

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.

\$5,123,686

CITY of SARATOGA SPRINGS

SARATOGA COUNTY, NEW YORK

GENERAL OBLIGATIONS

\$5,123,686 Public Improvement (Serial) Bonds, 2014

CUSIP BASE: 803531

Dated: June 26, 2014

Due: June 15, 2015-2034

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>
2015	\$143,686	2.000%	0.25%	SM5	2022	\$235,000	2.000%	2.00%	SU7	2029	\$290,000*	3.000%	2.80%	TB8
2016	210,000	2.000	0.40	SN3	2023	240,000*	2.125	2.15	SV5	2030	295,000*	3.000	2.90	TC6
2017	215,000	2.000	0.72	SP8	2024	250,000*	2.250	2.25	SW3	2031	305,000*	3.000	3.00	TD4
2018	220,000	2.000	1.05	SQ6	2025	255,000*	2.250	2.37	SX1	2032	315,000*	3.000	3.10	TE2
2019	220,000	2.000	1.30	SR4	2026	265,000*	3.000	2.50	SY9	2033	325,000*	3.125	3.15	TF9
2020	225,000	2.000	1.55	SS2	2027	270,000*	3.000	2.60	SZ6	2034	335,000*	3.250	3.25	TG7
2021	230,000	2.000	1.80	ST0	2028	280,000*	3.000	2.70	TA0					

* The Bonds maturing in the years 2023 to 2034 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 2011 Laws of New York. See "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 June 15, 2015. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable June 15, 2015, December 15, 2015 and semi-annually thereafter on June 15 and December 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 when, as and if issued 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 June 26, 2014.

June 11, 2014

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE CITY DATED JUNE 2, 2014 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, REVISION OF APPENDIX-B AND THE DATED DATE ON PAGE 27, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

FIDELITY CAPITAL MARKETS

CITY OFFICIALS

JOANNE D. YEPSEN

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

SARAH BURGER, ESQ.

City Attorney



FISCAL ADVISORS & MARKETING, INC.

City Municipal 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
\$5,123,686 Public Improvement (Serial) Bonds, 2014

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 \$5,123,686 principal amount of Public Improvement (Serial) Bonds, 2014 (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 June 26, 2014 and will mature in the principal amounts on June 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 June 15, 2015. Purchasers will not receive certificates representing their interest in the Bonds.

Interest on the Bonds will be payable June 15, 2015, December 15, 2015 and semi-annually thereafter on June 15 and December 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 June 15, 2022 shall not be subject to redemption prior to maturity. The Bonds maturing on or after June 15, 2023 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 June 15, 2022 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, New York, 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 securities 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. 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”). 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, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. 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.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts 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 or the 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-only 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 June 15, 2015. 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 June 15, 2015, December 15, 2015 and semi-annually thereafter on June 15 and December 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>
Route 50 Gateway Reconstruction	\$ 200,000
Geysers Road Trail	290,800
IT-Server Room Upgrade and Consolidation	268,400
Street Sweeper #85	180,000
Street Sweeper #81	180,000
Loader/Tool Carrier Machine #6	152,000
Dump Truck with Plow Equipment #18	174,000
City Buildings and Facilities Repairs and Upgrades	150,000
Canfield Casino Rehabilitation Program	200,000
Saratoga Arts Council Renovations Project	25,000
Spirit of Life Restoration Project	25,000
Woodlawn Parking Garage: Security Camera, Emergency Phone	45,240
Woodlawn and Putnam Parking Deck Repairs and Renovations	125,000
Mower	54,915
Portable and Car Radios	99,803
East Side Fire and EMS Facility	192,500
Ambulance	130,000
Thermal Imaging Camera Upgrade and Replacement	43,200
West Avenue Fire Station Infrastructure Renovation Project	57,542
Lake Avenue Fire Station Window Replacement Project	21,120
Recreation Security Expansion	25,166
Waste Water Pump Stations Annual Upgrades – Sewer Bond	200,000
Infrastructure Improvement and Replacement Project – Water Bond	134,436
Bog Meadow - Water	815,564
Emergency Generator at Water Treatment Plant – Water Bond	1,200,000
Ballston Avenue	74,000
Time and Attendance System	<u>60,000</u>
Total Amount to be borrowed	\$ 5,123,686

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
2012	26,960	222,327	19,576,125

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 2012 Census reports.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2012</u>	<u>1990</u>	<u>2000</u>	<u>2012</u>
City of:						
Saratoga Springs	\$ 15,644	\$ 23,945	\$ 36,900	\$ 41,936	\$ 58,213	\$ 91,392
County of:						
Saratoga	15,644	23,945	34,125	41,936	58,213	85,095
State of:						
New York	16,501	23,389	32,104	39,741	51,691	69,968

Note: 2013 data is not available as of the date of this Official Statement.

Source: U.S. Bureau of the Census, 2008-2012 American Community Survey.

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>Approximate Number Employed</u>
Saratoga Hospital	Hospital and Nursing Home	1,850
Skidmore College	Higher Education	1,120
Saratoga Springs City School District	Public School System	1,010
Stewart's Ice Cream	Retail	990
Quad Graphics	Manufacturing	800
Wesley Health Care	Health Services	680
Saratoga Casino and Raceway	Casino/Race Track	640
New Country Motor Car Group	Retail	350
Four Winds – Saratoga	Health Services	315
City of Saratoga Springs	Municipal Services	292
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.

In addition to the new commercial buildings listed below, the owners of Saratoga Casino and Raceway are pushing forward with a plan first announced last year: a \$30 million phased expansion with a 108-room hotel, multi-purpose event center, fine-dining restaurant, spa and indoor pool. The gaming center attracted 2.2 million visitors last year.

Source: Albany Business Review (May 23, 2014)

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>
15 Church Street	Restaurant	Redevelopment	N/A
316-318 Ballston Ave (12 units)	Residential	New Construction	N/A
246 West Ave (16 units)	Residential	New Construction	N/A
135 South Broadway Medical	Medical/Office	Redevelopment	N/A
SBA Verizon Wireless (Weibel)	Cell Tower	New Construction	N/A
Yaddo, Greenhouse Studio Replacement	Commerical	Addition	N/A
Spa Hotel II – Banquet & Restaurant	Restaurant	New Construction	\$ 1,500,000
60 Weibel Apts. (Phase 1-4) (12 units, 24,000 SF commercial/178 res. Units)	Retail/Office/ Residential	New Construction	21,180,000
420 Broadway	Retail/ Office/Residential	New Construction	11,050,000
Bowtie Movie Theatre at Market Center	Commercial	New Construction	6,250,000
PBA Lacrosse Fields	Recreational fields	Expansion	N/A
Saratoga Surgical Specialists	Medical	New Construction	\$ 1,150,000
373 Church Street			
Church St Medical Office	Medical	New Construction	1,000,000
381 Church Street			
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 Restorante	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	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	Dry Cleaner	Rehabilitation	N/A
Preservation Hall	Commercial	Addition	3,000,000
SCA Properties	Medical/Professional	Addition	N/A
Market Center at Railroad	Retail/Office Residential	New Construction	30,000,000
Skidmore College: Scribner Village	Education/Housing	New Construction	N/A
Hampton Inn/Condos	Hotel/Office/Retail/Residential	New Construction	35,000,000
Mohr's Service Center	Commercial	New Construction	312,420
West Side Stadium Café	Restaurant	Addition	N/A
Martell Brewing	Restaurant	New Construction	750,000

Saratoga Hospital Administrative Bldg.	Office	New Construction	361,000
Gridley Street Stable	Horse track related	New Construction	N/A
Thisty Owl Wine Co./Bistro	Restaurant/retail	Substantial rehabilitation	N/A
Leafarc, Inc.	Residential/Commercial	New Construction	1,000,000
Holiday Inn	Hotel/Commercial	Expansion	280,000
KDI Properties	Commercial/ Residential	New Construction	N/A
Slack Chemical	Warehouse	New Construction	325,000
Grande Industrial Park Amin Medical Office Addition	Medical Office	New Construction	225,000

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>
Security Supply	Commercial	Expansion	N/A
Schrade Insurance Agency	Commercial and Residential	Redevelopment	N/A
Saratoga Hospital ICU	Commercial	Expansion	N/A
Project PUREsource	Commercial	New Construction	N/A
72-74 Weibel Avenue	Residential, retail, office	New Construction	N/A
Excelsior Mixed Use Building	Commercial/Residential/Fresh Market	New Construction	N/A
Best Western Inn	Hotel	Addition (Pool)	Unknown
Logistics One Flex 29, 31, 33 Cady Hill	Warehouse	New Construction/ Addition	3,500,000
Washington Commons	Retail/ Medical office	New Construction	N/A
Doten Avenue Subdivision (2 lots)	Residential	New Construction	N/A
Buff Road Subdivision (15 lots)	Residential	New Construction	N/A
Fecteau Building (plus 3 units)	Commercial/Residential	Redevelopment	N/A
Subdivision of 250 Grand (3 lots)	Residential	New Construction	N/A
Lands of JC Beekman (2 lots)	Residential	Redevelopment	N/A
324 West Avenue Medical Office	Medical Office	Redevelopment	N/A
Latchford Subdivision (2 lots)	Residential	New Construction	N/A
Munter/Grande Industrial Subdivision	Commercial	Expansion	N/A
Union Gables Bed and Breakfast Inn-Pool	Commercial	Expansion	N/A
Cogan Subdivision (2 lots)	Residential	Expansion	N/A
Congress Plaza Redevelop	Retail/Office/Residential	Rehabilitation/New Construction	N/A
Seward Street Apts (6 bldg)	Residential	New Construction	3,360,720
McKenzie's Way Part 1 & 2			
East Broadway	Residential	New Construction	N/A
THP Subdivision	Residential	New Construction	N/A
Dupras Subdivision	Residential		
Unlimited Potential	Office	New Construction	500,000
Doyle Subdivision	Residential	New Construction	N/A
Beaver Pond Subdivision (84 lots)	Residential	New Construction	N/A
Meadow Vista Subdivision (21 lots)	Residential	New Construction	N/A
108 Ash Street Subdivision (4 lots)	Residential	New Construction	N/A
East Broadway/Belmonte Subdivision (4 lots)	Residential	New Construction	N/A
Pavillion Grand (listed previously as Pavillion Place)	Commercial, Retail and long term hotel	New Construction	7,100,000
Wagner Subdivision Joshua Place (5 lots)	Residential	New Construction	N/A

