The City's 2012 budgeted contributions for the PFRS and the ERS are \$2,848,766 and \$1,794,999, respectively.

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 System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. 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.

The annual required pension contribution is due February 1 annually with the ability to pre-pay on December 15 at a discount.

On September 3, 2009, the New York State Comptroller's office announced the employer contribution rates for the ERS would increase in 2011. The impact of the global recession on the \$116.5 billion New York State Common Retirement Fund (Fund) will drive the average ERS rate up to 11.9% (up from 7.4% in 2010). The average TRS rate is expected to be 18.2% (up from 15.1% in 2010). These rates are on par with the rates from 2005, 2006 and 2007 when ERS rates were 12.9%, 11.3% and 10.7%, respectively, and TRS rates were 17.6%, 16.3% and 17.0%, respectively. PFRS have shown similar increases as well, from 18.2%, to 21.6% to 25.8% for 2010-2012.

The investment losses experienced in fiscal year 2009 have negatively impacted the value of assets held for the Systems. The current actuarial smoothing method spreads the impact over a 5-year period, and thus contribution rates increased for fiscal years 2011 and 2012 and further increases are expected for fiscal years 2013 through 2015. The amount of such future increases depend, in part, on the value of the pension fund as of each April 1 as well as on the present value of the anticipated benefits to be paid by the pension fund as of each April 1. Final contribution rates for fiscal year 2012 were released in early September 2010. The average ERS rate increased from 11.9% of salary in fiscal year 2011 to 16.3% of salary in fiscal year 2012, while the average PFRS rate increased from 18.2% of salary in fiscal year 2011 to 21.6% of salary in fiscal year 2012. The contribution rates for fiscal year 2012 reflect the System's Actuary's recommendations, including a reduction in the assumed investment rate of return from 8% to 7.5%, based on the legally required five year review of actuarial assumptions. For 2013 ERS rates are anticipated to increase 2.6% to 18.9% and PFRS rates are expected to increase 4.2% to 25.8%.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

The City has opted to not amortize any of the contribution.

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 requires 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.

School districts and boards of cooperative educational services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

Other Post Employment Benefits

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits. 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 requires municipalities and school districts to account for OPEB liabilities similar to 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 the necessary 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 contracted with Armory Associates LLC to calculate its OPEB liability in accordance with GASB 45. The City's actuarial accrued liability has been determined to be \$110,427,595 at December 31, 2011. The City's annual required contribution ("ARC") is \$10,706,523, of which \$2,625,362 is paid annually to 237 active employees and 227 retirees. The City has reserved \$0 toward its OPEB liability. The aforementioned liability and ARC will be disclosed in the City's 2011 audited financial report.

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Saratoga County	3.7%	3.6%	3.7%	4.5%	6.5%	6.8%	6.6%
New York State	5.0%	4.6%	4.5%	5.3%	8.4%	8.6%	8.2%

	<u>Monthly Figures</u>												
	<u>2011</u>										<u>2012</u>		
	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>July</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>
Saratoga County	7.1%	6.3%	6.3%	6.4%	6.3%	6.0%	6.4%	6.2%	6.3%	6.6%	7.6%	7.6%	7.1%
New York State	8.0%	7.6%	7.8%	8.0%	8.0%	7.7%	7.8%	7.7%	7.9%	8.0%	9.1%	9.2%	8.7%

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, 2010 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed Valuation New York State	\$ 2,978,286,173	\$ 3,028,896,364	\$ 3,071,651,564	\$ 3,056,734,417	\$ 3,063,818,444
Equalization Rate	83.00%	78.38%	81.00%	82.00%	82.00%
Full Valuation	\$ 3,588,296,594	\$ 3,864,374,029	\$ 3,792,162,425	\$3,727,724,899	\$ 3,736,363,956

Tax Rate Per \$1,000 (Assessed)

Fiscal Years Ending December 31:	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Inside Area	\$ 5.39	\$ 5.39	\$ 5.81	\$ 6.06	\$ 6.02
Outside Area	5.34	5.34	5.76	6.01	5.95

Tax Levy and Collection Record

Fiscal Years Ending December 31:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Tax Levy	\$ 24,515,046	\$ 26,578,694	\$ 28,496,816	\$ 29,093,194	\$ 29,701,685	\$28,546,220
Uncollected End of Year	1,606,631	2,229,120	2,551,979	2,096,048	2,001,741	N/A
% Uncollected	6.55%	8.39%	8.96%	7.13%	6.67%	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 - 2011 Assessment Roll for 2012

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
NYRA	Race Track	\$ 57,175,000
National Grid	Utility	35,964,640
Quad Graphics	Manufacturing	27,997,400
Saratoga Harness	Race Track	27,607,600
Saratoga Hotel Associates	Hotel/Lodging	22,121,960 ⁽¹⁾
Eton Centers	Apt./Retail	15,702,120
Saratoga Retail Partners LLC	Retail	15,124,200 ⁽¹⁾
Spa Hotel II, LLC	Hotel	14,040,000
Saratoga Property Dev LLC	Residential	12,464,000 ⁽²⁾
Darley Stud Management LLC	Farm	12,000,000

The ten largest taxpayers listed above have a total assessed valuation of \$240,196,920 which represents 7.8% of the City's tax base.

⁽¹⁾ In litigation since 2009.

⁽²⁾ Filed Tax Certiorari Claim in years 2007-2011 seeking a reduction to \$4,288,000. A proposed settlement is expected for all years.

Constitutional Tax Margin

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Five-Year Average Full Valuation	\$ 3,493,130,817	\$ 3,680,538,154	\$ 3,741,702,718
Tax Limit - 2% of Five Year Average	69,862,616	73,610,763	74,834,054
Add: Exclusions From Tax Limit	2,291,676	2,331,716	2,557,518
Total Taxing Power	72,154,292	75,942,479	77,391,572
Less Total Levy	17,765,209	18,458,034	15,794,031
Tax Margin	\$ 54,389,083	\$ 57,484,445	\$ 59,040,023

New Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 16, 2016 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for such fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit”, are used and they are not tautological. That is what the words say and that is what courts have held they mean.”

Article 8 Section 12 of the State Constitution specifically provides as follows:

“It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.”

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the Flushing National Bank case stated:

“So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

Therefore, while the Tax Levy Limitation Law may constrict an issuer’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer’s levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation is not clear.

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 for the fiscal year ending December 31, 2012 is \$74,849,531.

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bonds	\$ 32,423,760	\$ 35,942,387	\$ 36,447,042	\$ 36,289,457	\$ 36,736,200
Bond Anticipation Notes	219,073	0	0	0	0
Other Debt ⁽¹⁾	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 32,642,833</u>	<u>\$ 35,942,387</u>	<u>\$ 36,447,042</u>	<u>\$ 36,289,457</u>	<u>\$ 36,736,200</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 April 24, 2012.

<u>Bonds</u>	<u>Maturity</u>	<u>Amount</u>
	2012-2039	<u>\$ 36,115,000</u>
	Total Indebtedness	<u>\$ 36,115,000</u>

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin shown on a Debt Statement prepared as of April 24, 2012:

Five-Year Average Full Valuation of Taxable Real Property	\$ 3,741,784,380
Debt Limit - 7% thereof ⁽¹⁾	261,924,907

Inclusions:

Bonds.....	\$ 36,115,000	
Bond Anticipation Notes	<u>0</u>	
Total Inclusions.....		<u>\$ 36,115,000</u>

Exclusions:

Sewer Debt ⁽²⁾	\$ 1,251,394	
Water Debt ⁽³⁾	4,219,067	
Appropriations.....	<u>916,422</u>	
Total Exclusions.....		<u>\$ 6,386,883</u>

Total Net Indebtedness Subject to Debt Limit.....	<u>\$ 29,728,117</u>
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Net Debt-Contracting Margin.....	<u>\$ 232,196,790</u>
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The percent of debt contracting power exhausted is.....	11.35%
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Note: The issuance of the Bonds will increase the net indebtedness of the City by \$6,645,383.

(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 for fiscal year ending December 31, 2012 is \$69,907,406.

(2) Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law. The City has been granted a sewer exclusion by the New York State Office of the State Comptroller.

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

Other Obligations

On March 7, 2008, the City entered into a lease agreement with Municipal Leasing Consultants for \$1,721,297 to finance various energy saving equipment. The first \$1,000,000 is at a rate of 2% and the \$721,297 is at a rate of 4.12%. The \$1,000,000 interest rate was bought down by a NYSERDA grant. Principal payments of \$86,011 were made in 2011. The outstanding liability in the Governmental activity was \$1,280,795 at December 31, 2011.

The City entered into \$84,750 a lease agreement in May 2010. The amount paid during 2011 was \$28,250 and the remaining balance is \$37,667.

Cash Flow Borrowings

Historically, the City does not issue revenue anticipation notes or tax anticipation notes, however, the City issued \$5 million tax anticipation notes on January 26, 2011 which were paid in full at maturity on March 25, 2011. No revenue anticipation notes or tax anticipation notes have been issued to date in 2012.

Bonded Debt Service

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

Capital Improvement Program Summary

The City has a Capital Improvement Program which covers six years. It provides a financial plan through which borrowing can be organized and scheduled and debt service impacts on future annual operating budgets can be predicted.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
							<u>Program</u>
Mayor's Department							
Open Space Land Acquisition				\$300,000	\$300,000		\$600,000
Woodlawn Avenue Parking Deck	\$2,582,000						\$2,582,000
Mayor's Department Total	\$2,582,000			\$300,000	\$300,000		\$3,182,000
Community & Economic Development							
Excelsior Ave Improvements – Phase I			\$315,000				\$315,000
Excelsior Ave Improvements – Phase II					\$770,000		\$770,000
Railroad Run Trail – Phase II		\$120,000					\$120,000
Geyser Road Trail – Design & Const. Phase I				\$1,584,000			\$1,584,000
Community & Economic Development Total		\$120,000	\$315,000	\$1,584,000	\$770,000		\$2,789,000
Finance Department							
Time and Attendance System	\$60,000						\$60,000
Public Works Department							
City Bldgs. and Facilities – Repairs/Upgrades	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,200,000
5 Lake Avenue Entrance		\$35,000					\$35,000
Senior Citizens Ctr. Upgrading/Repair			\$29,181				\$29,181
Water Treatment Plant Filter Upgrades	\$825,000						\$825,000
Canfield Casino Rehabilitation Project	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$1,800,000
Spirit of Life Restoration	\$25,000	\$25,000	\$25,000	\$25,000			\$100,000
Wastewater Pump Stations Annual Upgrade	\$100,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,100,000
City Public Works Garage Rehab. Project		\$175,000					\$175,000
Infrastructure Improvement.& Replacement	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$2,100,000
Water Treatment Plant Emergency Generator		\$750,000					\$750,000
Wedgewood Avenue Storm Sewer Repair		\$100,000					\$100,000
Water Treatment Plant Pole Barn for Water Tanks		\$570,000					\$570,000
Compost Facility Improvement/Expansion			\$150,000				\$150,000
Old Ballston Ave. Culvert Replacement Project		\$165,000					\$165,000
Broadway Str. Light Replacement/Improvement		\$60,000	\$60,000	\$60,000	\$60,000		\$240,000
Reflective Street Signs				\$50,000	\$50,000	\$50,000	\$150,000
DPW Equipment Requests							
Material Trommell Screen		\$180,000					\$180,000
Telescopic Boom Lift		\$60,000					\$60,000
Genie Lift			\$16,268				\$16,268
Tractor Backhoe Loader Machine		\$110,000					\$110,000
Road Grader w/Wing Plow # 39		\$250,000					\$250,000
Dump Truck w/Plow Equip. & Spreader # 47			\$140,000				\$140,000
Dump Truck w/Plow Equip. & Spreader # 99				\$140,000			\$140,000
Dump Truck w/Plow Equip. & Spreader # 97					\$140,000		\$140,000
Loader/Tool Carrier Machine # 6					\$160,000		\$160,000
Dump Truck w/Plow Equip. & Spreader # 31					\$150,000		\$150,000
Dump Truck w/Plow Equip. & Spreader # 53						\$120,000	\$120,000
Loader/Tool Carrier Machine #15						\$160,000	\$160,000
Loader/Truck Carrier Machine # 51						\$160,000	\$160,000
Dump Truck w/Plow Equip. & Spreader # 18						\$140,000	\$140,000
Public Works Department Total	\$1,800,000	\$3,559,181	\$1,441,268	\$1,325,000	\$1,610,000	\$1,680,000	\$11,415,449

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
							<u>Program</u>
Police Department							
Reflective Sign Project MUTCO		\$120,000	\$120,000				\$240,000
Downtown/Congress Park Security Camera System	\$125,000						\$125,000
Traffic Light Lake Ave. at Fire House		\$150,000					\$150,000
Police Department Infrastructure Ren. Project	\$46,490	\$90,325					\$136,815
Police Department Total	\$171,490	\$360,325	\$120,000				\$651,815

Public Safety							
Emergency Services for Eastern Plateau	\$200,000	\$192,250					\$392,250
Public Safety Department Total	\$200,000	\$192,250					\$392,250

Fire Department							
Lake Ave. FD Infrastructure Ren. Project	\$453,599						\$453,599
Radio Communications Replacement	\$24,663						\$24,663
West Avenue FD Parking Lot Improvement	\$54,120						\$54,120
Lake Avenue Fire Station – Sidewalk Replacement	\$16,786						\$16,786
Brush Truck Replacement		\$60,000					\$60,000
Fire Truck (Ladder Truck) EL563			\$1,000,000				\$1,000,000
Fire Department Total	\$549,168	\$60,000	\$1,000,000				\$1,609,168
Public Safety Department Total	\$920,658	\$612,575	\$1,120,000				\$2,653,233

Accounts							
Sound and Recording System	\$17,000						\$17,000
Accounts Total	\$17,000						\$17,000

Culture and Recreation Department							
Resurfacing of Courts		\$48,000					\$48,000
Ice Rinks Rehabilitation	\$185,530	\$36,960					\$222,490
Geyser Park Backstops						\$18,990	\$18,990
Playground Expansion		\$41,885		\$41,885		\$41,885	\$125,655
North Side Recreation Complex						\$31,960	\$31,960
Development of Recreation Fields				\$500,000	\$200,000	\$200,000	\$900,000
Culture and Recreation Department Total	\$185,530	\$126,845	\$0	\$541,885	\$200,000	\$292,835	\$1,048,800
Total Bonded Projects	\$ 5,565,188	\$ 4,418,601	\$ 2,876,268	\$ 3,750,885	\$ 2,880,000	\$ 1,972,835	\$ 14,184,800

Requests Contingent Only Upon Receipt of Grant Funds							
Mayor's Department							
Waterfront Property Redevelopment phase 2	\$400,000						\$400,000
Mayor's Department Total	\$400,000						\$400,000

Requests Contingent Only Upon Receipt of School Funds							
Public Works Department							
E. Side Rec. & W. Side Rec. Improvements	\$30,000	\$30,000	\$30,000	\$35,000	\$35,000	\$35,000	\$195,000
Total Contingent Upon Receipt of Grant/School Funding	\$430,000	\$30,000	\$30,000	\$35,000	\$35,000	\$35,000	\$595,000

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	\$ 79,869,000	\$ 0 ⁽²⁾	\$ 79,869,000	17.34%	\$ 13,849,285
City School District of the City of Saratoga Springs	57,015,000	40,195,575 ⁽³⁾	16,819,425	61.37%	<u>10,322,081</u>
					<u>\$ 24,171,366</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 2010.