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>
Saratoga Honda	Commercial	Expansion	N/A
Caffe Lena Addition	Commercial	Expansion	N/A
58 Washington St	Office/Retail/Residential	New Construction	N/A
SBA/Verizon Wireless Route 50 S.	Cell Tower	Cell	N/A
Hidden Fountain Commons	Commercial/Residential	Redevelopment	N/A
120 Division Street Mixed Use (formerly Ellsworth Ice Cream)	Commercial/ Residential	N/A	Unknown
Rip Van Dam Hotel	Hotel, retail	Redevelopment/expansion	N/A
Rood and Riddle Saratoga Equine Hospital	Equine Hospital	New Construction	N/A
2 West Avenue Mixed Use Development			
79 Henry Street Mixed Use Building			
Saratoga North LLC	Medical Office	Expansion	N/A
Moore Subdivision	Residential	New Construction	N/A
Paquet Subdivision (2 lots)	Residential	New Construction	N/A
Canfield Medical Arts	Office	New Construction	2,500,000
166 Jefferson St Apts	Residential	New Construction	Unknown
Family Dollar	Retail	New Construction	N/A
Old Bryan Inn	Restaurant	Expansion	N/A
Chloe's Way (31 lot subdivision)	Residential	New Construction	N/A
Hearth Stone Development Subdivision	Residential	New Construction	N/A
The Garden	Commercial	Redevelopment	N/A
Piscitelli Subdivision (2 lots)	Residential	Redevelopment	N/A

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>
Hannaford To Go	Grocery Store	Expansion	N/A
Turf Hotels	Hotel	New Construction	N/A
Congregation Yeshiva Pardes	School	New Construction	N/A
Neumann Building	Mixed Use Residential	Redevelopment	N/A
Subdivision Lands of Missionary	Church	Redevelopment	N/A
129-135 Maple Ave	Residential, mixed use	New Construction	N/A
Home of the Good Shepherd	Commercial, Medical, Residential	New Construction	N/A
Agrochem Building	Commercial	Addition	N/A
Snyder Subdivision (2 lots)	Residential	Redevelopment	N/A
Adelphi Hotel	Hotel, retail	Renovation	N/A

In the past four years (2010-2013) the City has issued 197 building permits (169 single- and two-family units and 48 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 publishes in the official City newspapers 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 is held on or before November 1. The summary and notice are 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, by resolution adopts, or amends and adopts, the budget, which budget when adopted thereupon becomes the annual budget of the City for the ensuing fiscal year. If a budget is not adopted by November 30, the Comprehensive Budget becomes the budget for the ensuing fiscal year. During the year, several supplementary appropriations by resolution are necessary.

The City is within the allowable tax levy limitations for its fiscal year ending December 31, 2014. See "Tax Levy Limitation Law" herein.

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 8.8% 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	57	12/31/13 ⁽²⁾
Fire Chiefs	2	12/31/13 ⁽²⁾
PBA	62	12/31/12 ⁽²⁾
Police Lieutenants	3	12/31/12 ⁽²⁾
Police Chiefs	2	12/31/14
CSEA City Hall	82	12/31/12 ⁽²⁾
CSEA DPW	84	12/31/12 ⁽²⁾

⁽¹⁾ As of April 11, 2014.

⁽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 12, 2009, a new Tier V was signed into law. The law became effective for new hires on January 1, 2010. 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 Governor Cuomo signed into law public employee pension reform that added a new Tier VI. The Tier VI plan only applies to those employees hired after April 1, 2012.

Below is a brief summary highlighting a number of components from the Tier VI legislation:

- The employee contribution rates will vary based on a salary sliding scale from 3% to 6% of salary.
- Under previous tiers, there was no limit to the number of public employers a public employee worked for from which retirement benefits could be calculated. Tier VI only permits two salaries to be included in the calculation.
- The legislation includes an optional defined contribution plan for new non-union employees with annual salaries of \$75,000 and over. The employer will make an 8% contribution to employee contribution accounts. This is a voluntary option for those employees.

- The new tier increases the minimum retirement age from 62 to 63 and allows for early retirement with penalties. There will be a permanent reduction of a pension payout for each year a person retires prior to age 63.
- The pension multiplier for Tier VI will be 1.75% for the first 20 years of service and 2% starting in the 21st year.
- Employees will vest after 10 years of service. This is not a change from Tier V.
- The number of sick and leave days that can be applied toward retirement service credit is reduced from 200 to 100.
- The final average salary will be based on a 5-year average instead of the current 3-year average. The annual growth in salary used to determine pension allowances is capped at 10% of the average salary of the previous four years (lump sum payments of unused sick and vacation time are eliminated from the calculation).
- Pension eligible overtime for civilian and non-uniformed employees will be capped at \$15,000 plus inflation. For uniformed employees (primarily police and fire) outside of New York City, the cap is set at 15% of base pay.
- The State will be required to fund any pension enhancements on an ongoing basis. This is a potential future cost savings for local governments.

The 2013-14 State Enacted Budget includes a provision that would provide local governments, including the City, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. For 2014 and 2015 the rate is 12 % for ERS and 20% for PFRS; the rates applicable to 2016 and thereafter are subject to adjustment. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years.

For the years 2002 through 2013 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, \$3,842,790, \$4,685,118 and \$5,233,768 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 2014 budgeted contributions for the PFRS and the ERS are \$3,269,178 and \$2,061,396 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 August 27, 2013, Comptroller Thomas P. DiNapoli announced that employer contribution rates for the ERS will decline slightly in Fiscal Year 2014-15. The average contribution rate for the ERS will decrease by 0.8 percent of payroll, from 20.9 percent to 20.1 percent. The average contribution rate for the PFRS will decrease by 1.3 percent of payroll, from 28.9 percent to 27.6 percent.

A chart of average ERS and PFRS rates (2010 to 2015) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2010	7.4%	15.1%
2011	11.9	18.2
2012	16.3	21.6
2013	18.9	25.8
2014	20.9	28.9
2015	20.1	27.6

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 not to 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 present value of total future liability has been determined to be \$125,526,861 at December 31, 2013. The City's annual required contribution ("ARC") is \$8,534,223, of which \$2,365,889 was paid to 299 active employees and 250 retirees. The City has reserved \$0 toward its OPEB liability. The aforementioned liability and ARC will be disclosed in the City's 2013 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 available for the City, County and State. 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Saratoga Springs	3.6%	4.3%	5.9%	6.6%	6.6%	6.8%	5.6%
County of Saratoga	3.7%	4.6%	6.4%	6.9%	6.6%	6.9%	5.9%
State of New York	4.6%	5.4%	8.3%	8.6%	8.2%	8.5%	7.7%

	<u>2014 Monthly Figures</u>				
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
City of Saratoga Springs	5.2%	5.6%	4.9%	4.1%	N/A
County of Saratoga	5.9%	6.2%	5.7%	4.6%	N/A
State of New York	7.3%	7.7%	7.3%	6.1%	N/A

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

Other Information

The statutory authority for the power to spend money for the objects or purposes or to accomplish the objects or purposes 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, 2012 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.

New York State Comptroller Report of Examination

The NYS Comptroller’s office released an audit report of the City on February 15, 2013. The purpose of our audit was to review the financial condition of the City’s general, water and sewer funds for the period January 1, 2008, to December 31, 2011.

The Comptroller’s office outlined the following key findings:

- Since our last audit of the City’s financial condition, the general fund’s unexpended surplus has significantly increased from \$165,723 on December 31, 2006 to \$6.2 million on December 31, 2011. As of October 31, 2012, the fiscal year 2012 general fund budget of \$37.2 million appears on track with City officials not anticipating an operating deficit. Also, while the financial condition of the water and sewer funds has improved during our audit period, the water fund balance continues to remain in a deficit. As of October 31, 2012, the fiscal year 2012 water budget of \$2.97 million and sewer budget of \$3.67 million appear generally on track with City officials anticipating a small operating deficit in each fund.
- During the period reviewed, the Council did not address cash flow problems in the water and sewer funds. Instead, the Council routinely relied on increasing amounts of inter-fund loans from the general fund to finance operations in the water and sewer funds. The combined balance of outstanding inter-fund loans from the general fund to the water and sewer funds has increased from approximately \$1.4 million on January 1, 2008 to \$1.8 million on December 31, 2011, with no plan for repayment.

The Comptroller’s office outlined the following key recommendations:

- Monitor whether recurring revenue sources are sufficient to finance operations in the water and sewer funds and take appropriate action as necessary to improve the funds’ financial condition.
- Establish a plan to repay the inter-fund loans between the general, water and sewer funds.

The City provided a complete response to the NYS Comptroller’s office. A copy of the complete report can be found via the following link:

<http://www.osc.state.ny.us/localgov/audits/cities/2013/saratogasprings.htm>

TAX INFORMATION

Valuations

Fiscal Years Ending December 31:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Assessed Valuation New York State	\$ 3,071,651,564	\$ 3,056,734,417	\$ 3,066,656,253	\$ 3,065,743,207	\$ 3,086,042,153
Equalization Rate	81.00%	82.00%	82.00%	82.00%	82.00%
Full Valuation	\$ 3,792,162,425	\$3,727,724,899	\$ 3,739,824,699	\$ 3,738,711,228	\$ 3,763,466,040

Tax Rate Per \$1,000 (Assessed)

Fiscal Years Ending December 31:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Inside Area	\$ 5.81	\$ 6.06	\$ 6.02	\$ 6.02	\$ 6.07
Outside Area	5.76	6.01	5.95	5.95	5.99

Tax Levy and Collection Record

Fiscal Years Ending December 31:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Tax Levy	\$ 29,093,194	\$ 29,701,685	\$ 29,844,116	\$ 29,731,170	\$ 29,735,729
Uncollected End of Year	2,096,048	2,001,741	1,744,784	1,677,105	N/A
% Uncollected	7.13%	6.67%	5.85%	5.64%	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.

Largest Taxpayers - 2013 Assessment Roll for 2014

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
NYRA	Race Track	\$ 57,175,000
National Grid	Utility	42,053,199
Quad Graphics	Manufacturing	27,997,400 ⁽¹⁾
Saratoga Harness	Race Track	27,607,600
Saratoga Hotel Associates	Hotel/Lodging	22,121,960 ⁽²⁾
Eton Centers	Apt./Retail	15,702,120
Saratoga Retail Partners LLC	Retail	15,124,200 ⁽²⁾
Darley Stud Management LLC	Farm	12,000,000
Turf Perillo Dev LLC	Hotel	11,600,000
Don Greene Enterprises Inc.	Retail	11,500,000

The ten largest taxpayers listed above have a total assessed valuation of \$242,881,479 which represents 7.92% of the City's tax base.

⁽¹⁾ In litigation to reduce assessment since 2011.

⁽²⁾ In litigation to reduce assessment since 2009.

Constitutional Tax Margin

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Five-Year Average Full Valuation.....	\$ 3,741,702,718	\$ 3,771,867,307	\$ 3,751,685,710
Tax Limit - 2% of Five Year Average	74,834,054	75,437,346	75,033,714
Add: Exclusions From Tax Limit	2,557,518	2,088,853	2,289,799
Total Taxing Power	77,391,572	77,526,199	77,323,513
Less Total Levy	15,794,031	18,356,186	18,661,564
Tax Margin	\$ 59,040,023	\$ 59,170,013	\$ 58,661,949

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the 2011 Laws of New York 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, Yonkers, Syracuse, Rochester and Buffalo). 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 15, 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 due to 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 (60%) vote of the total voting strength of such body, a local law (or 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 each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the tax 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 provisions.

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 the Tax Levy Limitation Law, it is clear that no statute is able (a) to limit an issuer’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (b) 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 outside of any statutorily determined tax levy amount 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 fiscal year ending December 31, 2014, is \$75,037,221.

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Bonds	\$ 36,447,042	\$ 36,289,457	\$ 36,736,200	\$ 42,135,687	\$ 44,423,499
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 36,447,042</u>	<u>\$ 36,289,457</u>	<u>\$ 36,736,200</u>	<u>\$ 42,135,687</u>	<u>\$ 44,423,499</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City as of May 22, 2014.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2014-2039	\$ 43,523,499
Total Indebtedness		<u>\$ 43,523,499</u>

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin evidenced by bonds and notes as of May 22, 2014:

Five-Year Average Full Valuation of Taxable Real Property.....	\$ 3,752,377,858
Debt Limit - 7% thereof ⁽¹⁾	262,666,450

Inclusions:

Bonds.....	\$ 43,523,499
Bond Anticipation Notes	<u>0</u>
Total Inclusions.....	<u>\$ 43,523,499</u>

Exclusions:

Sewer Debt ⁽²⁾	\$ 1,825,880
Water Debt ⁽³⁾	5,740,955
Appropriations.....	<u>863,209</u>
Total Exclusions.....	<u>\$ 8,430,044</u>

Total Net Indebtedness Subject to Debt Limit.....	<u>\$ 35,093,455</u>
Net Debt-Contracting Margin	<u>\$ 227,572,995</u>
The percent of debt contracting power exhausted is	13.36%

Note: The issuance of the Bonds will increase the net indebtedness of the City by \$5,123,686.

- (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, 2014, is \$75,037,221.
- (2) Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law. The City has been granted sewer debt exclusions 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 in the amount of \$1,721,297 to finance the purchase and installation of energy management equipment. The rate of interest on the first \$1,000,000 is 2%, which was bought down by a New York State Energy Research and Development Authority (“NYSERDA”) grant. On December 14, 2012, the City issued a statutory installment bond in the amount of \$555,304 to refinance the portion of the lease not subsidized by NYSERDA. Principal payments of \$43,687 were made during 2013. The principal balance remaining on the lease as of December 31, 2013 is \$595,793.

Cash Flow Borrowings

Historically, the City does not issue revenue anticipation notes or tax anticipation notes.

No revenue anticipation notes or tax anticipation notes were issued in 2013 nor have they been issued to date in 2014.

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.

	2014	2015	2016	2017	2018	2019	Total
							Program
Mayor’s Department							
Open Space Land Acquisition				\$300,000			\$300,000
Waterfront Property Redevelopment		\$250,000	\$250,000	\$250,000			\$700,000
Route 50 Gateway Reconstruction	\$200,000						\$250,000
Saratoga Greenbelt Trail		\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
Mayor’s Department Total	\$200,000	\$350,000	\$350,000	\$650,000	\$100,000	\$100,000	\$1,750,000
Community & Economic Development							
Kayaderosseras Blueway Trailhead		\$75,000					\$75,000
Geyser Road Trail	\$290,800						\$290,800
Community & Economic Development Total	\$290,800	\$75,000					\$365,800
Finance Department							
IT – Server Room Upgrade & Consolidation	\$268,400						\$268,400
City Hall Security Expansion - Finance		\$12,000					\$12,000
Finance Department Total	\$268,400	\$12,000					280,400
Public Works Department							
Street Sweeper #85	\$180,000						\$180,000
Street Sweeper #81	\$180,000						\$180,000
Loader – Tool Carrier Machine #6	\$152,000						\$152,000
Dump Truck with Plow Equip/Spreader #18	\$174,000						\$174,000
Dump Truck with Plow Equip/Spreader #47	\$174,000						\$174,000
City Bldgs. and Facilities – Repairs/Upgrades	\$150,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,150,000
Canfield Casino Rehabilitation Project	\$200,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$1,700,000
Saratoga Arts Council Renovations Project	\$25,000	\$110,000	\$130,000				\$265,000
Spirit of Life Restoration Project	\$25,000	\$25,000					\$50,000
Woodlawn Parking Garage, Security etc.	\$45,240						\$45,240
Woodlawn and Putnam Parking Repairs/Ren.	\$125,000						\$125,000
Mower	\$54,915						\$54,915
City Hall Security Expansion		\$114,646					\$114,646
Loader – Tool Carrier Machine #15		\$152,000					\$152,000
Dump Truck with Plow Equip/Spreader #31		\$174,000					\$174,000

Dump Truck with Plow Equip/Spreader #53		\$174,000					\$174,000
Dump Truck with Plow Equip/Spreader #16			\$174,000				\$174,000
Dump Truck with Plow Equip/Spreader #65			\$152,000				\$152,000
Dump Truck with Plow Equip/Spreader #34			\$174,000				\$174,000
Old Ballston Ave. Culvert Replacement Project			\$165,000				\$165,000
Dump Truck with Plow Equip/Spreader #11				\$174,000			\$174,000
Dump Truck with Plow Equipment #26				\$174,000			\$174,000
Dump Truck with Plow Equip/Spreader #42				\$174,000			\$174,000
Dump Truck with Plow Equip/Spreader #13					\$174,000		\$174,000
Dump Truck with Plow Equip/Spreader #17					\$174,000		\$174,000
Dump Truck with Plow Equip/Spreader #63					\$174,000		\$174,000
Dump Truck with Plow Equip/Spreader #58						\$174,000	\$174,000
Dump Truck with Plow Equip/Spreader #59						\$174,000	\$174,000
Dump Truck with Plow Equip/Spreader #70						\$174,000	\$174,000
Public Works Department Total	\$1,485,155	\$1,249,646	\$1,295,000	\$1,022,000	\$1,022,000	\$1,022,000	\$7,095,801
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	Total
PUBLIC SAFETY DEPT							<u>Program</u>
Public Safety							
RRFB Signal, Circular & Park		\$167,000					\$167,000
Pedestrian Crossing – Union Ave. & Clark St.		\$150,000					\$150,000
Traffic Signal Replacement – Washington St. at Franklin St.		\$135,000					\$135,000
Public Safety Total		\$452,000					\$452,000
Police Department							
Portable and Car Radios	\$99,803						\$99,803
Police Evidence & Records Management Facility	\$572,000						\$572,000
Police Department Total	\$671,803						\$671,803

Fire Department							
East Side Fire and EMS Facility	\$192,500	\$3,000,000					\$3,192,500
Ariel Apparatus Replacement		\$840,000					\$840,000
Ambulance	\$130,000						\$130,000
Thermal Imaging Camera Upgrade/Replacement	\$43,200						\$43,200
West Avenue Fire Station Infrastructure	\$57,542						\$57,542
Lake Ave. Fire Station Window Replacement Project	\$21,120	\$21,120	\$21,120	\$31,185	\$31,185		\$125,730
Fire Department Total	\$444,362	\$3,861,120	\$21,120	\$31,185	\$31,185		\$4,388,972
PUBLIC SAFETY DEPT. TOTAL	\$1,116,165	\$4,313,120	\$21,120	\$31,185	\$31,185		\$5,512,775
Culture and Recreation Department							
Recreation Security Expansion	\$25,166						\$25,166
Playgrounds and Facilities		\$26,000	\$14,500	\$14,500	\$14,500	\$14,500	\$84,000
Field Rehabilitation				95,256			95,256
Veterans Memorial Backstop						\$31,810	31,810
New Recreation Field		\$500,000	\$200,000	\$200,000			900,000
Court Resurfacing					\$306,250	\$81,034	387,284
Culture and Recreation Department Total	\$25,166	\$526,000	\$214,500	\$309,756	\$320,750	\$127,344	\$1,523,516
TOTAL PROJECTS	\$ 3,385,686	\$ 6,525,766	\$ 1,880,620	\$ 2,012,941	\$ 1,473,935	\$ 1,249,344	\$16,528,292

Estimated 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 2012 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	\$ 71,550,000	\$ 0 ⁽²⁾	\$ 71,550,000	16.92%	\$ 12,106,260
City School District of the City of Saratoga Springs	47,096,258	33,202,862 ⁽³⁾	13,893,396	61.21%	<u>8,504,148</u>
					<u>\$ 20,610,408</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: 2012 New York State Office of the State Comptroller Report.