Debt Ratios

The following table sets forth certain ratios related to the City's indebtedness as of April 24, 2012:

	<u>Amount of Indebtedness</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Valuation</u> ^(b)
Gross Direct Indebtedness ^(c)	\$ 36,115,000	\$ 1,358.42	0.97%
Net Direct Indebtedness ^(c)	29,728,117	1,118.19	0.79%
Gross Direct Plus Net Overlapping Indebtedness ^(d)	60,286,366	2,267.60	1.61%
Net Direct Plus Net Overlapping Indebtedness ^(d)	53,899,483	2,027.36	1.44%

Note: ^(a) The City's 2010 population is 26,586. (See "Population Trends" herein.)

^(b) The City's five year average full valuation of taxable real estate is \$3,741,784,380.

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

^(d) The City's applicable share of net overlapping indebtedness is \$24,171,366. (See "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 of 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 the Electronic Municipal Market Access ("EMMA") system created by the Municipal Securities Rulemaking Board and approved by the Commission, 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 EMMA, 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, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Bonds, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax- status of the Bonds
- (g) modifications to rights of Bondholders, if material
- (h) bond calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Bonds
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the City
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material

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 EMMA, notice of its failure to provide the 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.

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

The City is in compliance with all prior undertakings pursuant to the Rule.

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, nor is such interest included in adjusted current earnings of certain corporations for purposes of the federal alternative minimum tax imposed on corporations.

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 2012 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, subject to statutory limitations which may be imposed by Chapter 97 of the Laws of 2011, 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, nor is such interest included in adjusted current earnings of certain corporations for purposes of the federal alternative minimum tax imposed on corporations; 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

Standard & Poor's Credit Market Services has given the Bonds a rating of "AA+" with a stable outlook. Such rating reflects only the view of such rating agency, and any desired explanation of the significance of such rating should be obtained from Standard & Poor's Credit Market Services, 55 Water Street – 38th Floor, New York, New York 10041, (212) 438-2118. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could 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: Ms. Michele D. Clark-Madigan, Commissioner of Finance, City Hall, Saratoga Springs, New York 12866, Phone: (518) 587-3550, ext. 2577, Telefax: (518) 580-0781, Email: michele.madigan@saratoga-springs.org.

CITY of SARATOGA SPRINGS

MICHELE D. CLARK- MADIGAN
**Commissioner of Finance
and Chief Fiscal Officer**

Dated: May 8, 2012

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 3,651,126	\$ 5,522,579	\$ 2,674,504	\$ 3,296,887	\$ 7,336,032
Investments	17,260	17,260	17,260	17,260	-
Taxes receivable, net of uncollectibles	1,597,996	2,222,231	2,549,448	2,884,140	2,728,552
Receivables from Other Governments	1,974,593	1,990,475	1,715,276	1,866,825	1,968,789
Other Receivables, net of uncollectibles	1,783,338	1,765,877	2,154,249	2,227,565	1,987,171
Restricted assets, cash and cash equivalents	1,769,584	1,408,996	1,209,830	1,061,615	2,091,967
Due from Other Funds	1,478,892	1,935,018	1,947,804	2,495,244	2,190,060
Prepaid Expenses	1,331	1,623	1,674	1,722	7,161
TOTAL ASSETS	<u>\$ 12,274,120</u>	<u>\$ 14,864,059</u>	<u>\$ 12,270,045</u>	<u>\$ 13,851,258</u>	<u>\$ 18,309,732</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable and Accrued Liabilities	\$ 2,750,774	\$ 1,122,944	\$ 778,136	\$ 866,333	\$ 685,050
Notes Payable	-	-	-	-	-
Other Liabilities	-	-	72,475	-	51,500
Due to Other Governments	521,867	3,436,471	2,799,137	3,127,430	4,745,832
Due to Other Funds	-	-	25,000	-	-
Deferred Tax Revenue	2,114,342	2,585,014	2,687,951	2,845,638	2,302,622
Unpaid Interest and Matured Bonds Payable	-	-	-	-	-
TOTAL LIABILITIES	<u>5,386,983</u>	<u>7,144,429</u>	<u>6,362,699</u>	<u>6,839,401</u>	<u>7,785,004</u>
<u>FUND EQUITY</u>					
Reserved	\$ 2,852,100	\$ 2,954,321	\$ 2,992,489	\$ 2,809,809	\$ 2,091,967
Unreserved:					
Appropriated	75,044	928,535	62,313	-	2,220,986
Unappropriated	3,959,993	3,836,774	2,852,544	4,202,048	6,211,775
TOTAL FUND EQUITY	<u>6,887,137</u>	<u>7,719,630</u>	<u>5,907,346</u>	<u>7,011,857</u>	<u>10,524,728</u>
TOTAL LIABILITIES and FUND EQUITY	<u>\$ 12,274,120</u>	<u>\$ 14,864,059</u>	<u>\$ 12,270,045</u>	<u>\$ 13,851,258</u>	<u>\$ 18,309,732</u>

Source: Audited financial reports of the City. Unaudited Annual financial report for 2011. This Appendix is not itself audited.

GENERAL FUND

Fiscal Years Ending December 31:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUES						
Real Property Taxes and Tax Items	\$ 12,351,608	\$ 12,587,029	\$ 13,960,799	\$ 15,434,584	\$ 14,792,368	\$ 16,419,812
Non-Property Taxes	9,935,826	10,515,707	12,080,642	10,525,763	10,829,845	11,311,352
Departmental Income	1,449,605	1,449,951	1,605,500	1,517,253	1,482,529	1,435,656
Intergovernmental Charges	1,243,724	193,715	208,161	270,964	276,404	249,179
Use of Money & Property	410,837	399,567	472,372	512,826	348,189	421,022
Licenses and Permits	299,383	302,875	246,865	276,351	136,459	154,763
Fines and Forfeitures	499,958	587,857	761,617	664,284	701,984	672,504
Sale of Property and Compensation for Loss	326,026	305,762	319,500	443,254	409,752	385,067
Miscellaneous	217,164	291,873	3,991,808	3,450,198	46,966	197,009
Revenues from State Sources	4,014,691	4,250,003	4,310,689	4,248,433	3,785,530	3,375,398
Revenues from Federal Sources	217,375	98,899	35,628	81,529	131,369	272,006
Total Revenues	<u>\$ 30,966,197</u>	<u>\$ 30,983,238</u>	<u>\$ 37,993,581</u>	<u>\$ 37,425,439</u>	<u>\$ 32,941,395</u>	<u>\$ 34,893,768</u>
EXPENDITURES						
General Government Support	\$ 7,367,891	\$ 6,474,312	\$ 4,093,415	\$ 8,163,541	\$ 7,797,791	\$ 7,512,658
Education	6,525	-	-	-	-	0
Public Safety	16,267,178	17,457,543	13,034,930	19,116,056	19,175,161	18,741,867
Health	19,151	16,844	15,205	19,943	17,864	17,765
Transportation	3,817,912	4,671,707	4,921,060	4,805,477	4,062,046	4,129,819
Economic Assistance and Opportunity	182,244	120,681	131,740	138,615	138,615	138,615
Culture and Recreation	2,301,707	2,451,507	2,347,466	2,590,051	2,267,561	1,959,304
Home and Community Services	924,119	1,065,243	1,013,597	1,097,242	965,439	899,189
Employee Benefits	15,532	-	8,364,032	-	-	-
Debt Service	34,665	5,597	31,876	91,458	137,904	153,507
Total Expenditures	<u>\$ 30,936,924</u>	<u>\$ 32,263,434</u>	<u>\$ 33,953,321</u>	<u>\$ 36,022,383</u>	<u>\$ 34,562,381</u>	<u>\$ 33,552,724</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 29,273</u>	<u>\$ (1,280,196)</u>	<u>\$ 4,040,260</u>	<u>\$ 1,403,056</u>	<u>\$ (1,620,986)</u>	<u>\$ 1,341,044</u>
Other Financing Sources (Uses):						
Operating Transfers In	4,988	238,831	54,500	76,121	73,569	61,604
Operating Transfers Out	(408,000)	(123,356)	-	(646,673)	(261,848)	(296,037)
Total Other Financing	<u>(403,012)</u>	<u>115,475</u>	<u>54,500</u>	<u>(570,552)</u>	<u>(188,279)</u>	<u>(234,433)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(373,739)</u>	<u>(1,164,721)</u>	<u>4,094,760</u>	<u>832,504</u>	<u>(1,809,265)</u>	<u>1,106,611</u>
FUND BALANCE						
Fund Balance - Beginning of Year	4,902,374	4,528,636	2,792,377	6,887,126	7,719,630	5,907,346
Prior Period Adjustments (net)	-	(571,538)	-	-	(3,019)	(2,100)
Fund Balance - End of Year	<u>\$ 4,528,635</u>	<u>\$ 2,792,377</u>	<u>\$ 6,887,137</u>	<u>\$ 7,719,630</u>	<u>\$ 5,907,346</u>	<u>\$ 7,011,857</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:	2010			2011		2012
	Adopted Budget	Modified Budget	Actual	Adopted Budget	Unaudited Actual	Adopted Budget
REVENUES						
Real Property Taxes and Tax Items	\$ 16,560,723	\$ 17,617,975	\$ 16,419,812	\$ 17,133,682	\$ 17,933,005	\$ 16,669,468
Non-Property Taxes	10,109,808	10,209,392	11,311,352	11,230,608	11,648,610	11,966,508
Departmental Income	1,376,765	1,490,574	1,435,656	1,724,640	1,668,657	1,530,396
Intergovernmental Charges	268,356	245,287	249,179	199,275	266,847	297,000
Use of Money & Property	402,000	402,000	421,022	342,000	384,039	384,000
Licenses and Permits	112,900	112,900	154,763	156,700	334,651	237,900
Fines and Forfeitures	702,000	727,064	672,504	697,500	669,047	617,400
Sale of Property and Compensation for Loss	302,981	385,040	385,067	1,042,807	389,886	379,226
Miscellaneous	1,937,500	696,113	197,009	41,250	1,636,451	1,620,800
Revenues from State Sources	3,574,840	3,265,986	3,375,398	3,003,300	3,426,087	3,107,950
Revenues from Federal Sources	45,100	379,897	272,006	394,766	513,235	334,358
Total Revenues	\$ 35,392,973	\$ 35,532,228	\$ 34,893,768	\$ 35,966,529	\$ 38,870,515	\$ 37,145,006
EXPENDITURES						
General Government Support	\$ 5,001,642	\$ 7,510,362	\$ 7,512,658	\$ 4,775,915	\$ 7,790,871	\$ 5,190,285
Public Safety	12,311,803	19,211,524	18,741,867	12,513,164	19,856,225	12,991,334
Health	107,865	137,510	17,765	112,865	18,277	119,568
Transportation	3,859,825	6,530,802	4,129,819	3,685,460	4,131,302	3,789,123
Economic Assistance and Opportunity	130,150	129,590	138,615	128,615	138,615	131,291
Culture and Recreation	2,105,485	2,303,924	1,959,304	1,983,272	2,166,405	2,085,549
Home and Community Services	967,843	1,082,592	899,189	895,128	905,660	949,275
Employee Benefits	10,437,643	-	-	11,353,907	-	11,433,494
Debt Service	462,903	166,974	153,507	356,403	142,000	342,903
Total Expenditures	\$ 35,385,159	\$ 37,073,278	\$ 33,552,724	\$ 35,804,729	\$ 35,149,355	\$ 37,032,822
Excess of Revenues Over (Under) Expenditures	\$ 7,814	\$ (1,541,050)	\$ 1,341,044	\$ 161,800	\$ 3,721,160	\$ 112,184
Other Financing Sources (Uses):						
Operating Transfers In	54,500	54,500	61,604	54,500	73,578	103,671
Operating Transfers Out	(62,314)	(296,108)	(296,037)	(216,300)	(254,867)	(215,855)
Total Other Financing	(7,814)	(241,608)	(234,433)	(161,800)	(181,289)	(112,184)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(1,782,658)	1,106,611	-	3,539,871	-
FUND BALANCE						
Fund Balance - Beginning of Year	5,907,346	5,907,346	5,907,346		7,011,857	
Prior Period Adjustments (net)	(2,100)	(2,100)	(2,100)	-	(27,000)	-
Fund Balance - End of Year	\$ 5,905,246	\$ 4,122,588	\$ 7,011,857	\$ -	\$ 10,524,728	\$ -

Source: 2010 Audited financial report, 2011 Unaudited Annual financial report and budgets of the City. This Appendix is not itself audited.