Debt Ratios

The following table sets forth certain ratios related to the City's indebtedness as of May 22, 2014:

	<u>Amount of Indebtedness</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Valuation</u> ^(b)
Gross Direct Indebtedness ^(c)	\$ 43,523,499	\$ 1,614.37	1.16%
Net Direct Indebtedness ^(c)	35,093,455	1,301.69	0.94%
Gross Direct Plus Net Overlapping Indebtedness ^(d)	64,133,907	2,378.85	1.71%
Net Direct Plus Net Overlapping Indebtedness ^(d)	55,703,863	2,066.17	1.48%

Note: ^(a) The City's 2012 population is 26,960. (See "Population Trends" herein.)

^(b) The City's five year average full valuation of taxable real estate is \$3,752,377,858.

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

^(d) The City's applicable share of net overlapping indebtedness is \$20,610,408. (See "Estimated Overlapping Indebtedness" herein).

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal 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 each fiscal year in which the Bonds are outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in this Official Statement under the headings "The City", "Tax Information", "City Indebtedness" and "Litigation" and in all Appendices (other than any related to bond insurance) 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 not in excess of ten (10) business days after the occurrence of the event, during the period in which the Bonds are outstanding, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Bonds:
 - (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

Event (c) is included pursuant to a letter from the Commission staff to the National Association of Bond Lawyers dated September 19, 1995. Event (c) is not applicable, however, since no “debt service reserves” will be established for the Bonds.

With respect to event (d), the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

With respect to event (l), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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 or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, 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, on occasion, has failed to provide material event notices relating to bond insurance rating changes by Moody's Investors Service as required by an existing continuing disclosure undertaking. A material event notice relating to such bond insurance rating changes was provided to EMMA on June 4, 2014. All required annual financial information and operating data and audited financial statements have been provided to EMMA in a timely manner within the past five years.

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 2014 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 2011 Laws of New York, 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.

FINANCIAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Financial Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Financial Advisor serves as independent financial advisor to the City on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Bonds and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the City and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated, or otherwise verified the information provided by the City or the information set forth in this Official Statement or any other information available to the City with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

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: June 11, 2014

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,674,504	\$ 3,296,887	\$ 7,301,948	\$ 5,345,080	\$ 7,245,313
Investments	17,260	17,260	-	-	-
Taxes receivable, net of uncollectibles	2,549,448	2,884,140	-	-	2,207,237
Receivables from Other Governments	1,715,276	1,866,825	2,001,793	1,744,389	2,042,330
Receivables, net	2,154,249	2,227,565	4,715,723	4,505,674	1,874,963
Restricted assets, cash and cash equivalents	1,209,830	1,061,615	2,091,967	2,849,412	3,398,246
Due from Other Funds	1,947,804	2,495,244	2,190,060	1,818,006	1,831,442
Prepaid Expenses	1,674	1,722	7,161	901,143	1,045,580
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 12,270,045</u>	<u>\$ 13,851,258</u>	<u>\$ 18,308,652</u>	<u>\$ 17,163,704</u>	<u>\$ 19,645,111</u>
LIABILITIES AND FUND EQUITY					
Accounts Payable and Accrued Liabilities	\$ 778,136	\$ 866,333	\$ 736,550	\$ 996,287	\$ 740,534
Notes Payable	-	-	-	-	-
Other Liabilities	72,475	-	-	-	67,800
Due to Other Governments	2,799,137	3,127,430	4,745,832	795,591	663,394
Due to Other Funds	25,000	-	-	-	-
Deferred Revenue	-	-	1,411,402	1,474,595	1,528,675
Deferred Tax Revenue	2,687,951	2,845,638	916,095	1,197,487	1,205,294
Unpaid Interest and Matured Bonds Payable	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>6,362,699</u>	<u>6,839,401</u>	<u>7,809,879</u>	<u>4,463,960</u>	<u>4,205,697</u>
FUND EQUITY					
Non Spendable:					
Prepaid expenses	-	-	\$ 7,161	\$ 901,143	\$ 1,045,580
			-	-	-
Restricted for:					
Retirement Contribution Reserve	-	-	-	-	472,592
Insurance Reserve	-	-	-	-	130,010
Capital reserve	-	-	1,013,025	1,269,421	1,214,786
Tax Stabilization reserve	-	-	1,000,491	1,501,439	1,502,227
Debt	-	-	-	-	-
Other restrictions	-	-	78,451	78,552	78,631
Assigned Appropriated	-	-	2,220,986	550,000	483,000
Assigned Unappropriated	-	-	-	2,237,284	2,694,516
Unassigned	-	-	6,178,659	6,161,905	7,818,072
Reserved	2,992,489	2,809,809	-	-	-
Unreserved:					
Appropriated	62,313	-	-	-	-
Unappropriated	2,852,544	4,202,048	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	<u>5,907,346</u>	<u>7,011,857</u>	<u>10,498,773</u>	<u>12,699,744</u>	<u>15,439,414</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES and FUND EQUITY	<u>\$ 12,270,045</u>	<u>\$ 13,851,258</u>	<u>\$ 18,308,652</u>	<u>\$ 17,163,704</u>	<u>\$ 19,645,111</u>

Note: Effective December 31, 2011, the City adopted GASB Statement No. 54 which classifies fund balance into specifically defined classifications. 2011 and 2012 data reflects the adoption of GASB Statement No. 54.

Source: Audited financial reports of the City. Unaudited Annual financial report for 2013 This Appendix is not itself audited.

GENERAL FUND

Fiscal Years Ending December 31:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUES						
Real Property Taxes and Tax Items	\$ 13,960,799	\$ 15,434,584	\$ 14,792,368	\$ 16,419,812	\$ 17,933,005	\$ 16,519,475
Non-Property Taxes	12,080,642	10,525,763	10,829,845	11,311,352	11,648,610	12,131,794
Departmental Income	1,605,500	1,517,253	1,482,529	1,435,656	1,668,657	1,986,589
Intergovernmental Charges	208,161	270,964	276,404	249,179	266,847	309,061
Use of Money & Property	472,372	512,826	348,189	421,022	384,039	447,779
Licenses and Permits	246,865	276,351	136,459	154,763	334,651	397,762
Fines and Forfeitures	761,617	664,284	701,984	672,504	669,047	590,366
Sale of Property and Compensation for Loss	319,500	443,254	409,752	385,067	389,886	607,084
Miscellaneous	3,991,808	3,450,198	46,966	197,009	1,636,451	1,701,896
Revenues from State Sources	4,310,689	4,248,433	3,785,530	3,375,398	3,392,003	3,448,324
Revenues from Federal Sources	35,628	81,529	131,369	272,006	521,365	435,740
Total Revenues	<u>\$ 37,993,581</u>	<u>\$ 37,425,439</u>	<u>\$ 32,941,395</u>	<u>\$ 34,893,768</u>	<u>\$ 38,844,561</u>	<u>\$ 38,575,870</u>
EXPENDITURES						
General Government Support	\$ 4,093,415	\$ 8,163,541	\$ 7,797,791	\$ 7,512,658	\$ 7,790,871	\$ 7,739,609
Public Safety	13,034,930	19,116,056	19,175,161	18,741,867	19,856,225	20,882,005
Health	15,205	19,943	17,864	17,765	18,277	17,965
Transportation	4,921,060	4,805,477	4,062,046	4,129,819	4,131,302	4,550,758
Economic Assistance and Opportunity	131,740	138,615	138,615	138,615	138,615	141,291
Culture and Recreation	2,347,466	2,590,051	2,267,561	1,959,304	2,166,405	2,299,148
Home and Community Services	1,013,597	1,097,242	965,439	899,189	905,660	957,489
Employee Benefits	8,364,032	-	-	-	-	-
Debt Service	31,876	91,458	137,904	153,507	142,000	137,903
Total Expenditures	<u>\$ 33,953,321</u>	<u>\$ 36,022,383</u>	<u>\$ 34,562,381</u>	<u>\$ 33,552,724</u>	<u>\$ 35,149,355</u>	<u>\$ 36,726,168</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 4,040,260</u>	<u>\$ 1,403,056</u>	<u>\$ (1,620,986)</u>	<u>\$ 1,341,044</u>	<u>\$ 3,695,206</u>	<u>\$ 1,849,702</u>
Other Financing Sources (Uses):						
Operating Transfers In	54,500	76,121	73,569	61,604	73,578	631,970
Operating Transfers Out	-	(646,673)	(261,848)	(296,037)	(254,867)	(276,333)
Total Other Financing	<u>54,500</u>	<u>(570,552)</u>	<u>(188,279)</u>	<u>(234,433)</u>	<u>(181,289)</u>	<u>355,637</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>4,094,760</u>	<u>832,504</u>	<u>(1,809,265)</u>	<u>1,106,611</u>	<u>3,513,917</u>	<u>2,205,339</u>
FUND BALANCE						
Fund Balance - Beginning of Year	2,792,377	6,887,126	7,719,630	5,907,346	7,011,857	10,498,774
Prior Period Adjustments (net)	-	-	(3,019)	(2,100)	(27,000)	(4,368)
Fund Balance - End of Year	<u>\$ 6,887,137</u>	<u>\$ 7,719,630</u>	<u>\$ 5,907,346</u>	<u>\$ 7,011,857</u>	<u>\$ 10,498,774</u>	<u>\$ 12,699,744</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:	2012			2013		2014
	Adopted Budget	Revised Budget	Actual	Adopted Budget	Unaudited Actual	Adopted Budget
REVENUES						
Real Property Taxes and Tax Items	\$ 16,669,468	\$ 16,679,173	\$ 16,519,475	\$ 17,663,240	\$ 17,149,114	\$17,522,484
Non-Property Taxes	11,966,508	11,966,508	12,131,794	12,895,000	12,920,338	12,799,000
Departmental Income	1,530,396	1,808,387	1,986,589	2,305,130	2,471,577	2,522,180
Intergovernmental Charges	297,000	305,618	309,061	297,106	317,313	297,702
Use of Money & Property	384,000	384,000	447,779	425,000	631,448	432,600
Licenses and Permits	237,900	237,900	397,762	236,800	463,270	296,200
Fines and Forfeitures	617,400	626,860	590,366	626,000	618,735	576,000
Sale of Property and Compensation for Loss	376,226	420,542	607,084	396,560	728,875	372,907
Miscellaneous	1,620,800	1,671,281	1,701,896	1,623,300	1,991,983	1,949,651
Revenues from State Sources	3,107,950	3,428,684	3,448,324	3,303,280	4,163,663	3,559,901
Revenues from Federal Sources	334,358	387,774	435,740	15,719	33,754	21,000
Total Revenues	\$ 37,142,006	\$ 37,916,727	\$ 38,575,870	\$ 39,787,135	\$ 41,490,070	\$ 40,349,625
EXPENDITURES						
General Government Support	\$ 6,187,935	\$ 7,907,238	\$ 7,739,609	\$ 5,244,346	\$ 8,204,630	\$5,319,637
Public Safety	20,660,660	21,540,366	20,882,005	13,532,780	21,806,411	14,469,668
Health	119,568	216,221	17,965	68,065	21,467	120,765
Transportation	4,061,186	6,407,612	4,550,758	4,040,518	4,361,440	3,981,355
Economic Assistance and Opportunity	131,291	131,291	141,291	131,291	141,291	131,291
Culture and Recreation	2,580,005	2,510,138	2,299,148	2,111,306	2,341,427	2,143,290
Home and Community Services	949,275	1,106,686	957,489	943,148	977,363	1,063,466
Employee Benefits	-	-	-	12,310,157	-	12,475,027
Debt Service	342,903	137,903	137,903	735,103	69,588	289,588
Total Expenditures	\$ 35,032,823	\$ 39,957,455	\$ 36,726,168	\$ 39,116,714	\$ 37,923,617	\$ 39,994,087
Excess of Revenues Over (Under) Expenditures	\$ 2,109,183	\$ (2,040,728)	\$ 1,849,702	\$ 670,421	\$ 3,566,453	\$ 355,538
Other Financing Sources (Uses):						
Operating Transfers In	103,671	103,671	631,970	79,500	95,704	90,396
Operating Transfers Out	(215,855)	(283,930)	(276,333)	(749,921)	(922,487)	(445,934)
Total Other Financing	(112,184)	(180,259)	355,637	(670,421)	(826,783)	(355,538)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,996,999	(2,220,987)	2,205,339	-	2,739,670	-
FUND BALANCE						
Fund Balance - Beginning of Year	-	-	10,498,773	-	12,699,744	-
Prior Period Adjustments (net)	-	-	(4,368)	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ 12,699,744	\$ -	\$ 15,439,414	\$ -

Source: 2012 Audited financial report, 2013 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>WATER FUND</u>						
Fund Equity - Beginning of Year	\$ 463,029	\$ 342,395	\$ 440,520	\$ 712,897	\$ 626,048	\$ 1,070,697
Prior Period Adjustments (net)	-	-	-	-	-	-
Revenues & Other Sources	2,458,658	2,431,296	2,743,961	2,435,013	3,047,019	3,367,121
Expenditures & Other Uses	2,579,292	2,333,171	2,471,584	2,521,862	2,602,370	2,872,499
Fund Equity - End of Year	\$ 342,395	\$ 440,520	\$ 712,897	\$ 626,048	\$ 1,070,697	\$ 1,565,319
<u>SEWER FUND</u>						
Fund Equity - Beginning of Year	\$ 281,206	\$ 157,272	\$ 1,254	\$ 216,122	\$ 267,273	\$ 547,760
Prior Period Adjustments (net)	-	-	-	-	-	-
Revenues & Other Sources	3,196,743	3,201,025	3,786,286	3,500,654	3,857,006	4,055,633
Expenditures & Other Uses	3,320,677	3,357,043	3,571,418	3,449,503	3,576,519	3,742,553
Fund Equity - End of Year	\$ 157,272	\$ 1,254	\$ 216,122	\$ 267,273	\$ 547,760	\$ 860,840

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	Excluding This Issue			Principal of This Issue	Total Principal All Issues
	Principal	Interest	Total		
2014	\$ 1,903,499	\$ 1,792,491.28	\$ 3,695,990.28	\$ 0	\$ 1,903,499
2015	1,880,000	1,654,360.88	3,534,360.88	143,686	2,023,686
2016	1,925,000	1,586,092.67	3,511,092.67	210,000	2,135,000
2017	1,910,000	1,515,502.72	3,425,502.72	215,000	2,125,000
2018	1,790,000	1,446,489.76	3,236,489.76	220,000	2,010,000
2019	1,865,000	1,378,231.01	3,243,231.01	220,000	2,085,000
2020	1,935,000	1,306,678.01	3,241,678.01	225,000	2,160,000
2021	2,020,000	1,232,346.75	3,252,346.75	230,000	2,250,000
2022	2,100,000	1,154,730.01	3,254,730.01	235,000	2,335,000
2023	2,015,000	1,073,846.26	3,088,846.26	240,000	2,255,000
2024	2,090,000	994,578.01	3,084,578.01	250,000	2,340,000
2025	1,770,000	919,673.02	2,689,673.02	255,000	2,025,000
2026	1,845,000	849,154.02	2,694,154.02	265,000	2,110,000
2027	1,920,000	774,994.51	2,694,994.51	270,000	2,190,000
2028	2,000,000	696,938.01	2,696,938.01	280,000	2,280,000
2029	2,085,000	614,562.76	2,699,562.76	290,000	2,375,000
2030	2,180,000	528,028.51	2,708,028.51	295,000	2,475,000
2031	1,625,000	437,349.39	2,062,349.39	305,000	1,930,000
2032	1,680,000	370,589.13	2,050,589.13	315,000	1,995,000
2033	1,760,000	300,647.39	2,060,647.39	325,000	2,085,000
2034	1,525,000	232,978.15	1,757,978.15	335,000	1,860,000
2035	1,360,000	173,236.76	1,533,236.76		1,360,000
2036	880,000	126,471.01	1,006,471.01		880,000
2037	925,000	89,149.50	1,014,149.50		925,000
2038	860,000	49,988.00	909,988.00		860,000
2039	575,000	12,718.72	587,718.72		575,000
TOTALS	\$ 44,423,499	\$ 21,311,826.26	\$ 65,735,325.25	\$ 5,123,686	\$ 49,547,185

FINANCIAL STATEMENTS

December 31, 2012

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, 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, New York, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and the Schedule of Funding Progress and Employee Contributions on pages 3-11, 46 through 47, and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Bollam Sheedy Torani & Co. LLP

Albany, New York
July 24, 2013

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with our financial statements, which can be found on pages 12 through 45 and our required supplementary information and supplementary information which can be found on pages 46 through 51 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities on December 31, 2012, by \$27,624,553 representing net position. Of this amount, \$39,110,983 represents the City's net investment in capital assets, and \$16,096,214 is restricted for future capital improvements, debt service, and other purposes. The remaining amount, which represents negative unrestricted net position, is \$27,582,644.
- At December 31, 2012, the City's governmental funds reported a combined ending fund balance of \$16,844,432. Of this amount, \$11,210,493 of the fund balance was nonspendable, restricted, or assigned for specific purposes. The combined unassigned fund balance was \$5,633,939.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$6,161,905.

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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Fund Financial Statements - Continued

Governmental funds - Continued

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 restricted and assigned fund balance as of December 31, 2012, for the SAD was \$103,259, and for the WASAD was \$3,401. SAD intends to use the accumulated fund balance to pay for debt related to the parking deck on Woodlawn Avenue. 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 14 and 16 of this report.

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

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

The proprietary fund financial statements can be found on pages 18 through 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties other than 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 21 through 22 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 45 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$27,624,553 at December 31, 2012.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

By far, the largest portion, \$39,110,983, of the City's net position 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 POSITION

	December 31,					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 21,467,730	\$ 24,634,422	\$ 12,541,489	\$ 11,993,759	\$ 34,009,219	\$ 36,628,181
Capital assets, net	59,278,769	55,437,219	21,967,901	19,959,166	81,246,670	75,396,385
Total assets	<u>80,746,499</u>	<u>80,071,641</u>	<u>34,509,390</u>	<u>31,952,925</u>	<u>115,255,889</u>	<u>112,024,566</u>
Long-term liabilities	64,211,085	56,025,613	11,069,247	9,533,588	75,280,332	65,559,201
Other liabilities	9,427,802	12,922,195	2,923,202	3,605,031	12,351,004	16,527,226
Total liabilities	<u>73,638,887</u>	<u>68,947,808</u>	<u>13,992,449</u>	<u>13,138,619</u>	<u>87,631,336</u>	<u>82,086,427</u>
Net position:						
Net investment in capital assets	26,158,914	26,055,522	12,952,069	12,604,663	39,110,983	38,660,185
Restricted	7,377,230	6,080,594	8,718,984	8,260,811	16,096,214	14,341,405
Unrestricted	(26,428,532)	(21,012,283)	(1,154,112)	(2,051,168)	(27,582,644)	(23,063,451)
Total net position	<u>\$ 7,107,612</u>	<u>\$ 11,123,833</u>	<u>\$ 20,516,941</u>	<u>\$ 18,814,306</u>	<u>\$ 27,624,553</u>	<u>\$ 29,938,139</u>

The City experienced a decrease in net position during 2012 totaling \$598,168, as shown in the following statement:

	December 31,					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 5,315,540	\$ 3,882,593	\$ 7,918,701	\$ 7,009,187	\$ 13,234,241	\$ 10,891,780
Operating grants and contributions	3,126,464	2,992,753	-	-	3,126,464	2,992,753
Capital grants and contributions	339,036	334,888	-	8,370,657	339,036	8,705,545
General revenues						
Property taxes	19,600,397	19,756,644	-	-	19,600,397	19,756,644
Other taxes	12,131,794	11,648,605	956,954	834,141	13,088,748	12,482,746
State aid and mortgage taxes	2,976,451	3,071,188	-	-	2,976,451	3,071,188
Other	524,473	479,389	104,486	140,019	628,959	619,408
Total revenues	<u>44,014,155</u>	<u>42,166,060</u>	<u>8,980,141</u>	<u>16,354,004</u>	<u>52,994,296</u>	<u>58,520,064</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