Changes In Fund Equity

Fiscal Years Ending December 31:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>WATER FUND</u>						
Fund Equity - Beginning of Year	\$ 1,408,276	\$ 737,929	\$ 463,029	\$ 342,395	\$ 440,520	\$ 712,897
Prior Period Adjustments (net)	-	-	-	-	-	-
Revenues & Other Sources	2,319,586	2,472,111	2,458,658	2,431,296	2,743,961	2,435,013
Expenditures & Other Uses	2,989,933	2,747,011	2,579,292	2,333,171	2,471,584	2,521,862
Fund Equity - End of Year	\$ 737,929	\$ 463,029	\$ 342,395	\$ 440,520	\$ 712,897	\$ 626,048
<u>SEWER FUND</u>						
Fund Equity - Beginning of Year	\$ 634,981	\$ 302,806	\$ 281,206	\$ 157,272	\$ 1,254	\$ 216,122
Prior Period Adjustments (net)	-	-	-	-	-	-
Revenues & Other Sources	3,187,120	3,314,614	3,196,743	3,201,025	3,786,286	3,500,654
Expenditures & Other Uses	3,519,295	336,214	3,320,677	3,357,043	3,571,418	3,449,503
Fund Equity - End of Year	\$ 302,806	\$ 281,206	\$ 157,272	\$ 1,254	\$ 216,122	\$ 267,273

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	Excluding This Issue			Principal of This Issue	Total Principal All Issues
	Principal	Interest	Total		
2012	\$ 1,801,200	\$ 1,638,288.38	\$ 3,439,488.38	\$ 0	\$ 1,801,200
2013	1,840,000	1,505,991.38	3,345,991.38	100,383	1,940,383
2014	1,585,000	1,421,595.13	3,006,595.13	185,000	1,770,000
2015	1,475,000	1,354,789.50	2,829,789.50	185,000	1,660,000
2016	1,510,000	1,289,986.00	2,799,986.00	190,000	1,700,000
2017	1,485,000	1,223,249.00	2,708,249.00	195,000	1,680,000
2018	1,355,000	1,161,912.25	2,516,912.25	200,000	1,555,000
2019	1,425,000	1,104,228.25	2,529,228.25	200,000	1,625,000
2020	1,480,000	1,043,450.75	2,523,450.75	205,000	1,685,000
2021	1,555,000	980,244.75	2,535,244.75	210,000	1,765,000
2022	1,620,000	914,078.00	2,534,078.00	215,000	1,835,000
2023	1,585,000	844,969.00	2,429,969.00	220,000	1,805,000
2024	1,650,000	777,087.75	2,427,087.75	225,000	1,875,000
2025	1,315,000	714,470.50	2,029,470.50	230,000	1,545,000
2026	1,380,000	656,732.50	2,036,732.50	235,000	1,615,000
2027	1,440,000	596,004.75	2,036,004.75	240,000	1,680,000
2028	1,505,000	532,579.75	2,037,579.75	250,000	1,755,000
2029	1,570,000	466,298.00	2,036,298.00	260,000	1,830,000
2030	1,650,000	396,871.50	2,046,871.50	265,000	1,915,000
2031	1,075,000	324,046.75	1,399,046.75	275,000	1,350,000
2032	1,115,000	276,098.75	1,391,098.75	285,000	1,400,000
2033	1,175,000	226,269.75	1,401,269.75	295,000	1,470,000
2034	1,220,000	173,775.25	1,393,775.25	305,000	1,525,000
2035	1,045,000	123,918.50	1,168,918.50	315,000	1,360,000
2036	555,000	87,552.50	642,552.50	325,000	880,000
2037	590,000	60,956.00	650,956.00	335,000	925,000
2038	515,000	32,844.00	547,844.00	345,000	860,000
2039	220,000	6,950.00	226,950.00	355,000	575,000
TOTALS	\$ 36,736,200	\$ 19,935,238.63	\$ 56,671,438.63	\$ 6,645,383	\$ 43,381,583

FINANCIAL STATEMENTS

December 31, 2010

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, 2010

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, New York (City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 as of December 31, 2010, and the respective changes in its financial position and its cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 2 through 10 and the statement of revenues, expenditures, and changes in fund balance - budget and actual - general fund and the statement of revenues, expenditures, and changes in fund balance - budget and actual - debt service fund on pages 17 and 18 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements. The supplemental information on pages 47 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bollam Sheedy Torani & Co. LLP

Albany, New York
July 27, 2011

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

As management of the City of Saratoga Springs, New York (City), we offer the readers of the City's financial statements this narrative overview and analysis as of December 31, 2010. We encourage readers to consider the information presented here in conjunction with our financial statements, which can be found on pages 11 through 46 and our supplemental information which can be found on pages 47 through 49 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities on December 31, 2010, by \$31,955,485, representing net assets. Of this amount, \$36,541,296 represents the City's investment in capital assets net of related debt, and \$14,209,624 is restricted for future capital improvements, debt service, and other purposes. The remaining amount, which represents negative unrestricted net assets, is \$18,795,435.
- At December 31, 2010, the City's governmental funds reported a combined ending fund balance of \$12,371,527. Of this amount, \$10,914,945 of the fund balance was reserved for specific purposes. The combined unreserved fund balance was \$1,456,582.
- At the end of the current fiscal year, the unreserved and unappropriated fund balance of the General Fund was \$4,202,048.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Debt Service Fund, and Community Development, all of which are considered to be major funds. Data from the other two governmental funds, the Downtown Special Assessment District (SAD) and the West Avenue Special Assessment District (WASAD) are combined into a single, aggregated presentation. The unreserved unappropriated fund balance as of December 31, 2010, for the SAD was \$295,263, and for the WASAD was \$28,856. SAD intends to use the accumulated fund balance for parking projects that benefit the District. The WASAD intends to use the accumulated fund balance to pay debt on outstanding bonds issued to finance improvements in the District. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund and Debt Service Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 13 through 18 of this report.

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

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

The proprietary fund financial statements can be found on pages 19 through 21 of 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 statements can be found on pages 22 through 23 of this report.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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 24 through 46 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 \$31,955,485 at December 31, 2010.

By far, the largest portion, \$36,541,296, of the City's net assets (115%) 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.

CONDENSED STATEMENTS OF NET ASSETS

	December 31,					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 19,298,057	\$ 26,058,380	\$ 13,965,924	\$ 14,268,968	\$ 33,263,981	\$ 40,327,348
Capital assets	55,197,380	49,709,591	17,633,373	7,863,388	72,830,753	57,572,979
Total assets	<u>74,495,437</u>	<u>75,767,971</u>	<u>31,599,297</u>	<u>22,132,356</u>	<u>106,094,734</u>	<u>97,900,327</u>
Long-term liabilities	49,216,277	43,888,353	8,546,325	7,908,259	57,762,602	51,796,612
Other liabilities	11,125,985	12,537,220	5,250,662	3,568,786	16,376,647	16,106,006
Total liabilities	<u>60,342,262</u>	<u>56,425,573</u>	<u>13,796,987</u>	<u>11,477,045</u>	<u>74,139,249</u>	<u>67,902,618</u>
Net assets:						
Invested in capital assets, net of related debt	25,889,996	19,871,360	10,651,300	1,254,577	36,541,296	21,125,937
Restricted	5,089,257	10,036,280	9,120,367	11,053,685	14,209,624	21,089,965
Unrestricted	<u>(16,826,078)</u>	<u>(10,565,242)</u>	<u>(1,969,357)</u>	<u>(1,652,951)</u>	<u>(18,795,435)</u>	<u>(12,218,193)</u>
Total net assets	<u>\$ 14,153,175</u>	<u>\$ 19,342,398</u>	<u>\$ 17,802,310</u>	<u>\$ 10,655,311</u>	<u>\$ 31,955,485</u>	<u>\$ 29,997,709</u>

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

The City experienced an increase in net assets during 2010 totaling \$1,957,777 from operations, as shown in the following statement:

	December 31,					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 3,038,214	\$ 3,423,401	\$ 7,009,187	\$ 6,164,915	\$ 10,047,401	\$ 9,588,316
Operating grants and contributions	1,440,483	1,388,473	-	-	1,440,483	1,388,473
Capital grants and contributions	3,652,687	2,286,295	8,370,657	2,108,474	12,023,344	4,394,769
General revenues:						
Property taxes	18,902,330	17,283,446	-	-	18,902,330	17,283,446
Other taxes	11,311,317	10,420,995	834,141	761,019	12,145,458	11,182,014
State aid and mortgage taxes	2,537,712	2,793,724	-	-	2,537,712	2,793,724
Other	246,422	164,347	140,019	170,836	386,441	335,183
Total revenues	<u>41,129,165</u>	<u>37,760,681</u>	<u>16,354,004</u>	<u>9,205,244</u>	<u>57,483,169</u>	<u>46,965,925</u>
Expenses:						
General government support:						
Mayor	1,200,714	1,395,746	-	-	1,200,714	1,395,746
Finance	1,853,204	1,772,607	-	-	1,853,204	1,772,607
Public works	5,760,838	1,200,476	-	-	5,760,838	1,200,476
Accounts	1,239,027	1,143,531	-	-	1,239,027	1,143,531
Other general government support	111,000	936,044	-	-	111,000	936,044
Public safety:						
Police	11,956,726	10,637,746	-	-	11,956,726	10,637,746
Fire	9,177,550	9,559,902	-	-	9,177,550	9,559,902
Other public safety	2,731,662	3,063,646	-	-	2,731,662	3,063,646
Health	17,708	17,864	-	-	17,708	17,864
Transportation	3,975,708	4,990,740	-	-	3,975,708	4,990,740
Economic opportunity & development	182,528	177,503	-	-	182,528	177,503
Culture and recreation	2,602,162	2,417,681	-	-	2,602,162	2,417,681
Home and community service	2,466,544	5,186,127	-	-	2,466,544	5,186,127
Civil service	76,113	76,239	-	-	76,113	76,239
Interest on long-term debt	1,373,369	1,412,671	-	-	1,373,369	1,412,671
Water	-	-	1,931,293	2,299,612	1,931,293	2,299,612
Sewer	-	-	3,724,157	3,405,683	3,724,157	3,405,683
City center authority	-	-	1,168,554	1,166,689	1,168,554	1,166,689
Total expenses	<u>44,724,853</u>	<u>43,988,523</u>	<u>6,824,004</u>	<u>6,871,984</u>	<u>51,548,857</u>	<u>50,860,507</u>
Transfers	<u>(165,766)</u>	<u>125,171</u>	<u>165,766</u>	<u>(125,171)</u>	<u>-</u>	<u>-</u>
Change in net assets	(3,761,454)	(6,353,013)	9,695,766	2,458,431	5,934,312	(3,894,582)
PRIOR PERIOD ADJUSTMENTS	(1,427,769)	2,586,876	(2,548,767)	567,585	(3,976,536)	3,154,461
NET ASSETS, beginning of year, as restated	<u>19,342,398</u>	<u>23,108,535</u>	<u>10,655,311</u>	<u>7,629,295</u>	<u>29,997,709</u>	<u>30,737,830</u>
NET ASSETS, end of year	<u>\$ 14,153,175</u>	<u>\$ 19,342,398</u>	<u>\$ 17,802,310</u>	<u>\$ 10,655,311</u>	<u>\$ 31,955,485</u>	<u>\$ 29,997,709</u>

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

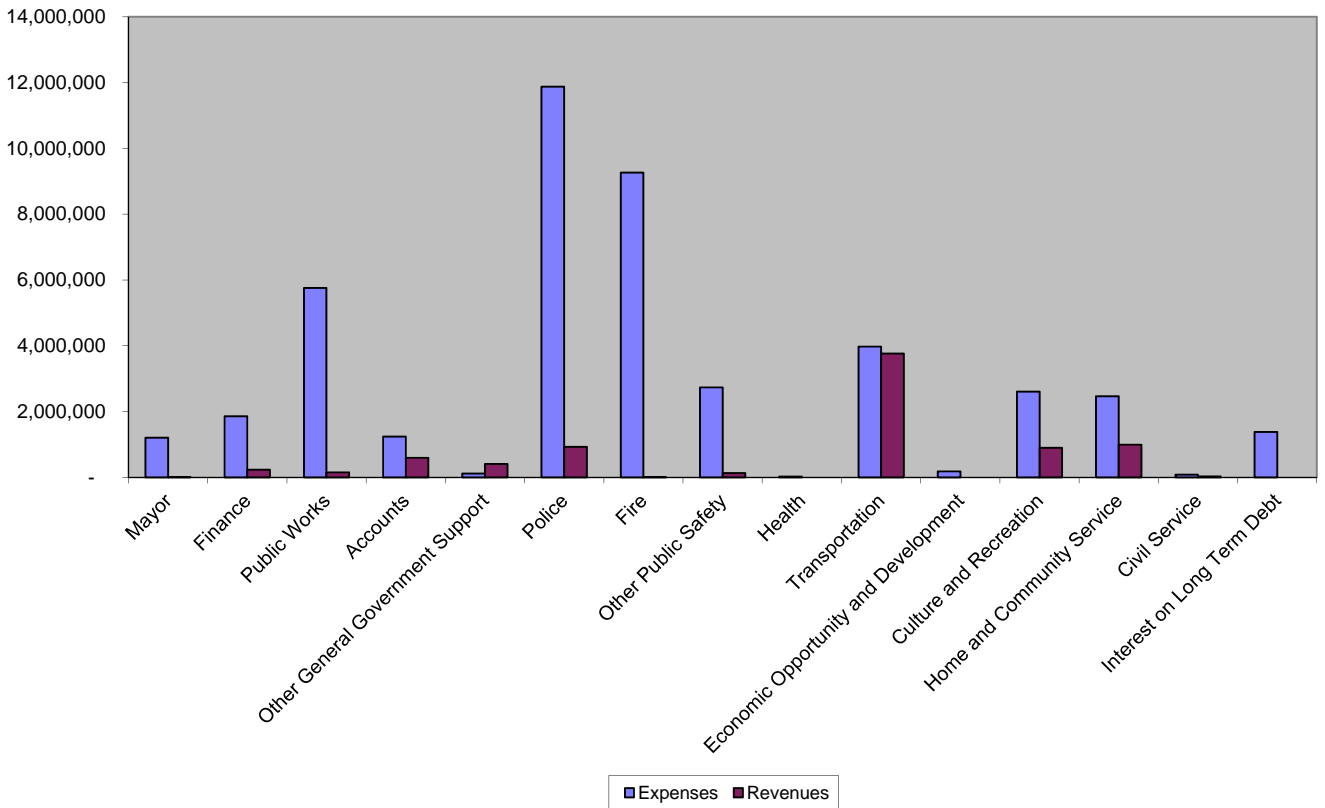
December 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

Governmental activities. Governmental activities decreased the City's net assets by \$5,189,222. 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 were the result of an increase of the cost of services provided. 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 8%. Sales tax receipts increased by 8% but State aid continued to decrease as well as mortgage taxes.

CITY OF SARATOGA SPRINGS, NEW YORK

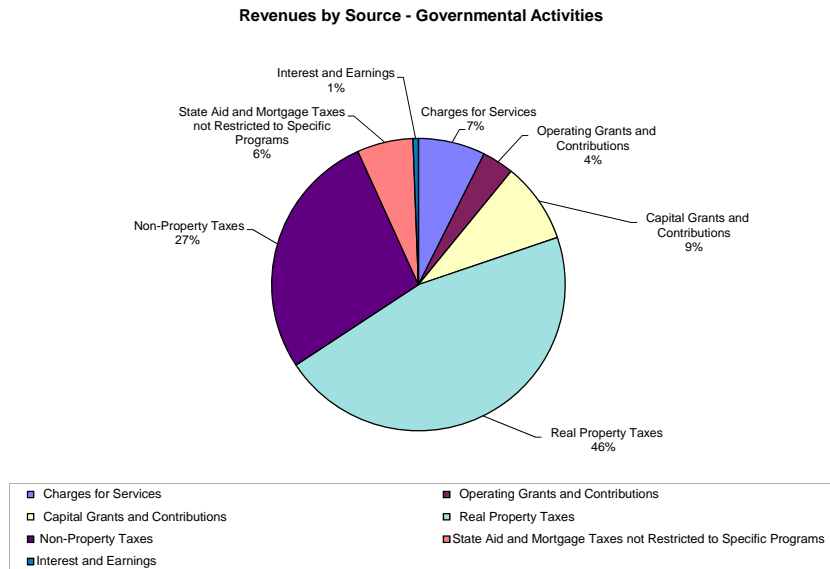
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

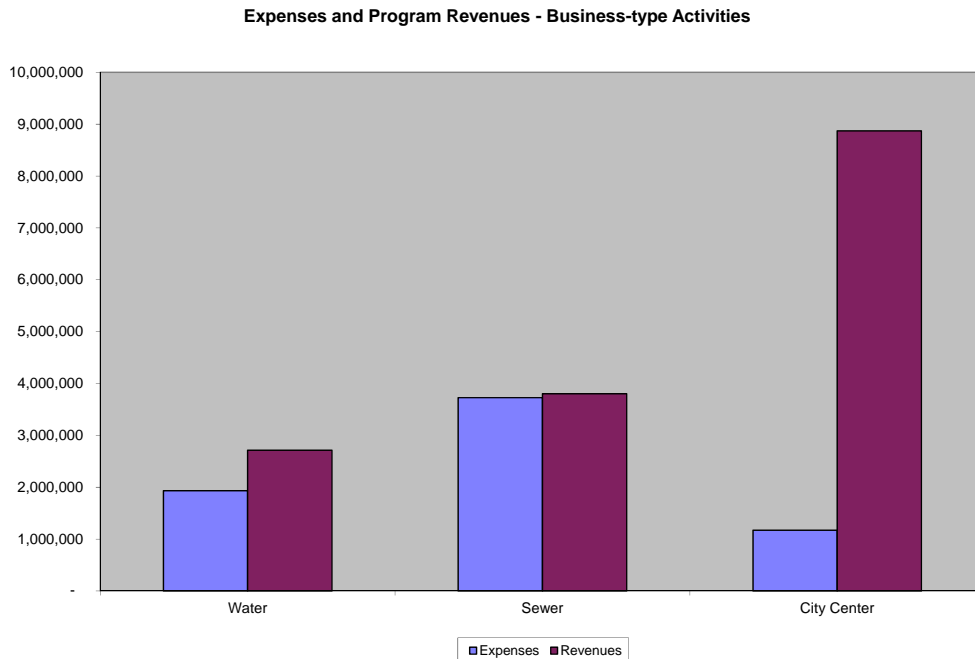
OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

The following chart shows revenues by source for all governmental activities, with general revenues totaling 81% and program revenues totaling 19%:



Business-type activities. Business-type activities increased the City's net assets by \$7,146,999. Key elements are as follows. The City Center Authority received grant funds from the New York State Dormitory Authority to construct an expansion project at the center.



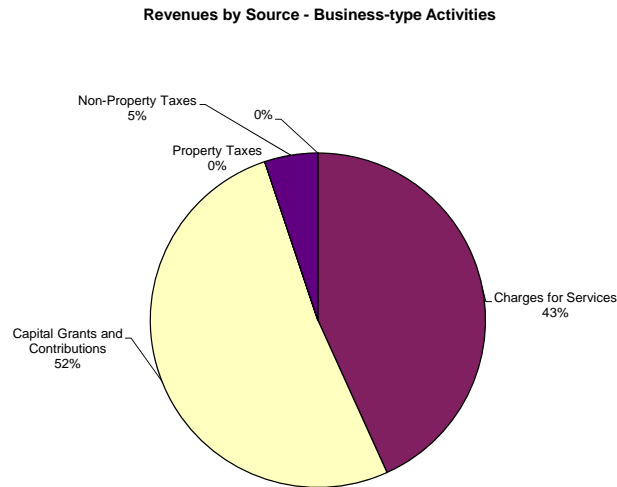
CITY OF SARATOGA SPRINGS, NEW YORK

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

Program revenues were sufficient to cover water and sewer activity expenses.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balances of \$12,371,527, a decrease of \$3,122,651 from the prior year. \$10,914,945 is reserved to indicate that it is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period of \$5,367,689, 2) pay for the capital improvements of \$3,238,333, 3) be held for future capital improvements of \$983,312, and 4) various other restrictions set by the City Council.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved unappropriated fund balance of the General Fund was \$4,202,048, while total fund balance reached \$7,011,858. 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 12% of total General Fund expenditures, while total fund balance represents 21% of that same amount.

The overall fund balance of the City's General Fund increased by \$1,106,611 during the current fiscal year. Key factors in this operating deficit are as follows:

General Fund Revenues

1. Sales tax exceeded the budget by \$956,000.
2. Interest and penalties on property tax exceeded the budget by \$119,000.
3. Utilities tax exceeded the budget by \$93,000.
4. PILOT exceeded the budget by \$59,000.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued

General Fund Expenses

1. Personal Service actual expenses were \$632,000 less than budgeted. Primarily due to savings in labor lines for \$241,000, overtime for \$71,000, Fire Department for \$65,000, and Police Department for \$46,000.
2. Contracted Services expenses were \$918,000 less than budgeted. Primarily due savings in utilities of \$166,000, professional service for \$136,000, other supplies for \$102,000, unemployment insurance for \$93,000, and salt and sand for \$78,000.

The difference between the revised General Fund budget and actual amounts for revenues and transfers in was \$492,101. Various budget amendments during the year and reliance on unreserved unappropriated fund balances kept the City's actual revenue in line with the budget. The difference between the revised General Fund budget and actual amounts for expenditures and transfers out was \$1,598,712. A portion of various unexpended funds, \$5,367,689, was encumbered to 2010 for commitments made by the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$36,541,296 (net of accumulated depreciation and less outstanding debt). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, work-in-progress, and infrastructure assets, such as roads, streets, and water systems.

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

- Continued construction of Church Street, City Center, recreation facility, and the construction of Spring Run Trail.
- Completion of the water disinfection project, Gilbert Road Water District, and City-wide security system.

CAPITAL ASSETS

	December 31,					
	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,921,258	\$ 3,921,258	\$ 325,841	\$ 325,841	\$ 4,247,099	\$ 4,247,099
Buildings	13,863,581	13,863,581	749,195	749,195	14,612,776	14,612,776
Improvements other than building	5,939,302	5,288,598	483,792	483,792	6,423,094	5,772,390
Machinery and equipment	12,379,869	12,380,196	932,744	932,744	13,312,613	13,312,940
Infrastructure	47,361,898	47,259,338	14,466,751	12,679,317	61,828,649	59,938,655
Work in progress	14,956,674	8,538,783	13,048,176	4,852,830	28,004,850	13,391,613
Totals	98,422,582	91,251,754	30,006,499	20,023,719	128,429,081	111,275,473
Accumulated depreciation	43,225,202	41,542,163	12,373,126	12,160,331	55,598,328	53,702,494
Capital assets net of accumulated depreciation	<u>\$ 55,197,380</u>	<u>\$ 49,709,591</u>	<u>\$ 17,633,373</u>	<u>\$ 7,863,388</u>	<u>\$ 72,830,753</u>	<u>\$ 57,572,979</u>

Additional information on the City's capital assets can be found in Note 1j on page 29 and Note 3c on pages 32 and 33 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$36,289,457. Of this amount, \$35,904,150 comprises debt backed by the full faith and credit of the City, and \$385,307 is a special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

The City's total bonded debt increased by \$1,539,457 (4%) during the current fiscal year by new debt issued July 1, 2010.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

The City maintains an "AA" rating from Standard & Poor'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 \$244,675,921, which is significantly in excess of the City's outstanding general obligation debt. In addition, the City has a self-imposed limit of 2% of the five-year average total assessed value. The City's debt limitation is \$69,907,406, which is significantly in excess of the City's outstanding general obligation debt.

The City participates in the New York State and Local Retirement Systems for police and firefighters (PFRS) and all other employees (ERS). On October 15, 2004, the City opted to provide certain benefits to firefighters for past services under Section 384E of the PFRS plan. The total past service credit costs were \$1,011,118. The City opted to pay for this program over a ten-year term with interest starting the third year at 8% per annum. The unpaid balance of \$458,476 at December 31, 2010, is included in the financial statements as a governmental liability.

In December 2004, the City opted to amortize the 2004 ERS and PFRS retirement payment over a ten-year period. The principal amount amortized was \$397,330 for the ERS plan and \$654,365 for the PFRS plan. The first principal and interest payments were made February 1, 2006, with interest at 5% per annum. The unpaid principal amounts of \$222,998 for the ERS plan and \$366,894 for the PFRS plan are shown in the financial statements as governmental liabilities.

In accordance with the labor agreements between the City and its police officers signed October 27, 2006, the City was required to provide certain benefits to police personnel for past services under Section 384E and 384EB of the PFRS plan. The total past service credit cost was \$2,700,004 for 384E, \$351,235 for 384EB, and \$360,791 to reopen 384D. The City plans to pay for this program over a ten-year period with interest starting the second year at 8% per annum. The first installment was due February 1, 2008, for the City's 2007 fiscal year. The unpaid principal balance is \$1,939,760 for 384E, \$252,338 for 384EB, and \$259,191 for 384D.

Additional information on the City's long-term debt can be found in Note 11 on pages 29 and 30 and Note 3e on pages 35 through 38 of this report.

ECONOMIC FACTORS

The City is growing and thriving. The City is home to the Saratoga Race Course, one of the oldest and most prestigious thoroughbred horse racing tracks in the United States. Each summer, the racetrack operates a six-week schedule of races that attracts world-class horses to participate in the various graded events. Operation of the racetrack is a key factor in the area's successful tourism industry, which allows the City to generate additional revenues from sales tax, hotel occupancy tax, and other similar non-property taxes and fees. The City's residential and commercial tax base grew at a rate of 2% in 2010. The City has added hotels, office buildings, condominiums, and many residences in the past year.

REQUESTS FOR INFORMATION

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

CITY OF SARATOGA SPRINGS, NEW YORK

**GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS**

	December 31, 2010		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 3,891,337	\$ 408,307	\$ 4,299,644
Cash and cash equivalents, restricted	5,089,257	9,120,367	14,209,624
Investments, restricted	17,260	845	18,105
Receivables, net of uncollectibles	8,291,479	4,381,271	12,672,750
Inventories	-	47,659	47,659
Prepaid expenses	1,723	7,475	9,198
Due from business-type activities	1,955,761	-	1,955,761
Due from fiduciary funds	63	-	63
Accrued interest	51,177	-	51,177
Total current assets	<u>19,298,057</u>	<u>13,965,924</u>	<u>33,263,981</u>
NONCURRENT ASSETS			
Capital assets, net	55,197,380	17,633,373	72,830,753
Total assets	<u>74,495,437</u>	<u>31,599,297</u>	<u>106,094,734</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and other current liabilities	5,148,386	2,342,789	7,491,175
Current maturities on long-term liabilities	4,419,669	628,870	5,048,539
Due to governmental activities	-	1,955,761	1,955,761
Accrued interest payable	1,557,930	323,242	1,881,172
Total current liabilities	<u>11,125,985</u>	<u>5,250,662</u>	<u>16,376,647</u>
NONCURRENT LIABILITIES			
Long-term liabilities, less current maturities	30,584,756	6,941,125	37,525,881
Other postemployment liability	18,631,521	1,605,200	20,236,721
Total liabilities	<u>60,342,262</u>	<u>13,796,987</u>	<u>74,139,249</u>
NET ASSETS			
Invested in capital assets, net of related debt	25,889,996	10,651,300	36,541,296
Restricted for			
Capital improvements	983,311	7,738,189	8,721,500
Debt service	1,509,953	-	1,509,953
Water line extension projects	-	622,240	622,240
Special district	1,957	-	1,957
Capital projects	2,515,733	759,938	3,275,671
Other purposes	78,303	-	78,303
Unrestricted	(16,826,078)	(1,969,357)	(18,795,435)
Total net assets	<u>\$ 14,153,175</u>	<u>\$ 17,802,310</u>	<u>\$ 31,955,485</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES

Functions/Programs	Year Ended December 31, 2010				Net (Expenses) Revenues And		
	Program Revenue		Changes in Net Assets		Business-type		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government Support							
Mayor	\$ 1,200,714	\$ 4,800	\$ -	\$ -	\$ (1,195,914)	\$ -	\$ (1,195,914)
Finance	1,853,204	198,746	35,364	-	(1,619,094)	-	(1,619,094)
Public Works	5,760,838	103,162	45,554	-	(5,612,122)	-	(5,612,122)
Accounts	1,239,027	572,416	20,710	-	(645,901)	-	(645,901)
Other general government support	111,000	7,276	-	393,906	290,182	-	290,182
Public Safety							
Police	11,956,726	689,109	235,000	-	(11,032,617)	-	(11,032,617)
Fire	9,177,550	6,357	-	-	(9,171,193)	-	(9,171,193)
Other public safety	2,731,662	129,272	-	-	(2,602,390)	-	(2,602,390)
Health	17,708	-	-	-	(17,708)	-	(17,708)
Transportation	3,975,708	-	505,679	3,258,781	(211,248)	-	(211,248)
Economic opportunity and development	182,528	-	-	-	(182,528)	-	(182,528)
Culture and recreation	2,602,162	901,074	-	-	(1,701,088)	-	(1,701,088)
Home and community service	2,466,544	395,997	598,176	-	(1,472,371)	-	(1,472,371)
Civil service	76,113	30,005	-	-	(46,108)	-	(46,108)
Interest on long-term debt	1,373,368	-	-	-	(1,373,368)	-	(1,373,368)
Total governmental activities	44,724,852	3,038,214	1,440,483	3,652,687	(36,593,468)	-	(36,593,468)
BUSINESS-TYPE ACTIVITIES							
Water	1,931,293	2,693,405	-	16,460	-	778,572	778,572
Sewer	3,724,157	3,799,572	-	-	-	75,415	75,415
City Center Authority	1,168,554	516,210	-	8,354,197	-	7,701,853	7,701,853
Total business-type activities	6,824,004	7,009,187	-	8,370,657	-	8,555,840	8,555,840
Total government	\$ 51,548,856	\$ 10,047,401	\$ 1,440,483	\$ 12,023,344	\$ (36,593,468)	\$ 8,555,840	\$ (28,037,628)
GENERAL REVENUES:							
Real property tax and related tax items					\$ 18,902,330	\$ -	\$ 18,902,330
Non-property taxes					11,311,317	834,141	12,145,458
Other general revenue items					115,716	114,082	229,798
Interest earnings					130,705	25,937	156,642
State aid and mortgage taxes not restricted to specific purposes					2,537,712	-	2,537,712
Total general revenues					32,997,780	974,160	33,971,940
TRANSFERS							
Transfer from governmental to business-type activities					(165,766)	165,766	-
Total general revenues and transfers					32,832,014	1,139,926	33,971,940
CHANGE IN NET ASSETS							
NET ASSETS, beginning of year					(3,761,454)	9,695,766	5,934,312
					19,342,398	10,655,311	29,997,709
Prior Period Adjustments							
Bond proceeds, Water and Sewer and payments, Water					-	(693,545)	(693,545)
Bond interest adjustment					(101,172)	-	(101,172)
Reclassification of various accounts					(28,647)	-	(28,647)
Bonds payable, beginning of year, Sewer					-	(1,291,912)	(1,291,912)
Revolving loan adjustments					(4,068)	-	(4,068)
Capital project reserves adjustment, Water					-	(1,075,557)	(1,075,557)
Capital project reserves adjustment - current year, Water					(260,144)	260,144	-
Write off prior years bad checks, General					(2,100)	-	(2,100)
Retirement amortization					(471,236)	252,103	(219,133)
Federal revenue adjustment Capital					(560,402)	-	(560,402)
NET ASSETS, beginning of year, as restated					17,914,629	8,106,544	26,021,173
NET ASSETS, end of year					\$ 14,153,175	\$ 17,802,310	\$ 31,955,485