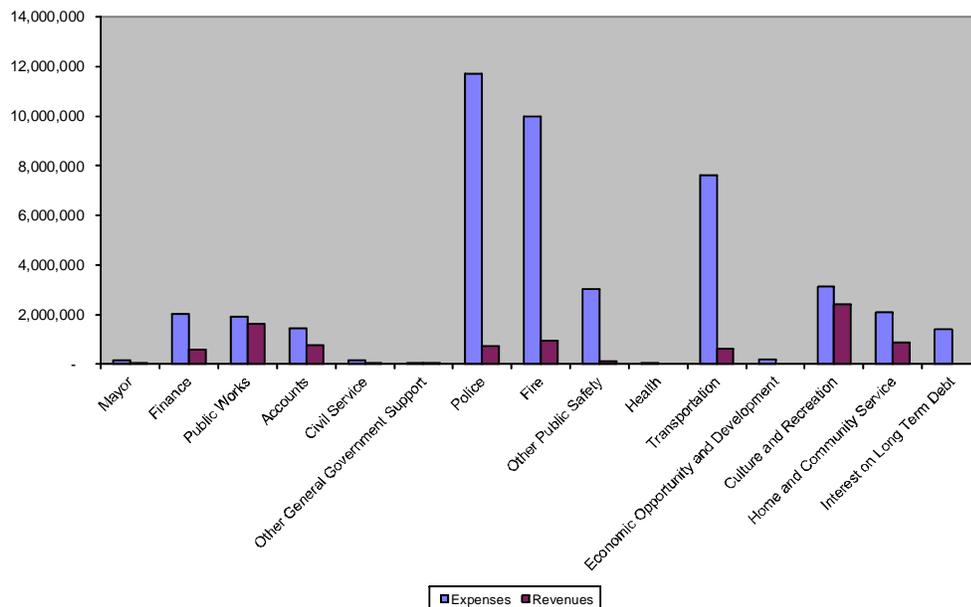
OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

	December 31,					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Expenses						
General government support						
Mayor	1,151,232	1,180,766	-	-	1,151,232	1,180,766
Finance	2,012,901	1,906,778	-	-	2,012,901	1,906,778
Public works	1,931,299	5,505,968	-	-	1,931,299	5,505,968
Accounts	1,447,622	1,198,905	-	-	1,447,622	1,198,905
Civil service	149,754	103,447	-	-	149,754	103,447
Other general government support	3,628	70,785	-	-	3,628	70,785
Public safety						
Police	11,727,714	12,402,730	-	-	11,727,714	12,402,730
Fire	10,003,236	9,532,930	-	-	10,003,236	9,532,930
Other public safety	3,012,423	3,083,988	-	-	3,012,423	3,083,988
Health	17,916	18,230	-	-	17,916	18,230
Transportation	7,640,167	4,112,993	-	-	7,640,167	4,112,993
Economic opportunity and development	183,370	175,209	-	-	183,370	175,209
Culture and recreation	3,118,840	2,606,374	-	-	3,118,840	2,606,374
Home and community service	1,546,113	2,089,473	-	-	1,546,113	2,089,473
Interest on long-term debt	1,425,854	1,376,292	-	-	1,425,854	1,376,292
Water	-	-	3,040,984	1,931,293	3,040,984	1,931,293
Sewer	-	-	3,705,467	3,724,157	3,705,467	3,724,157
City Center Authority	-	-	1,473,944	1,168,554	1,473,944	1,168,554
Total expenses	<u>45,372,069</u>	<u>45,364,868</u>	<u>8,220,395</u>	<u>6,824,004</u>	<u>53,592,464</u>	<u>52,188,872</u>
Transfers	575,504	(134,148)	(575,504)	165,766	-	31,618
Change in net position	<u>\$ (782,410)</u>	<u>\$ (3,332,956)</u>	<u>\$ 184,242</u>	<u>\$ 9,695,766</u>	<u>\$ (598,168)</u>	<u>\$ 6,362,810</u>

Governmental activities. Governmental activities decreased the City's net position by \$782,410. The following chart shows the expenses and program revenues of the various governmental activities:

Expenses and Program Revenues - Governmental Activities



CITY OF SARATOGA SPRINGS, NEW YORK

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

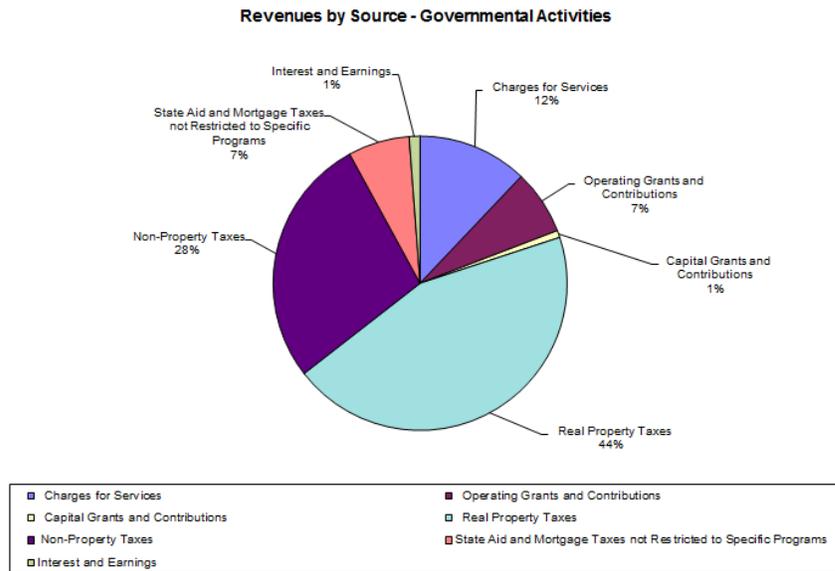
OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

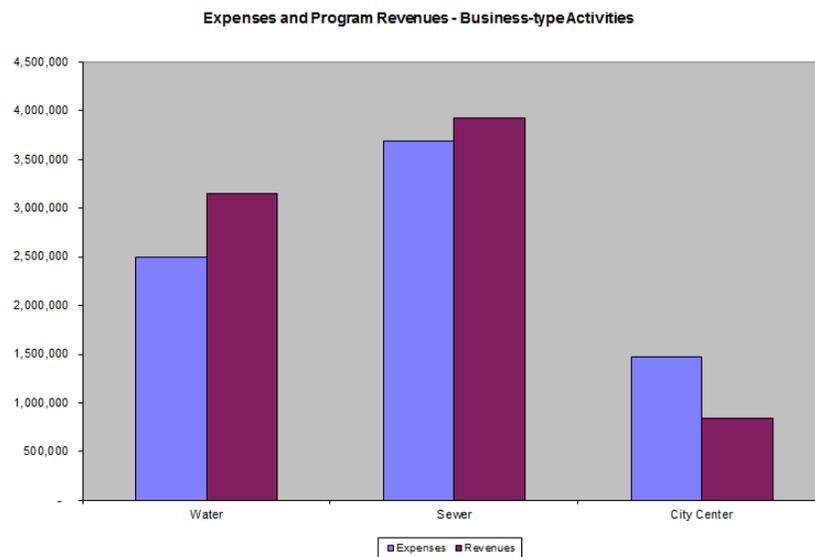
Governmental activities - Continued

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. Sales tax receipts increased by 6%.

The following chart shows revenues by source for all governmental activities, with general revenues totaling 80% and program revenues totaling 20%:



Business-type activities increased the City's net position by \$184,242.



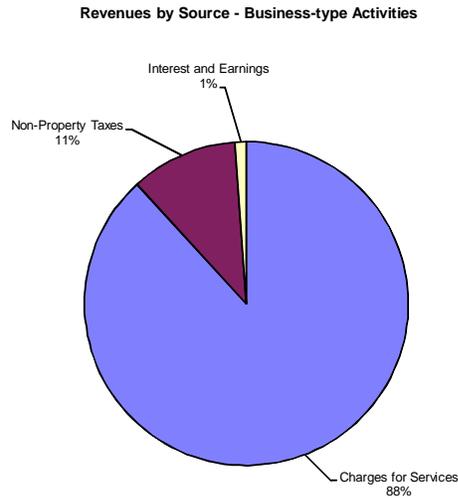
CITY OF SARATOGA SPRINGS, NEW YORK

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

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, unassigned 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 combined ending fund balances of \$16,844,432, an increase of \$514,548 from the prior year. Of the total fund balance, \$11,210,493 is restricted and assigned to indicate that it is not available for new spending because it has already been dedicated to 1) liquidate contracts and purchase orders of the prior period of \$2,826,053, 2) be held for future capital improvements of \$3,749,750, 3) restricted for tax stabilization of \$1,501,439, 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 unassigned fund balance of the General Fund was \$6,161,905, while total fund balance reached \$12,699,744. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17% of total General Fund expenditures, while total fund balance represents 35% of that same amount.

The overall fund balance of the City's General Fund increased by \$2,205,339 during the current fiscal year. Key factors in this increase are as follows:

General Fund Revenues

1. Property tax revenue decreased from 2011 amounts because in that year the City received payment on many delinquent accounts due to a foreclosure proceeding. The City continued to have a strong tax collection rate through 2012, approximately 94%. Interest and penalties on property taxes increased.
2. Sales tax increased from 2011 by 5.7% and exceeded the budget. 2012 sales tax collections were \$9,918,000, a \$541,000 increase from 2011 actual collections, and \$168,000 more than the 2012 adopted budget.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued

General Fund Revenues - Continued

3. Departmental income increased in public safety. \$587,000 was collected for ambulance services, a new service in 2012, which was not anticipated at the time the 2012 budget was adopted.
4. The sale of real property line jumped in 2012. The City finally auctioned the properties foreclosed upon in 2011 and received net proceeds of over \$279,000 for parcels that closed before December 31.
5. Overall revenue performance was strong in 2012. Total revenues for the General Fund were \$38.6 million, \$660,000 higher than budgeted and \$269,000 less than in 2011.