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

CITY OF SARATOGA SPRINGS, NEW YORK
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2010

	Special Revenue Funds					Total Governmental Funds
	General	Capital	Debt Service	Community Development	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 3,296,887	\$ -	\$ -	\$ 257,068	\$ 337,382	\$ 3,891,337
Cash, special reserves	1,061,615	3,238,333	1,509,953	-	1,957	5,811,858
Investments, restricted	17,260	-	-	-	-	17,260
Receivables, net	5,111,705	5,400	600	279,635	-	5,397,340
Receivables from other governments	1,866,825	1,235,769	150	25,946	-	3,128,690
Prepaid expenses	1,722	-	-	-	-	1,722
Due from other funds	2,495,244	-	-	-	-	2,495,244
Total assets	\$ 13,851,258	\$ 4,479,502	\$ 1,510,703	\$ 562,649	\$ 339,339	\$ 20,743,451
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 866,333	\$ 356,369	\$ 100	\$ 25,946	\$ 15,220	\$ 1,263,968
Due to other funds	-	269,246	265,252	4,922	-	539,420
Due to other governments	3,127,430	-	-	376	-	3,127,806
Deferred tax revenue	1,544,933	-	-	-	-	1,544,933
Deferred revenue	1,300,705	315,457	-	279,636	-	1,895,798
Total liabilities	6,839,401	941,072	265,352	310,880	15,220	8,371,925
Fund balance:						
Reserved for:						
Encumbrances	1,748,195	3,619,494	-	-	-	5,367,689
Capital reserve	983,311	-	-	-	-	983,311
Debt	-	-	1,245,351	-	-	1,245,351
Capital improvements	-	3,238,333	-	-	-	3,238,333
Other reserves	78,303	-	-	-	1,957	80,260
Unreserved:						
Appropriated for 2010	-	-	-	-	-	-
Unappropriated	4,202,048	(3,319,397)	-	251,769	322,162	1,456,582
Total fund balance	7,011,857	3,538,430	1,245,351	251,769	324,119	12,371,526
Total liabilities and fund balances	\$ 13,851,258	\$ 4,479,502	\$ 1,510,703	\$ 562,649	\$ 339,339	\$ 20,743,451

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

CITY OF SARATOGA SPRINGS, NEW YORK

**RECONCILIATION OF THE TOTAL FUND BALANCES SHOWN IN
THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

	<u>December 31, 2010</u>
Total fund balances in the fund financial statements for the governmental funds.	\$ 12,371,527
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	55,197,380
Long-term liabilities for bonded debt are included as liabilities in the government-wide statements and are deducted.	(29,307,384)
Long-term liabilities for past service costs for retirement plans and amortization for retirement plans are included as liabilities in the government-wide statements and are deducted.	(2,071,641)
Business-type activity bonds are deducted from the restricted cash assets in the government-wide statements.	(764,457)
Business-type activity capital project reserves are added to the government-wide statements.	41,856
Long-term liabilities for the lease obligations by the City are included as liabilities in the government-wide statements and are deducted.	(1,429,287)
Long-term liabilities for other postemployment benefit obligations by the City are included as liabilities in the government-wide statements and are deducted.	(18,631,521)
Accrued interest on property, school taxes and community development loans on receivables for revenues earned, measurable, but not available and are added.	51,177
Deferred revenue and deferred tax revenue are added to the government wide statements as revenue.	3,440,731
Internal balances between governmental funds are deducted from the government wide statements and the net effect is zero.	-
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.	(234,551)
Other current liabilities for compensated absences are included in the government-wide statements as liabilities and are deducted.	(3,213,049)
Current liabilities for interest payable on long-term debt are included in the government-wide statements as liabilities and are deducted.	<u>(1,297,606)</u>
Total net assets, end of year	<u><u>\$ 14,153,175</u></u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

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

	Year Ended December 31, 2010						
	General	Capital	Debt Service	Special Revenue Funds			Total Governmental Funds
				Community Development	Governmental Funds	Other Governmental Funds	
REVENUES							
Real property taxes and tax items	\$ 16,419,812	\$ -	\$ 2,209,687	\$ -	\$ 109,870	\$ -	\$ 18,739,369
Non-property taxes	11,311,352	-	-	-	-	-	11,311,352
Departmental income	1,435,656	-	-	36,366	-	-	1,472,022
Intergovernmental charges	249,179	-	-	-	-	-	249,179
Use of money and property	421,022	74,290	36,813	14,795	650	-	547,570
Licenses and permits	154,763	-	-	-	-	-	154,763
Fines and forfeitures	672,504	-	-	-	-	-	672,504
Sale of property and compensation for loss	385,067	-	-	-	-	-	385,067
Miscellaneous	197,009	-	-	-	-	-	197,009
State aid	3,375,398	3,335	7,582	-	-	-	3,386,315
Federal aid	272,006	2,939,989	-	585,176	-	-	3,797,171
Total revenues	34,893,768	3,017,614	2,254,082	636,337	110,520	-	40,912,321

EXPENDITURES

Current:							
<i>General Government Support</i>							
Mayor	924,873	-	-	-	-	-	924,873
Finance	1,662,763	-	25,787	-	-	-	1,688,550
Public Works	3,193,789	-	-	-	-	-	3,193,789
Accounts	1,087,261	-	-	-	-	-	1,087,261
Unallocated insurance	604,162	-	-	-	-	-	604,162
Other general government support	39,810	-	-	-	-	-	39,810
<i>Public Safety</i>							
Police	9,097,137	-	-	-	-	-	9,097,137
Fire	7,324,545	-	-	-	-	-	7,324,545
Other public safety	2,320,185	-	-	-	-	-	2,320,185
Health	17,765	-	-	-	-	-	17,765
Transportation	4,129,819	-	-	-	-	-	4,129,819
Economic opportunity and development	138,615	-	-	-	43,913	-	182,528
Culture and recreation	1,959,304	-	-	-	-	-	1,959,304
Home and community service	830,388	-	-	-	574,170	-	1,404,558
Civil Service	68,801	-	-	-	-	-	68,801
Employee benefits	-	-	-	-	-	-	-

<i>Debt Service</i>									
Principal	79,274	-	1,594,878	-	12,969	1,687,121			
Interest	74,233	-	1,336,799	-	3,426	1,414,458			
<i>Capital Outlay</i>									
Mayor	-	-	-	-	-	-			
Finance	-	-	-	-	-	-			
Public works	-	148,565	-	-	-	148,565			
Accounts	-	-	-	-	-	-			
Other general government support	-	63,047	-	-	-	63,047			
<i>Public Safety</i>									
Police	-	5,804	-	-	-	5,804			
Fire	-	27,713	-	-	-	27,713			
Other public safety	-	10,000	-	-	-	10,000			
Transportation	-	3,401,729	-	-	-	3,401,729			
Culture and recreation	-	-	-	-	-	-			
Economic opportunity and development	-	-	-	-	-	-			
Culture and recreation	-	3,114,188	-	-	-	3,114,188			
Home and community service	-	1,492,951	-	-	-	1,492,951			
Civil service	-	-	-	-	-	-			
Total expenditures	<u>33,552,724</u>	<u>8,263,997</u>	<u>2,957,464</u>	<u>574,170</u>	<u>60,308</u>	<u>45,408,663</u>			
OTHER FINANCING SOURCES (USES)									
Proceeds from serial bonds	-	1,539,457	-	-	-	1,539,457			
Interfund transfers in	61,604	92,608	1,236,788	-	-	1,391,000			
Interfund transfers out	(296,037)	(1,149,622)	-	(61,604)	(49,503)	(1,556,766)			
Total other financing sources and uses	<u>(234,433)</u>	<u>482,443</u>	<u>1,236,788</u>	<u>(61,604)</u>	<u>(49,503)</u>	<u>1,373,691</u>			
NET CHANGE IN FUND BALANCE	1,106,611	(4,763,940)	533,406	563	709	(3,122,651)			
FUND BALANCE, beginning of year	5,907,346	8,862,771	711,945	255,274	323,410	16,060,746			
Prior period adjustment	(2,100)	(560,401)	-	(4,068)	-	(566,569)			
FUND BALANCE, beginning of year, as restated	5,905,246	8,302,370	711,945	251,206	323,410	15,494,177			
FUND BALANCE, end of year	\$ 7,011,857	\$ 3,538,430	\$ 1,245,351	\$ 251,769	\$ 324,119	\$ 12,371,526			

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

CITY OF SARATOGA SPRINGS, NEW YORK

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE CHANGE IN NET ASSETS SHOWN IN THE STATEMENT OF ACTIVITIES**

		Year Ended December 31, 2010						
Net Change in Fund Balances shown for total governmental funds.		\$ (3,122,651)						
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 expenses. This is the amount by which expenditures for acquisition of capital assets exceeded depreciation expense for the period.	<table border="0"> <tr> <td>Capital expenditures</td> <td align="right">7,170,829</td> <td></td> </tr> <tr> <td>Depreciation expense</td> <td align="right"><u>1,683,041</u></td> <td align="right">5,487,788</td> </tr> </table>	Capital expenditures	7,170,829		Depreciation expense	<u>1,683,041</u>	5,487,788	
Capital expenditures	7,170,829							
Depreciation expense	<u>1,683,041</u>	5,487,788						
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.	<table border="0"> <tr> <td>Current year revenues</td> <td align="right">12,312</td> <td></td> </tr> <tr> <td>Prior year revenues</td> <td align="right"><u>261,967</u></td> <td align="right">(249,655)</td> </tr> </table>	Current year revenues	12,312		Prior year revenues	<u>261,967</u>	(249,655)	
Current year revenues	12,312							
Prior year revenues	<u>261,967</u>	(249,655)						
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; i.e., deferred revenue.	<table border="0"> <tr> <td>Current year revenues</td> <td align="right">3,440,731</td> <td></td> </tr> <tr> <td>Prior year revenues</td> <td align="right"><u>2,974,234</u></td> <td align="right">466,497</td> </tr> </table>	Current year revenues	3,440,731		Prior year revenues	<u>2,974,234</u>	466,497	
Current year revenues	3,440,731							
Prior year revenues	<u>2,974,234</u>	466,497						
Payments on retirement system debt are shown as expenditures in the governmental funds. These payments are shown in the statement of net assets as a reduction of the related liabilities, and not shown as expenses in the statement of activities. This is the principal payment amount for the current year.		476,944						
Other postemployment obligations are not reported in the governmental funds. This liability is shown in the statement of net assets as a non-current liability and in the statement of activities as an expense.		(7,054,049)						
Bond and lease principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net assets as a reduction of the related liabilities, and not shown as expenses in the statement of activities. This is the payment amount for the current year.		1,631,462						
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.		(1,539,457)						
Certain expenditures for interest on debt 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. This is the amount by which the current period expenditures exceed the costs allocated over the applicable periods.	<table border="0"> <tr> <td>2010 Current year expenditures</td> <td align="right">1,338,785</td> <td></td> </tr> <tr> <td>2011 Allocated expenses</td> <td align="right"><u>1,297,696</u></td> <td align="right">41,089</td> </tr> </table>	2010 Current year expenditures	1,338,785		2011 Allocated expenses	<u>1,297,696</u>	41,089	
2010 Current year expenditures	1,338,785							
2011 Allocated expenses	<u>1,297,696</u>	41,089						
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 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.	<table border="0"> <tr> <td>2009 Current year expenditures</td> <td align="right">3,313,627</td> <td></td> </tr> <tr> <td>2010 Expenses incurred during current year</td> <td align="right"><u>3,213,049</u></td> <td align="right">100,578</td> </tr> </table>	2009 Current year expenditures	3,313,627		2010 Expenses incurred during current year	<u>3,213,049</u>	100,578	
2009 Current year expenditures	3,313,627							
2010 Expenses incurred during current year	<u>3,213,049</u>	100,578						
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.	<table border="0"> <tr> <td>Transfers in</td> <td align="right">1,391,000</td> <td></td> </tr> <tr> <td>Transfers out</td> <td align="right"><u>1,391,000</u></td> <td align="right">-</td> </tr> </table>	Transfers in	1,391,000		Transfers out	<u>1,391,000</u>	-	
Transfers in	1,391,000							
Transfers out	<u>1,391,000</u>	-						
Change in net assets of governmental activities shown in the statement of activities.		<u><u>\$ (3,761,454)</u></u>						