General Fund Expenses

1. Health insurance costs were \$5,617,000 in 2012. This was a decrease of 7% from 2011 and was \$120,000 less than the revised budget for 2012. The decrease was due to the first full year of the City's change to a single carrier coverage for most enrollees and an increase in the co-pay.
2. Retirement costs for all employees were \$4,274,000, an increase of \$699,000 from 2011.
3. Utility costs for City buildings in the General Fund were \$78,000 less than in 2011 and \$76,000 less than budgeted. Total utility costs in 2012 were \$461,000.
4. Overtime costs were \$829,000 in 2012, an increase from 2011 of \$18,000. The 2012 actual expense was \$74,000 less than the revised budget. Overtime costs were \$811,000 in 2011.
5. Unemployment was budgeted for \$101,000 in 2012. The actual expense was \$29,000, a difference of \$72,000. Unemployment in 2012 decreased by \$40,000 from 2011.
6. Payments for compensatory time were \$22,000 less than budgeted and \$42,000 less than the 2011 actual expense.
7. Total General Fund expenses were \$1.6 million more than those in 2011, but \$3.2 million less than budgeted. It is important to note that of this \$3.2 million, \$1.7 million was encumbered at year end. Encumbrances are goods or services which are ordered or committed to in 2012 but will be paid for in 2013. Therefore, the actual unspent/uncommitted variance was \$1.5 million. The reasons for this variance are noted above.

The difference between the revised General Fund budget and actual amounts for revenues and transfers-in was \$1,187,440. Various budget amendments during the year 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 \$3,231,287. A portion of various unexpended funds, \$2,237,284, was encumbered to 2012 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, 2012, amounts to \$39,110,983 (historical costs 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, and improvements to the Casino exterior.
- Completion of the Spring Run Trail, water replacement and improvements, upgrade to the audio system, and the purchase of a sewer truck.

CITY OF SARATOGA SPRINGS, NEW YORK

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

Capital Assets - Continued

	December 31,					
	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,921,258	\$ 3,921,258	\$ 325,841	\$ 325,841	\$ 4,247,099	\$ 4,247,099
Buildings	14,548,399	14,449,822	15,455,423	749,195	30,003,822	15,199,017
Improvements other than building	8,692,073	8,625,513	1,433,778	1,433,778	10,125,851	10,059,291
Machinery and equipment	13,317,157	13,134,228	857,809	842,810	14,174,966	13,977,038
Infrastructure	56,277,083	47,361,897	15,409,845	15,252,189	71,686,928	62,614,086
Work in progress	9,450,257	12,733,695	1,369,035	13,930,135	10,819,292	26,663,830
Totals	106,206,227	100,226,413	34,851,731	32,533,948	141,057,958	132,760,361
Accumulated depreciation	46,927,458	44,789,194	12,883,830	12,574,782	59,811,288	55,598,328
Capital assets net of accumulated depreciation	<u>\$ 59,278,769</u>	<u>\$ 55,437,219</u>	<u>\$ 21,967,901</u>	<u>\$ 19,959,166</u>	<u>\$ 81,246,670</u>	<u>\$ 77,162,033</u>

Additional information on the City's capital assets can be found in Note 1k on page 28 and Note 3c on pages 31 through 33 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$42,135,687. Of this amount, \$41,448,916 comprises debt backed by the full faith and credit of the City and \$686,771 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 \$5,399,487 (15%) during the current fiscal year by new debt issued in May and December 2012.

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 \$261,973,357, 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 self-imposed debt limitation is \$74,849,531, which is also 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 \$128,170 at December 31, 2012, 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 \$95,772 for the ERS plan and \$157,573 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 \$1,234,013 for 384E, \$160,530 for 384EB, and \$164,889 for 384D.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

Additional information on the City's long-term debt can be found in Note 1n on page 29 and Note 3e on pages 35 through 37 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 increased at a rate of .3% in 2012. The City has added 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 POSITION**

	December 31, 2012		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 5,749,354	\$ 505,954	\$ 6,255,308
Cash and cash equivalents, restricted	7,762,726	8,718,772	16,481,498
Investments, restricted	-	212	212
Receivables, net of uncollectibles	5,593,176	3,141,987	8,735,163
Inventories	-	63,701	63,701
Prepaid expenses	901,143	110,863	1,012,006
Due from business-type activities	1,436,395	-	1,436,395
Due from fiduciary funds	31	-	31
Accrued interest	24,905	-	24,905
Total current assets	<u>21,467,730</u>	<u>12,541,489</u>	<u>34,009,219</u>
NONCURRENT ASSETS			
Capital assets, net	<u>59,278,769</u>	<u>21,967,901</u>	<u>81,246,670</u>
Total assets	<u>80,746,499</u>	<u>34,509,390</u>	<u>115,255,889</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable and other current liabilities	5,891,039	614,006	6,505,045
Current maturities on long-term liabilities	2,130,243	511,372	2,641,615
Due to governmental activities	-	1,436,395	1,436,395
Accrued interest payable	1,406,520	361,429	1,767,949
Total current liabilities	<u>9,427,802</u>	<u>2,923,202</u>	<u>12,351,004</u>
NONCURRENT LIABILITIES			
Long-term liabilities, less current maturities	33,556,873	8,527,043	42,083,916
Other postemployment liability	<u>30,654,212</u>	<u>2,542,204</u>	<u>33,196,416</u>
Total liabilities	<u>73,638,887</u>	<u>13,992,449</u>	<u>87,631,336</u>
NET POSITION			
Net investment in capital assets	26,158,914	12,952,069	39,110,983
Restricted for			
Capital improvements	2,459,409	6,439,659	8,899,068
Debt service	2,066,447	-	2,066,447
Tax stabilization	1,501,438	-	1,501,438
Water line extension projects	-	705,829	705,829
Special district	1,963	-	1,963
Capital projects	1,269,421	1,573,496	2,842,917
Other purposes	78,552	-	78,552
Unrestricted	<u>(26,428,532)</u>	<u>(1,154,112)</u>	<u>(27,582,644)</u>
Total net position	<u>\$ 7,107,612</u>	<u>\$ 20,516,941</u>	<u>\$ 27,624,553</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

Year Ended December 31, 2012

Functions/Programs	Program Revenue			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government Support							
Mayor	\$ 1,151,232	\$ 2,300	\$ -	\$ -	\$ (1,148,932)	\$ -	\$ (1,148,932)
Finance	2,012,901	532,873	48,935	-	(1,431,093)	-	(1,431,093)
Public Works	1,931,299	1,354,999	31,891	250,000	(294,409)	-	(294,409)
Accounts	1,447,622	764,785	-	-	(682,837)	-	(682,837)
Civil Service	149,754	29,473	-	-	(120,281)	-	(120,281)
Other general government support	3,628	5,615	-	-	1,987	-	1,987
Public Safety							
Police	11,727,714	642,487	100,058	-	(10,985,169)	-	(10,985,169)
Fire	10,003,236	623,569	311,386	-	(9,068,281)	-	(9,068,281)
Other public safety	3,012,423	133,722	-	-	(2,878,701)	-	(2,878,701)
Health	17,916	-	-	-	(17,916)	-	(17,916)
Transportation	7,640,167	-	546,748	89,036	(7,004,383)	-	(7,004,383)
Economic opportunity and development	183,370	-	-	-	(183,370)	-	(183,370)
Culture and recreation	3,118,840	915,433	1,507,794	-	(695,613)	-	(695,613)
Home and community service	1,546,113	310,284	579,652	-	(656,177)	-	(656,177)
Interest on long-term debt	1,425,854	-	-	-	(1,425,854)	-	(1,425,854)
Total governmental activities	<u>45,372,069</u>	<u>5,315,540</u>	<u>3,126,464</u>	<u>339,036</u>	<u>(36,591,029)</u>	<u>-</u>	<u>(36,591,029)</u>
BUSINESS-TYPE ACTIVITIES							
Water	3,040,984	3,152,201	-	-	-	111,217	111,217
Sewer	3,705,467	3,925,598	-	-	-	220,131	220,131
City Center Authority	1,473,944	840,902	-	-	-	(633,042)	(633,042)
Total business-type activities	<u>8,220,395</u>	<u>7,918,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(301,694)</u>	<u>(301,694)</u>
Total government	\$ 53,592,464	\$ 13,234,241	\$ 3,126,464	\$ 339,036	\$ (36,591,029)	\$ (301,694)	\$ (36,892,723)
GENERAL REVENUES							
Real property tax and related tax items					\$ 19,600,397	\$ -	\$ 19,600,397
Non-property taxes					12,131,794	956,954	13,088,748
Other general revenue items					51,951	90,388	142,339
Interest earnings					472,522	14,098	486,620
State aid and mortgage taxes not restricted to specific purposes					2,976,451	-	2,976,451
Total general revenues					<u>35,233,115</u>	<u>1,061,440</u>	<u>36,294,555</u>
TRANSFERS							
Transfer from governmental to business-type activities					575,504	(575,504)	-
Total general revenues and transfers					<u>35,808,619</u>	<u>485,936</u>	<u>36,294,555</u>
CHANGE IN NET POSITION							
					<u>(782,410)</u>	<u>184,242</u>	<u>(598,168)</u>
NET POSITION, beginning of year							
					11,123,833	18,814,306	29,938,139
Prior period adjustments					(3,233,811)	1,518,393	(1,715,418)
NET POSITION, beginning of year, as restated							
					<u>7,890,022</u>	<u>20,332,699</u>	<u>28,222,721</u>
NET POSITION, end of year							
					<u>\$ 7,107,612</u>	<u>\$ 20,516,941</u>	<u>\$ 27,624,553</u>