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

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Revised - Positive (Negative)
	Adopted	Revised		
REVENUES				
Real property taxes and tax items	\$ 16,560,723	\$ 17,617,975	\$ 16,419,812	\$ (1,198,163)
Non-property taxes	10,109,808	10,209,392	11,311,352	1,101,960
Departmental income	1,376,765	1,490,574	1,435,656	(54,918)
Intergovernmental charges	268,356	245,287	249,179	3,892
Use of money and property	402,000	402,000	421,022	19,022
Licenses and permits	112,900	112,900	154,763	41,863
Fines and forfeitures	702,000	727,064	672,504	(54,560)
Sale of property and compensation for loss	302,981	385,040	385,067	27
Miscellaneous	1,937,500	696,113	197,009	(499,104)
State aid	3,574,840	3,265,986	3,375,398	109,412
Federal aid	45,100	379,897	272,006	(107,891)
Total revenues	<u>35,392,973</u>	<u>35,532,228</u>	<u>34,893,768</u>	<u>(638,460)</u>
EXPENDITURES				
General government support	5,001,642	7,510,362	7,581,459	(71,097)
Public safety	12,311,803	19,211,524	18,741,867	469,657
Health	107,865	137,510	17,765	119,745
Transportation	3,859,825	6,530,802	4,129,819	2,400,983
Economic opportunity and development	130,150	129,590	138,615	(9,025)
Culture and recreation	2,105,485	2,303,924	1,959,304	344,620
Home and community service	967,843	1,082,592	830,388	252,204
Employee benefits	10,437,643	-	-	-
Debt service	462,903	166,974	153,507	13,467
Total expenditures	<u>35,385,159</u>	<u>37,073,278</u>	<u>33,552,724</u>	<u>3,520,554</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	54,500	54,500	61,604	7,104
Interfund transfers out	(62,314)	(296,108)	(296,037)	71
Total other financing sources (uses)	<u>(7,814)</u>	<u>(241,608)</u>	<u>(234,433)</u>	<u>7,175</u>
Net change in fund balance (actual) and appropriated fund balance (budget)	<u>-</u>	<u>(1,782,658)</u>	<u>1,106,611</u>	<u>(4,151,839)</u>
FUND BALANCE, beginning of year	5,907,346	5,907,346	5,907,346	5,907,346
Prior period adjustment	(2,100)	(2,100)	(2,100)	(2,100)
FUND BALANCE, beginning of year, as restated	<u>5,905,246</u>	<u>5,905,246</u>	<u>5,905,246</u>	<u>5,905,246</u>
FUND BALANCE, end of year	<u>\$ 5,905,246</u>	<u>\$ 4,122,588</u>	<u>\$ 7,011,857</u>	<u>\$ 1,753,407</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - DEBT SERVICE FUND**

	Year Ended December 31, 2010			
	Budgeted Amounts		Actual	Variance with Revised
	Adopted	Revised	Amounts	- Positive (Negative)
REVENUES				
Real property taxes and tax items	\$ 2,378,806	\$ 2,378,806	\$ 2,209,867	\$ (168,939)
Use of money and property	25,500	25,500	36,813	11,313
State aid	-	7,582	7,582	-
Total revenues	<u>2,404,306</u>	<u>2,411,888</u>	<u>2,254,262</u>	<u>(157,626)</u>
EXPENDITURES				
General government support	40,000	41,575	25,787	15,788
Debt service, principal	1,374,927	2,790,497	1,594,878	1,195,619
Debt service, interest	1,101,194	1,417,088	1,336,799	80,289
Total expenditures	<u>2,516,121</u>	<u>4,249,160</u>	<u>2,957,464</u>	<u>1,291,696</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	<u>111,815</u>	<u>1,157,685</u>	<u>1,236,788</u>	<u>79,103</u>
Net change in fund balance (actual) and appropriated fund balance (budget)	-	(679,587)	533,586	(1,370,219)
FUND BALANCE, beginning of year	<u>711,945</u>	<u>711,945</u>	<u>711,945</u>	<u>711,945</u>
FUND BALANCE, end of year	<u><u>\$ 711,945</u></u>	<u><u>\$ 32,358</u></u>	<u><u>\$ 1,245,531</u></u>	<u><u>\$ (658,274)</u></u>

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

	December 31, 2010			
	Water Activities	Sewer Activities	City Center Activities	Total
ASSETS				
CURRENT ASSETS				
Cash and equivalents	\$ 129,348	\$ 237,312	\$ 41,647	\$ 408,307
Cash and cash equivalents, restricted	1,382,178	-	7,739,034	9,121,212
Receivables, net of allowance	1,067,584	1,598,439	1,715,248	4,381,271
Inventories	32,407	15,252	-	47,659
Prepaid expenses	-	-	7,475	7,475
Total current assets	2,611,517	1,851,003	9,503,404	13,965,924
NONCURRENT ASSETS				
Capital assets, net	5,195,730	488,388	11,949,255	17,633,373
Total assets	7,807,247	2,339,391	21,452,659	31,599,297
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and other current liabilities	146,598	44,786	2,126,286	2,317,670
Current maturities on long-term liabilities	497,011	66,862	64,997	628,870
Due to governmental activities	780,835	1,174,926	-	1,955,761
Accrued interest payable	260,508	62,173	561	323,242
Total current liabilities	1,684,952	1,348,747	2,191,844	5,225,543
NONCURRENT LIABILITIES				
Long-term liabilities, less current maturities	5,487,573	1,328,920	124,632	6,941,125
Other post-employment liability	1,029,920	575,280	-	1,605,200
Total liabilities	8,202,445	3,252,947	2,316,476	13,771,868
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	(508,400)	(789,555)	11,949,255	10,651,300
Restricted for				
Capital improvements	-	-	7,738,189	7,738,189
Water line extension projects	622,240	-	-	622,240
Capital projects	759,938	-	-	759,938
Unrestricted	(1,268,976)	(124,001)	(576,380)	(1,969,357)
Total net assets (deficit)	\$ (395,198)	\$ (913,556)	\$ 19,111,064	\$ 17,802,310

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS**

	Year Ended December 31, 2010			Total
	Water	Sewer	City Center	
OPERATING REVENUES				
Water sales	\$ 2,693,405	\$ -	\$ -	\$ 2,693,405
Sewer sales	-	3,799,572	-	3,799,572
Capital grants and contributions	16,460	-	8,354,197	8,370,657
Facility charges	-	-	516,210	516,210
Total operating revenues	<u>2,709,865</u>	<u>3,799,572</u>	<u>8,870,407</u>	<u>15,379,844</u>
OPERATING EXPENSES				
Costs of sales and services	1,032,500	3,167,463	386,755	4,586,718
Administration	527,804	484,167	772,184	1,784,155
Interest	178,510	61,826	-	240,336
Depreciation	192,479	10,701	9,615	212,795
Total operating expenses	<u>1,931,293</u>	<u>3,724,157</u>	<u>1,168,554</u>	<u>6,824,004</u>
Operating income	<u>778,572</u>	<u>75,415</u>	<u>7,701,853</u>	<u>8,555,840</u>
NONOPERATING REVENUES				
Hotel occupancy tax	-	-	834,141	834,141
Other general revenue items	21,908	4,143	88,031	114,082
Transfer from governmental funds	37,337	-	128,429	165,766
Interest and earnings	744	-	25,193	25,937
Total nonoperating revenues	<u>59,989</u>	<u>4,143</u>	<u>1,075,794</u>	<u>1,139,926</u>
CHANGE IN NET ASSETS	<u>838,561</u>	<u>79,558</u>	<u>8,777,647</u>	<u>9,695,766</u>
NET ASSETS, beginning of year	<u>171,545</u>	<u>165,684</u>	<u>10,318,082</u>	<u>10,655,311</u>
PRIOR PERIOD ADJUSTMENTS				
Capital project reserves adjustment, current year	260,144	-	-	260,144
Capital project reserves adjustment	(1,066,007)	(9,550)	-	(1,075,557)
Bond proceeds and payments	(660,045)	(33,500)	-	(693,545)
Bonds payable, beginning of year	-	(1,291,912)	-	(1,291,912)
Retirement amortization	60,604	176,164	15,335	252,103
	<u>(1,405,304)</u>	<u>(1,158,798)</u>	<u>15,335</u>	<u>(2,548,767)</u>
NET ASSETS, beginning of year, as restated	<u>(1,233,759)</u>	<u>(993,114)</u>	<u>10,333,417</u>	<u>8,106,544</u>
NET ASSETS, end of year	<u>\$ (395,198)</u>	<u>\$ (913,556)</u>	<u>\$ 19,111,064</u>	<u>\$ 17,802,310</u>

The accompanying Notes to 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, 2010			
	Water	Sewer	City Center Authority	Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Charges for services	\$ 2,693,405	\$ 3,799,572	\$ 516,210	\$ 7,009,187
Grants, contributions, and other revenues	16,460	-	8,379,386	8,395,846
Payments to contractors and suppliers	(1,032,500)	(3,167,463)	(386,755)	(4,586,718)
Payments to employees, payroll taxes, and benefits	(527,804)	(484,167)	(772,184)	(1,784,155)
	<u>1,149,561</u>	<u>147,942</u>	<u>7,736,657</u>	<u>9,034,160</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond proceeds	764,457	-	-	764,457
Loss on disposal of assets	69,106	-	-	69,106
Purchase of capital assets	(2,548,173)	-	(8,879,831)	(11,428,004)
Payment on bonds	(64,337)	(24,858)	-	(89,195)
Interest paid	(142,875)	(62,999)	-	(205,874)
	<u>(1,921,822)</u>	<u>(87,857)</u>	<u>(8,879,831)</u>	<u>(10,889,510)</u>
CASH FLOWS PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Hotel occupancy taxes	-	-	834,141	834,141
Miscellaneous	59,245	4,143	216,460	279,848
	<u>59,245</u>	<u>4,143</u>	<u>1,050,601</u>	<u>1,113,989</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES				
Interest received	744	-	25,193	25,937
Allocation to restricted cash and cash equivalents	722,601	(44,533)	(6,396)	671,672
	<u>723,345</u>	<u>(44,533)</u>	<u>18,797</u>	<u>697,609</u>
Net increase (decrease) in cash and cash equivalents	10,329	19,695	(73,776)	(43,752)
CASH AND CASH EQUIVALENTS, beginning of year	119,019	217,617	115,423	452,059
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 129,348</u>	<u>\$ 237,312</u>	<u>\$ 41,647</u>	<u>\$ 408,307</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ 778,572	\$ 75,415	\$ 7,701,853	\$ 8,555,840
Depreciation expense	192,479	10,701	9,615	212,795
(Increase) decrease in				
Receivables, net of allowance	(177,900)	(325,726)	(1,164,443)	(1,668,069)
Inventories	(15,060)	-	-	(15,060)
Restricted cash	308,936	293,912	(320,889)	281,959
Prepaid expenses	-	-	9,947	9,947
Increase (decrease) in				
Accounts payable and other liabilities	97,900	(40,668)	1,499,707	1,556,939
Due to other funds	(35,366)	134,308	867	99,809
Net cash provided by operating activities	<u>\$ 1,149,561</u>	<u>\$ 147,942</u>	<u>\$ 7,736,657</u>	<u>\$ 9,034,160</u>

The accompanying Notes to 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**

	<u>December 31, 2010</u>	
	<u>Agency Funds</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash	<u>\$ 819,525</u>	<u>\$ 34,901</u>
LIABILITIES		
Accounts payable	796,829	-
Due to other governments	22,633	-
Due to other funds	63	-
Total liabilities	<u>819,525</u>	<u>-</u>
NET ASSETS	<u>\$ -</u>	<u>\$ 34,901</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

	December 31, 2010
	Private Purpose Trust
ADDITIONS	
Private donations	\$ 1,250
Interest earnings	43
Total additions	<u>1,293</u>
DEDUCTIONS	
Culture and recreation	<u>762</u>
CHANGE IN NET ASSETS	531
NET ASSETS, beginning of year	<u>34,370</u>
NET ASSETS, end of year	<u>\$ 34,901</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Reporting Entity

The City of Saratoga Springs, New York 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 School Board designates management and exercises complete responsibility for all fiscal matters. The City Council exercises no oversight over school operations.

The Saratoga Springs Housing Authority

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. Government-wide and Fund Financial Statements

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

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

The statement of net assets presents the financial condition of the City's activities at year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include

1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The statement of activities identifies the net expense or revenue from each activity, and identifies the amount of general revenues needed to help finance the specific activities.

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.

c. Use of Estimates

In preparing the financial statements in conformity with GAAP, 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.

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.
- 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.

e. 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:

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. *Fund Accounting* - Continued

Fund Types - Continued

- i. 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.
- ii. 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.
- iii. 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.
- iv. *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 Down City 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.

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:

- i. 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.
- ii. 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.
- iii. The *City Center Authority Fund* (Authority) accounts for the day-to-day business operations of the convention and tourism center. The Authority was created by State legislation for the purpose of operating and maintaining the Saratoga City Center (City Center). The execution of the daily operations of the City Center rests with the Authority. The City Council maintains fiscal control over the Authority through various aspects of State legislation and, therefore, has included the financial position as well as the operations of the City Center in the City's financial statements.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Fund Accounting - Continued

Fiduciary Funds are used to report resources that are held by the City in a trustee or agency capacity for others and cannot be used to support the City's own programs. The City maintains agency funds to account for assets that the City holds on behalf of others as their agent. The City maintains a private purpose trust fund to account for private donations to support a veterans' memorial in Congress Park.

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

f. Cash, Cash Equivalents, and Investments

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

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

Investments are stated at fair market value.

g. Interfund Receivables/Payables

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

h. Receivables

All property and school tax receivables are shown net of an allowance for uncollectibles. The property and school tax receivables allowance is equal to 9% of outstanding property and school taxes at December 31, 2010. Water and sewer rents not collected by year end are relieved on the subsequent year's tax roll.

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 School District. City property tax revenues are recognized when levied to the extent that they result in current receivables.

i. Inventory

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

j. 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 the City Council limits their use.

k. Capital Assets, Net

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements	20
Streets/roads	25
Sewer and water infrastructure	75
Other infrastructure	25-30
Equipment	5-20

l. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick pay benefits. All sick pay is accrued when incurred in the government-wide financial statements. Expenditures for these amounts are reported in governmental funds when paid to employees.

m. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of applicable bond premium or discount, if any.

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

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

m. 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.

n. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for a specific purpose.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

a. Legal Compliance and Budgets

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

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

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

b. Excess of Expenditures Over Appropriations

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

a. Cash, Cash Equivalents, and Investments

Collateral

New York State statutes require the City to collateralize its cash deposits in excess of the Federal Deposit Insurance Corporation limit of \$350,000 (\$100,000 on demand deposits and \$250,000 on time deposits and other cash accounts). This collateral is to be in the form of state and local government securities held in trust for and pledged to secure the City's deposits. The City's deposits were adequately insured or collateralized as of December 31, 2010.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

a. Cash, Cash Equivalents, and Investments - Continued

Cash and Cash Equivalents, Restricted

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

Debt service	\$ 1,509,953
Special assessment district purposes	1,957
Capital projects	983,312
Capital improvements	2,515,732
Council designated purposes	<u>78,303</u>
 Total restricted cash and cash equivalents	 <u><u>\$ 5,089,257</u></u>

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

City Center capital improvements	\$ 7,738,189
Water capital projects	<u>1,382,178</u>
 Total restricted	 <u><u>\$ 9,120,367</u></u>

Investments, Restricted

The City's General Fund had an investment balance of \$17,260 as of December 31, 2010. This consisted of a workers' compensation bond on deposit with New York State.

b. Receivables

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

Receivables	General	Capital	Debt Service	Special Grant	Water	Sewer	City Center Authority	Total
City and county taxes	\$ 928,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 928,852
School taxes	788,092	-	-	-	-	-	-	788,092
Tax sales	1,167,196	-	-	-	-	-	-	1,167,196
Water rents	-	-	-	-	1,131,620	-	-	1,131,620
Sewer rents	-	-	-	-	-	1,695,204	-	1,695,204
Accounts	2,261,731	5,400	600	-	3,000	-	13,562	2,284,293
Rehabilitation loans	-	-	-	295,143	-	-	-	295,143
State and federal	1,654,740	1,235,769	-	25,946	-	-	1,511,930	4,428,385
Other governments	212,085	-	150	-	-	-	189,756	401,991
Total net receivables	<u>7,012,696</u>	<u>1,241,169</u>	<u>750</u>	<u>321,089</u>	<u>1,134,620</u>	<u>1,695,204</u>	<u>1,715,248</u>	<u>13,120,776</u>
Allowance for uncollectible accounts	<u>(268,717)</u>	<u>-</u>	<u>-</u>	<u>(15,508)</u>	<u>(67,036)</u>	<u>(96,765)</u>	<u>-</u>	<u>(448,026)</u>
Total net receivables	<u><u>\$ 6,743,979</u></u>	<u><u>\$ 1,241,169</u></u>	<u><u>\$ 750</u></u>	<u><u>\$ 305,581</u></u>	<u><u>\$ 1,067,584</u></u>	<u><u>\$ 1,598,439</u></u>	<u><u>\$ 1,715,248</u></u>	<u><u>\$ 12,672,750</u></u>

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

Receivables net of allowances	
Governmental activities	\$ 8,291,479
Business-type activities	<u>4,381,271</u>
Total	<u><u>\$ 12,672,750</u></u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

c. Capital Assets

Capital asset activity, as adjusted, was as follows:

Governmental Activities	Year Ended December 31, 2010			Balance December 31, 2010
	Balance January 1, 2010	Additions/ Adjustment	Retirements/ Reclassifications	
Capital assets not being depreciated				
Land	\$ 3,921,258	\$ -	\$ -	\$ 3,921,258
Work in progress	8,538,780	7,113,998	(696,107)	14,956,671
Total capital assets not being depreciated	<u>12,460,038</u>	<u>7,113,998</u>	<u>(696,107)</u>	<u>18,877,929</u>
Depreciable capital assets				
Buildings	13,863,581	-	-	13,863,581
Improvements	5,288,597	650,705	-	5,939,302
Machinery, equipment, and vehicles	12,380,196	155,418	(155,744)	12,379,870
Infrastructure	47,259,338	145,339	(42,779)	47,361,898
Total depreciable capital assets	<u>78,791,712</u>	<u>951,462</u>	<u>(198,523)</u>	<u>79,544,651</u>
Less accumulated depreciation				
Buildings	5,355,873	284,566	-	5,640,439
Improvements other than buildings	2,398,573	224,640	-	2,623,213
Machinery, equipment, and vehicles	7,970,911	772,642	(109,624)	8,633,929
Infrastructure	25,816,802	534,657	(23,840)	26,327,619
Total accumulated depreciation	<u>41,542,159</u>	<u>1,816,505</u>	<u>(133,464)</u>	<u>43,225,200</u>
Net depreciable capital assets	<u>37,249,553</u>	<u>(865,043)</u>	<u>(65,059)</u>	<u>36,319,451</u>
Total net capital assets governmental activities	<u>\$ 49,709,591</u>	<u>\$ 6,248,955</u>	<u>\$ (761,166)</u>	<u>\$ 55,197,380</u>

Business-type Activities	Year Ended December 31, 2010			Balance December 31, 2010
	Balance January 1, 2010	Additions/ Adjustment	Retirements/ Reclassifications	
<u>Water Activity</u>				
Capital assets not being depreciated				
Land	\$ 325,841	\$ -	\$ -	\$ 325,841
Work in progress	1,816,732	760,739	(1,470,344)	1,107,126
Total capital assets not being depreciated	<u>2,142,573</u>	<u>760,739</u>	<u>(1,470,344)</u>	<u>1,432,967</u>
Depreciable capital assets				
Buildings	749,195	-	-	749,195
Improvements	306,064	-	-	306,064
Machinery, equipment, and vehicles	707,945	-	-	707,945
Infrastructure	12,338,317	1,787,434	-	14,125,751
Total depreciable capital assets	<u>14,101,521</u>	<u>1,787,434</u>	<u>-</u>	<u>15,888,955</u>
Less accumulated depreciation				
Buildings	202,261	9,024	-	211,285
Improvements	23,230	11,287	-	34,517
Machinery, equipment, and vehicles	291,996	16,219	-	308,215
Infrastructure	11,416,227	155,948	-	11,572,175
Total accumulated depreciation	<u>11,933,714</u>	<u>192,478</u>	<u>-</u>	<u>12,126,192</u>
Net depreciable capital assets	<u>2,167,807</u>	<u>1,594,956</u>	<u>-</u>	<u>3,762,763</u>
Total net capital assets water activities	<u>\$ 4,310,380</u>	<u>\$ 2,355,695</u>	<u>\$ (1,470,344)</u>	<u>\$ 5,195,730</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

c. Capital Assets - Continued

Business-type Activities	Year Ended December 31, 2010			Balance December 31, 2010
	Balance January 1, 2010	Additions/ Adjustment	Retirements/ Reclassifications	
<u>Sewer Activity</u>				
Depreciable capital assets				
Improvements	\$ 177,728	\$ -	\$ -	\$ 177,728
Machinery, equipment, and vehicles	34,335	-	-	34,335
Infrastructure	341,000	-	-	341,000
Total depreciable capital assets	<u>553,063</u>	<u>-</u>	<u>-</u>	<u>553,063</u>
Less accumulated depreciation				
Improvements	868	940	-	1,808
Machinery, equipment, and vehicles	51,852	2,398	-	54,250
Infrastructure	1,254	7,363	-	8,617
Total accumulated depreciation	<u>53,974</u>	<u>10,701</u>	<u>-</u>	<u>64,675</u>
Net depreciable capital assets	<u>499,089</u>	<u>(10,701)</u>	<u>-</u>	<u>488,388</u>
Total net capital assets sewer activities	<u>\$ 499,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,388</u>
<u>City Center Authority</u>				
Machinery, equipment, and vehicles	190,464	-	-	190,464
Work in progress	3,036,098	8,904,951	-	11,941,049
Accumulated depreciation	172,643	9,615	-	182,258
Total net capital assets City Center Authority	<u>\$ 3,053,919</u>	<u>\$ 8,895,336</u>	<u>\$ -</u>	<u>\$ 11,949,255</u>

Depreciation expense was charged to functions/programs as follows:

Mayor	\$ 7,716
Finance	16,391
DPW	629,217
DPS	37,217
Accounts	4,927
Police	39,929
Fire	154,099
Home and community service	21,737
Transportation	416,549
Culture and recreation	<u>355,259</u>
Total depreciation expense for governmental activities	<u>\$ 1,683,041</u>
Water	\$ 192,478
Sewer	10,702
City Center Authority	<u>9,615</u>
Total depreciation expense for business-type activities	<u>\$ 212,795</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

d. Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

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

<u>Fund</u>	December 31, 2010	
	<u>Due To</u>	<u>Due From</u>
General	\$ -	\$ 2,495,244
Water	780,835	-
Sewer	1,174,926	-
Capital	269,246	-
Debt service	265,252	-
Agency	63	-
Community development	4,922	-
	<u>\$ 2,495,244</u>	<u>\$ 2,495,244</u>

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

<u>Fund</u>	December 31, 2010	
	<u>Due To</u>	<u>Due From</u>
Internal balances		
Governmental	\$ -	\$ 1,955,761
Business-type	1,955,761	-
	<u>\$ 1,955,761</u>	<u>\$ 1,955,761</u>

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

<u>Fund</u>	December 31, 2010	
	<u>In</u>	<u>Out</u>
General	\$ 61,604	\$ 130,271
Capital	92,608	1,149,622
WASAD	-	49,503
Debt service	1,236,788	-
Community Development	-	61,604
	<u>\$ 1,391,000</u>	<u>\$ 1,391,000</u>

In the government-wide statement of net assets, interfund receivables and payables of \$539,483 between governmental activities were eliminated, leaving the balances shown above. In the government-wide statement of activities, interfund transfers of \$1,391,000 between governmental activities were eliminated, leaving \$165,766 transfer from the governmental activities to the business-type activities.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

e. Indebtedness

i. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. On July 1, 2010, the City issued a \$1,539,457, 26-year, general obligation bond. Of the total amount, \$775,000 was issued to finance governmental activities and \$764,457 was issued to finance water activities.

A summary of the City's general obligation serial bond transactions for the year ended December 31, 2010, is as follows:

Bonds payable, beginning of year	\$ 36,447,042
Bonds issued	1,539,457
Bonds retired	<u>(1,697,042)</u>
Bonds payable, end of year	<u><u>\$ 36,289,457</u></u>

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

<u>Public Improvement Bonds</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>December 31, 2010</u>
Serial Bond, EFC	03/97	02/17	3.40%	\$ 1,390,000
Serial Bond, general obligation	07/93	03/13	4.75%	480,000
Serial Bond, general obligation	10/97	09/17	4.50%	635,000
Serial Bond, general obligation	06/00	06/14	5.12%	605,000
Serial Bond, general obligation	09/02	09/22	3.90%	1,295,000
Serial Bond, general obligation	04/04	02/34	4.00%	3,475,000
Serial Bond, general obligation	03/05	06/24	3.85%	3,650,000
Serial Bond, general obligation	04/06	04/35	4.25%	7,845,000
Serial Bond, general obligation	07/07	07/30	3.70%	8,470,000
Serial Bond, general obligation	08/08	08/38	5.00%	4,845,000
Serial Bond, general obligation	01/09	01/24	4.25%	695,000
Serial Bond, general obligation	09/09	09/39	4.25%	1,365,000
Serial Bond, general obligation	07/10	07/2037	4.42%	<u>1,539,457</u>
				<u><u>\$ 36,289,457</u></u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

e. Indebtedness - Continued

i. General Obligation Bonds - Continued

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31, 2011	\$ 1,704,457	\$ 1,563,874	\$ 3,268,331
2012	1,760,000	1,486,041	3,246,041
2013	1,800,000	1,405,424	3,205,424
2014	1,540,000	1,326,796	2,866,796
2015	1,430,000	1,262,074	2,692,074
For the years ending December 31, 2016-2020	7,000,000	5,392,815	12,392,815
2021-2025	7,405,000	3,867,394	11,272,394
2026-2030	7,140,000	2,368,255	9,508,255
2031-2035	5,130,000	948,167	6,078,167
2036-2039	1,380,000	140,613	1,520,613
	<u>\$ 36,289,457</u>	<u>\$ 19,761,454</u>	<u>\$ 56,050,911</u>

Of the total outstanding indebtedness of the City in the sum of \$36,289,457, \$25,636,789 was subject to the statutory debt limit and represented approximately 37% of the City's \$69,907,406 self-imposed debt limit.

ii. Special Assessment Debt

At December 31, 2010, the amount of special assessment debt outstanding for SAD and WASAD was \$60,355 and \$324,952, respectively. These amounts are reflected in the governmental activities statement of net assets and included in the schedules above.

iii. Lease Payables

In May 2006, the City entered into a lease agreement with Union Leasing Inc. for two cars for the Fire Department. The City extended that lease for one more year at the same terms and conditions on July 1, 2009. The lease was paid in full during 2010.

In April 2007, the City entered into a lease agreement with Hoselton Chevrolet for ten police cars. The City has made 36 payments and has paid the lease in full.

On March 7, 2008, the City entered into a lease agreement with Municipal Leasing Consultants for \$1,721,297 to finance various energy-saving equipment. The first \$1,000,000 is at a rate of 2%, and the \$721,297 is at a rate of 4.12%. The \$1,000,000 interest rate was bought down by a NYSERDA grant. Principal payments of \$79,274 were made in 2010. The outstanding liability in the governmental activity was \$1,363,369, and \$82,575 is due in one year.

On February 1, 2009, the City entered into a lease agreement with Matt's Service Center to lease a Honda Ridgeline for one year. Eleven lease payments were made in 2009 and 2010. The lease is paid in full.

The City entered into a lease agreement with Hoselton Chevrolet in February 2010 for eight police cars. The term is 36 months and expires April 2013. The outstanding liability in the governmental activity was \$65,916, and \$28,250 is due in one year.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

e. Indebtedness - Continued

iv. Other Liabilities

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

	January 1, 2010	Additions	Deletions	December 31, 2010
Sick time	\$ 2,718,739	\$ 167,254	\$ 300,835	\$ 2,585,158
Compensatory time	592,329	1,014,835	1,000,592	606,572
	<u>\$ 3,311,068</u>	<u>\$ 1,182,089</u>	<u>\$ 1,301,427</u>	<u>\$ 3,191,730</u>

v. Long-Term Liabilities, Less Current Maturities

Long-term liabilities, less current maturities are shown on the statement of net assets in the government-wide financial statements in total. The break down includes the following:

	Due in One Year	More Than One Year	Total
Governmental Activities			
Debt			
EPC Lease	\$ 82,574	\$ 1,280,795	\$ 1,363,369
Vehicle Leases	28,250	37,668	65,918
Bonds	1,704,457	27,602,927	29,307,384
Retirement Paid 02/01/11	2,196,113	-	2,196,113
Retirement Due 02/01/12	408,275	1,663,366	2,071,641
	<u>\$ 4,419,669</u>	<u>\$ 30,584,756</u>	<u>\$ 35,004,425</u>
Water			
Debt			
Bonds	\$ 401,021	\$ 5,303,109	\$ 5,704,130
Retirement Paid 02/01/11	60,231	-	60,231
Retirement Due 02/01/12	35,759	184,464	220,223
	<u>\$ 497,011</u>	<u>\$ 5,487,573</u>	<u>\$ 5,984,584</u>
Sewer			
Debt			
Bonds	\$ 26,549	\$ 1,251,394	\$ 1,277,943
Retirement Paid 02/01/11	25,285	-	25,285
Retirement Due 02/01/12	15,028	77,526	92,554
	<u>\$ 66,862</u>	<u>\$ 1,328,920</u>	<u>\$ 1,395,782</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

e. Indebtedness - Continued

v. Long-Term Liabilities, Less Current Maturities - Continued

	<u>Due in One Year</u>	<u>More Than One Year</u>	<u>Total</u>
City Center			
Debt			
Retirement Paid 02/01/11	\$ 40,836	\$ -	\$ 40,836
Retirement Due 02/01/12	<u>24,161</u>	<u>124,632</u>	<u>148,793</u>
	<u>\$ 64,997</u>	<u>\$ 124,632</u>	<u>\$ 189,629</u>
Business Type Activities			
Debt			
Bonds	\$ 427,570	\$ 6,554,503	\$ 6,982,073
Retirement Paid 02/01/11	126,352	-	126,352
Retirement Due 02/01/12	<u>74,948</u>	<u>386,622</u>	<u>461,570</u>
	<u>\$ 628,870</u>	<u>\$ 6,941,125</u>	<u>\$ 7,569,995</u>

f. Employee Retirement Systems and Pension Plan

i. 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.

ii. Employee Retirement Systems Funding Policy

The Systems are noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions. Each year, the Comptroller renders a billing to participating employers requesting payment of amounts due in advance for the plan year April 1 to March 31. The NYSRSSL allows participating employers to pay their annual contributions on either December 15 of the current year, or February 1 of the following year. The City elected to pay their contribution billed in 2006 on or before February 1, 2007. The required contributions for the current and two preceding years were:

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

ii. Employee Retirement Systems Funding Policy - Continued

	<u>2010</u>	<u>2009</u>	<u>2008</u>
ERS regular contribution	\$ 965,248	\$ 808,793	\$ 813,204
ERS 2004 amortization	51,507	51,507	51,506
PFRS regular contribution	1,412,757	1,362,814	1,439,941
PFRS 2004 amortization	84,743	84,743	85,261
PFRS Fire 384E	138,191	138,191	138,191
PFRS Police 384EB	48,467	48,467	48,467
PFRS Police 84E	372,574	372,574	372,574
PFRS Police Re-open 384D	<u>49,800</u>	<u>49,800</u>	<u>49,800</u>
 Totals	 <u>\$ 3,123,287</u>	 <u>\$ 2,916,889</u>	 <u>\$ 2,998,944</u>

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

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

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

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

ii. Employee Retirement Systems Funding Policy - Continued

In December 2004, the City opted to amortize the allowable portions of the 2004 ERS and PFRS retirement payment over a ten-year period. The principal amount amortized was \$397,330 for ERS plan and \$654,365 for PFRS plan. The first principal and interest payments were paid February 1, 2006, with interest at 5% per annum. The maturity schedules for this debt are as follows:

<u>ERS Amortization</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 40,357	\$ 11,150	\$ 51,507
Payable February 1, 2012	42,375	9,132	51,507
Payable February 1, 2013	44,494	7,013	51,507
Payable February 1, 2014	46,718	4,789	51,507
Payable February 1, 2015	49,054	2,453	51,507
Totals	<u>\$ 222,998</u>	<u>\$ 34,537</u>	<u>\$ 257,535</u>

<u>PFRS Amortization</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	80,708	4,035	84,743
Totals	<u>\$ 366,894</u>	<u>\$ 56,821</u>	<u>\$ 423,715</u>

The unpaid principal balance of \$2,646,481 at December 31, 2010, for the above amortizations is included in the financial statements as a non-current governmental liability, of which \$106,756 is shown as due within one year.

On October 15, 2004, the City opted to provide certain benefits to firefighters for past services under Section 384E of the PFRS plan. The total past service credit costs were \$1,011,118. The City opted to pay for this program over a ten-year term with interest starting the third year at 8% per annum. In fiscal year ended December 31, 2006, the City recorded a liability for the second of 10 installments, which did not include interest. The maturity schedule for this debt is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 101,745	\$ 36,446	\$ 138,191
Payable February 1, 2012	109,885	28,306	138,191
Payable February 1, 2013	118,676	19,515	138,191
Payable February 1, 2014	128,170	10,021	138,191
Totals	<u>\$ 458,476</u>	<u>\$ 94,288</u>	<u>\$ 552,764</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

ii. Employee Retirement Systems Funding Policy - Continued

The unpaid principal balance of \$458,476 at December 31, 2010, is included in the financial statements as a non-current governmental liability, of which \$101,745 is shown as due within one year.

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

The maturity schedules for this debt are as follows:

384 E - Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 217,394	\$ 155,180	\$ 372,574
Payable February 1, 2012	234,785	137,789	372,574
Payable February 1, 2013	253,568	119,006	372,574
Payable February 1, 2014	273,853	98,721	372,574
Payable February 1, 2015	295,762	76,812	372,574
Payable February 1, 2016	319,422	53,152	372,574
Payable February 1, 2017	<u>344,976</u>	<u>27,598</u>	<u>372,574</u>
 Totals	 <u>\$ 1,939,760</u>	 <u>\$ 668,258</u>	 <u>\$ 2,608,018</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 28,280	\$ 20,187	\$ 48,467
Payable February 1, 2012	30,542	17,925	48,467
Payable February 1, 2013	32,986	15,481	48,467
Payable February 1, 2014	35,625	12,842	48,467
Payable February 1, 2015	38,475	9,992	48,467
Payable February 1, 2016	41,553	6,914	48,467
Payable February 1, 2017	<u>44,877</u>	<u>3,590</u>	<u>48,467</u>
 Totals	 <u>\$ 252,338</u>	 <u>\$ 86,931</u>	 <u>\$ 339,269</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

ii. Employee Retirement Systems Funding Policy - Continued

384 EB Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 29,048	\$ 20,752	\$ 49,800
Payable February 1, 2012	31,372	18,428	49,800
Payable February 1, 2013	33,882	15,918	49,800
Payable February 1, 2014	36,592	13,208	49,800
Payable February 1, 2015	39,520	10,280	49,800
Payable February 1, 2016	42,681	7,119	49,800
Payable February 1, 2017	<u>46,096</u>	<u>3,704</u>	<u>49,800</u>
 Totals	 <u>\$ 259,191</u>	 <u>\$ 89,409</u>	 <u>\$ 348,600</u>

The unpaid principal balance of \$2,451,289 at December 31, 2010, for the past service retirement costs for police personnel is included in the government-wide statement of activities as a non-current governmental liability, of which \$274,722 is shown as due within one year.

NOTE 4 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy. Contribution requirements also are negotiated between the City and union representatives. The City contributes a percent of the cost of current year premiums for eligible retired Plan members and their spouses. For the year ended December 31, 2010, the City contributed \$6,279,363 to the Retiree Health Plan. Some Retiree Health Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$171,303 for the year ended December 31, 2010.

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

Annual OPEB Cost and Net OPEB Obligation - The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for fiscal year 2010, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Plan:

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 4 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Required Information	Govt.	Water	Sewer	Total
Annual required contribution	\$ 9,609,622	\$ 416,679	\$ 179,369	\$ 10,205,670
Interest on net OPEB obligation	463,099	26,133	16,122	505,354
Adjustment to annual required contribution	(668,075)	(37,700)	(23,258)	(729,033)
Annual OPEB cost (expense)	9,404,646	405,112	172,233	9,981,991
Contributions made (expected)	(2,350,596)	(28,513)	-	(2,379,109)
Increase in net OPEB obligation	7,054,050	376,599	172,233	7,602,882
Net OPEB obligation, beginning of year	11,577,473	653,320	403,047	12,633,840
Net OPEB obligation, end of year	<u>\$ 18,631,523</u>	<u>\$ 1,029,919</u>	<u>\$ 575,280</u>	<u>\$ 20,236,722</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Retiree Health Plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Activity	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental	\$ 9,404,646	25%	\$ 18,631,523
Water	405,112	7%	1,029,919
Sewer	172,233	0%	575,280

Funded Status and Funding Progress - As of December 31, 2010, the actuarial accrued liability for benefits was \$104,696,319, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Retiree Health Plan) was \$15,199,469, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 689%.

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

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

The following simplifying assumptions were made:

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 4 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

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

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

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

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

Inflation Rate - The expected long-term inflation assumption is 2.9%. The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group. It represents a reasonable medical trend projection for the current plan provisions and demographics of the City of Saratoga Springs Postemployment Benefits Plan, and no changes to these baseline assumptions are necessary.

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

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level period of thirty years. The remaining amortization period at December 31, 2010, was twenty-eight years.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Funding Progress
for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
12/31/10	\$ -	\$ 104,696,319	\$ 104,696,319	0.00%	\$ 15,199,469	689%
12/31/09	\$ -	\$ 84,696,390	\$ 84,696,390	0.00%	\$ 20,562,018	412%

NOTE 5 - PRIOR PERIOD ADJUSTMENTS

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

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 5 - PRIOR PERIOD ADJUSTMENTS - Continued

The following is a summary of the prior period adjustments made in the financial statements for the year ended December 31, 2010:

Description	Fund	Governmental Activities	Business-type Activities	Total
Retirement amortization adjustment in General	City Center	\$ (15,335)	\$ 15,335	\$ -
Retirement amortization adjustment in General	Water	(60,604)	60,604	-
Retirement amortization adjustment in General	Sewer	(176,164)	176,164	-
Retirement amortization adjustment	General	(219,133)	-	-
Capital project reserves in Capital Fund	Water	(260,144)	260,144	-
Capital project reserves in Capital Fund, previous year	Water	-	(1,066,007)	(1,066,007)
Capital project reserves in Capital Fund, previous year	Sewer	-	(9,550)	(9,550)
Bond proceeds and payments	Water	-	(660,045)	(660,045)
Bond proceeds and payments	Sewer	-	(33,500)	(33,500)
Bonds payable, beginning of year	Sewer	-	(1,291,912)	(1,291,912)
Reclassification of various accounts	Capital	(28,647)	-	(28,647)
Bond interest adjustment	Debt Service	(101,172)	-	(101,172)
Revolving loan adjustment	Community Development	(4,068)	-	(4,068)
PY Federal revenue adjustment	Capital	(560,402)	-	(560,402)
PY bad check write offs	General	(2,100)	-	(2,100)
		<u>\$ (1,427,769)</u>	<u>\$ (2,548,767)</u>	<u>\$ (3,757,403)</u>

NOTE 6 - REMEDIATION COSTS

During 2010, \$37,255 in expenses were included in the government-wide financial statements as a program expense during 2010 for fees paid to a consultant as part of the Environmental Compliance Audit. Identified during the compliance audit and included in the City's Corrective Action Plan were estimates to improve the fleet fueling system and for the removal of soil and overages at the garage and compost facilities, respectively. The City will also need to pay for the Environmental Benefit Plan and continue paying the consultant for project management. It is estimated that these costs will total \$474,200 and will appear as expenses in the government-wide financial statements over the period of a number of years.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

a. Environmental Risks

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the City expect such compliance to have, any material affect upon the capital expenditures or financial condition of the City. The City believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

b. 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, workers' compensation trends to determine and prevent causation of similar claims in future. The City belongs to the Saratoga County Workers' Compensation pool, and cases are reviewed and paid by Saratoga County. The City's 2010 annual contribution to the workers' compensation pool was \$509,654.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 7 - COMMITMENTS AND CONTINGENCIES - Continued

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.

d. Labor Relations

The City has 311 employees covered by seven bargaining units. The Police Chiefs', Police Lieutenants', and Police Benevolent Association's contracts expired on December 31, 2008. The Fire Chiefs' contract expired on December 31, 2008. The Firefighters' contract expired on December 31, 2010. The CSEA City Hall and CSEA Public Works contracts expired on December 31, 2008. All expired contracts are under negotiation.

NOTE 8 - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

In December 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. The City has not yet adopted this statement.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

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

NOTE 9 - SUBSEQUENT EVENTS

On January 26, 2011, the City entered into a Tax Anticipation Note for \$5,000,000 to meet payroll and accounts payable expenses. The note matured on March 25, 2011, and was paid in full. The interest rate was .5%.

On April 5, 2011, the City issued \$2,151,200 in statutory installment bonds through a negotiated sale with the Adirondack Trust Company to finance various projects, including water and sewer improvements. The interest rate on the bonds is 4.63%. The bonds will mature on April 5, 2039.

CITY OF SARATOGA SPRINGS, NEW YORK

SUPPLEMENTAL INFORMATION

December 31, 2010

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

SUPPLEMENTAL INFORMATION - BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS

	<u>December 31, 2010</u>		
	<u>Downtown Special Assessment District</u>	<u>West Avenue Special Assessment District</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 308,526	\$ 28,856	\$ 337,382
Cash, special reserves	<u>1,957</u>	<u>-</u>	<u>1,957</u>
Total assets	<u>\$ 310,483</u>	<u>\$ 28,856</u>	<u>\$ 339,339</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>\$ 15,220</u>	<u>\$ -</u>	<u>\$ 15,220</u>
FUND BALANCE			
Reserved for			
Other reserves	1,957	-	1,957
Unreserved			
Unappropriated	<u>293,306</u>	<u>28,856</u>	<u>322,162</u>
Total fund balance	<u>295,263</u>	<u>28,856</u>	<u>324,119</u>
Total liabilities and fund balances	<u>\$ 310,483</u>	<u>\$ 28,856</u>	<u>\$ 339,339</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**SUPPLEMENTAL INFORMATION - STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENT FUNDS**

	December 31, 2010		
	Downtown Special Assessment District	West Avenue Special Assessment District	Total
REVENUES			
Real property taxes and tax items	\$ 84,369	\$ 25,501	\$ 109,870
Interest and earnings	357	293	650
Total revenues	<u>84,726</u>	<u>25,794</u>	<u>110,520</u>
EXPENDITURES			
Current			
Economic opportunity and development	43,913	-	43,913
Debt service			
Principal	12,969	-	12,969
Interest	3,426	-	3,426
Total expenditures	<u>60,308</u>	<u>-</u>	<u>60,308</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	<u>-</u>	<u>(49,503)</u>	<u>(49,503)</u>
Net change in fund balance	24,418	(23,709)	709
FUND BALANCE, beginning of year	<u>270,845</u>	<u>52,565</u>	<u>323,410</u>
FUND BALANCE, end of year	<u>\$ 295,263</u>	<u>\$ 28,856</u>	<u>\$ 324,119</u>