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, 2012

	Major Funds				Non-Major	Total
	General	Capital	Debt Service	Community Development	Other	
					Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 5,345,080	\$ 243,466	\$ -	\$ 39,579	\$ 121,229	\$ 5,749,354
Cash, restricted	2,849,412	2,480,329	2,066,447	364,575	1,963	7,762,726
Receivables, net	4,505,674	-	-	147,309	-	4,652,983
Receivables from other governments	1,744,389	92,370	300	56,698	-	1,893,757
Prepaid expenses	901,143	-	-	-	-	901,143
Due from other funds	1,818,006	-	-	-	-	1,818,006
Total assets	\$ 17,163,704	\$ 2,816,165	\$ 2,066,747	\$ 608,161	\$ 123,192	\$ 22,777,969
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 996,287	\$ 771,432	\$ 2,846	\$ 56,698	\$ 16,532	\$ 1,843,795
Due to other funds	-	-	381,580	-	-	381,580
Due to other governments	795,591	-	-	810	-	796,401
Deferred tax revenue	1,197,487	-	-	-	-	1,197,487
Deferred revenue	1,474,595	92,370	-	147,309	-	1,714,274
Total liabilities	4,463,960	863,802	384,426	204,817	16,532	5,933,537
Fund balance						
Nonspendable						
Prepaid expenses	901,143	-	-	-	-	901,143
Restricted for						
Capital reserve	1,269,421	2,480,329	-	-	-	3,749,750
Tax stabilization reserve	1,501,439	-	-	-	-	1,501,439
Debt	-	-	1,682,321	-	-	1,682,321
Other restrictions	78,552	-	-	364,575	1,963	445,090
Assigned for						
Special district purposes	-	-	-	-	104,697	104,697
Other assignments	2,787,284	-	-	38,769	-	2,826,053
Unassigned	6,161,905	(527,966)	-	-	-	5,633,939
Total fund balance	12,699,744	1,952,363	1,682,321	403,344	106,660	16,844,432
Total liabilities and fund balances	\$ 17,163,704	\$ 2,816,165	\$ 2,066,747	\$ 608,161	\$ 123,192	\$ 22,777,969

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 POSITION**

**December 31,
2012**

Total fund balances in the fund financial statements for the governmental funds.	\$ 16,844,432
This amount differs from the amount of net position shown in the statement of net position due to the following:	
Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation.	59,278,769
Long-term liabilities for bonded debt are included as liabilities in the government-wide statements and are deducted.	(33,119,855)
Long-term liabilities for past service costs for retirement plans and 2004 amortization for retirement plans are included as liabilities in the government-wide statements and are deducted.	(1,918,364)
Long-term liabilities for the lease obligations of the City are included as liabilities in the government-wide statements and are deducted.	(648,897)
Long-term liabilities for other post employment benefit obligations by the City are included as liabilities in the government-wide statements and are deducted.	(30,654,212)
Accrued interest on property, school taxes, and community development loans on receivables for revenues earned, measurable, but not available and are added.	24,905
Deferred revenue and deferred tax revenue are added to the government-wide statements as revenue.	2,911,761
Net receivables for revenues earned, measurable but not available to provide financial resources are excluded in the government-wide statements as assets and are deducted.	(953,564)
Other current liabilities for compensated absences are included in the government-wide statements as liabilities and are deducted.	(3,250,843)
Current liabilities for interest payable on long-term debt are included in the government-wide statements as liabilities and are deducted.	<u>(1,406,520)</u>
Total net position, end of year	<u><u>\$ 7,107,612</u></u>

CITY OF SARATOGA SPRINGS, NEW YORK

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

Year Ended December 31, 2012

	Major Funds				Non-Major	Total
	General	Capital	Debt Service	Community Development	Other Governmental Funds	
REVENUES						
Real property taxes and tax items	\$ 16,519,475	\$ -	\$ 2,615,519	\$ -	\$ 135,388	\$ 19,270,382
Non-property taxes	12,131,794	-	-	-	-	12,131,794
Departmental income	1,986,589	-	-	105,688	-	2,092,277
Intergovernmental charges	309,061	250,000	-	-	-	559,061
Use of money and property	447,779	60,191	405,602	10,148	204	923,924
Licenses and permits	397,762	-	-	-	-	397,762
Fines and forfeitures	590,366	-	-	-	-	590,366
Sale of property and compensation for loss	607,084	746,995	-	-	-	1,354,079
Miscellaneous	1,701,896	-	-	-	-	1,701,896
State aid	3,448,324	2,204	-	-	-	3,450,528
Federal aid	435,740	134,452	-	579,652	-	1,149,844
Total revenues	<u>38,575,870</u>	<u>1,193,842</u>	<u>3,021,121</u>	<u>695,488</u>	<u>135,592</u>	<u>43,621,913</u>
EXPENDITURES						
General Government Support						
Mayor	845,418	-	-	-	-	845,418
Finance	1,824,046	-	21,419	-	-	1,845,465
Public Works	2,907,763	-	-	-	-	2,907,763
Accounts	1,001,697	-	-	-	-	1,001,697
Civil service	149,446	-	-	-	-	149,446
Unallocated insurance	1,011,239	-	-	-	-	1,011,239
Other general government support	-	-	-	-	3,803	3,803
Public Safety						
Police	10,343,018	-	-	-	-	10,343,018
Fire	8,112,563	-	-	-	-	8,112,563
Other public safety	2,426,424	-	-	-	-	2,426,424
Health	17,965	-	-	-	-	17,965
Transportation	4,550,758	-	-	-	-	4,550,758
Economic opportunity and development	141,291	-	-	-	42,079	183,370
Culture and recreation	2,299,148	-	-	-	-	2,299,148
Home and community service	957,489	-	-	503,906	-	1,461,395

Debt Service						
Principal	86,011	555,304	1,333,063	-	14,465	1,988,843
Interest	51,892	-	1,297,239	-	2,007	1,351,138
Capital Outlay						
Mayor	-	124,006	-	-	-	124,006
Finance	-	-	-	-	-	-
Public works	-	5,335,039	-	-	-	5,335,039
Accounts	-	14,400	-	-	-	14,400
Other general government support	-	-	-	-	-	-
Police	-	117,115	-	-	-	117,115
Fire	-	750,349	-	-	-	750,349
Other public safety	-	144,446	-	-	-	144,446
Transportation	-	116,425	-	-	-	116,425
Culture and recreation	-	599,198	-	-	-	599,198
Total expenditures	<u>36,726,168</u>	<u>7,756,282</u>	<u>2,651,721</u>	<u>503,906</u>	<u>62,354</u>	<u>47,700,431</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from serial bonds	-	5,085,687	-	-	-	5,085,687
Interfund transfers in	631,970	1,026,837	131,995	-	-	1,790,802
Interfund transfers out	<u>(276,333)</u>	<u>(562,516)</u>	<u>-</u>	<u>(76,946)</u>	<u>(299,503)</u>	<u>(1,215,298)</u>
Total other financing sources and uses	<u>355,637</u>	<u>5,550,008</u>	<u>131,995</u>	<u>(76,946)</u>	<u>(299,503)</u>	<u>5,661,191</u>
NET CHANGE IN FUND BALANCE	2,205,339	(1,012,432)	501,395	114,636	(226,265)	1,582,673
FUND BALANCE, beginning of year	10,498,773	4,028,552	1,180,926	288,708	332,925	16,329,884
Prior period adjustment	<u>(4,368)</u>	<u>489,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>485,549</u>
FUND BALANCE, end of year	<u>\$ 12,699,744</u>	<u>\$ 3,506,037</u>	<u>\$ 1,682,321</u>	<u>\$ 403,344</u>	<u>\$ 106,660</u>	<u>\$ 18,398,106</u>

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 POSITION SHOWN IN THE STATEMENT OF ACTIVITIES**

	<u>Year Ended December 31, 2012</u>	
Net change in fund balances shown for total governmental funds		\$ 1,582,673
This amount differs from the change in net position shown in the statement of activities because of the following:		
Capital outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which expenditures for acquisition of capital assets exceeded depreciation expense for the period.		
	Capital expenditures and loss on disposal of capital assets	6,946,038
	Depreciation expense	<u>2,138,263</u>
		4,807,775
Major revenues are recorded in the governmental funds when they become susceptible to accrual, that is when they are earned, measurable, and available to provide current financial resources. In the statement of activities, major revenues are recognized when they are earned and measurable, regardless of when they become available. This is the amount by which earned revenues for the current period exceeded the amount of prior year earned revenues not recognized as being available until the current period.		
	Current year revenues	439,320
	Prior year revenues	<u>239,572</u>
		199,748
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; i.e., deferred revenue.		
	Current year revenues	2,911,761
	Prior year revenues	<u>2,719,266</u>
		192,495
Payments on retirement system debt are shown as expenditures in the governmental funds. These payments are shown in the statement of net position 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.		
		542,834
Other post-employment obligations are not reported in the governmental funds. This liability is shown in the statement of net position as a non-current liability and in the statement of activities as an expense.		
		(4,870,693)
Bond and lease principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net position 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.		
		2,017,093
Receipt of bond proceeds is recorded as a financing source in the governmental funds. These proceeds are shown in the statement of net position as an increase in related liabilities. This is the amount of bonds issued and proceeds received during the current year.		
		(5,085,687)
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.		
	2012 Current year expenditures	1,331,804
	2013 Allocated expenses	<u>1,406,520</u>
		(74,716)
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.		
	2012 expenditures	3,156,911
	2012 Expenses incurred during current year	<u>3,250,843</u>
		(93,932)
Interfund transactions are eliminated in the statement of activities. The amounts offset, and have a zero effect on operations.		
	Transfers in	1,013,965
	Transfers out	<u>1,013,965</u>
		-
Change in net position of governmental activities shown in the statement of activities.		<u>\$ (782,410)</u>

CITY OF SARATOGA SPRINGS, NEW YORK

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

	December 31, 2012			
	Water Activities	Sewer Activities	City Center Activities	Total
ASSETS				
CURRENT ASSETS				
Cash and equivalents	\$ 151,760	\$ 278,683	\$ 75,511	\$ 505,954
Cash and cash equivalents, restricted	2,193,260	86,065	6,439,447	8,718,772
Investments, restricted	-	-	212	212
Receivables, net of uncollectibles	1,295,252	1,621,179	225,556	3,141,987
Inventories	48,449	15,252	-	63,701
Prepaid expenses	49,916	24,370	36,577	110,863
Total current assets	3,738,637	2,025,549	6,777,303	12,541,489
NONCURRENT ASSETS				
Capital assets, net	5,854,822	1,455,872	14,657,207	21,967,901
Total assets	9,593,459	3,481,421	21,434,510	34,509,390
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable and other current liabilities	156,725	57,588	399,693	614,006
Current maturities on long-term liabilities	473,123	35,352	2,897	511,372
Internal balances due to governmental activities	672,663	763,732	-	1,436,395
Accrued interest payable	290,953	70,476	-	361,429
Total current liabilities	1,593,464	927,148	402,590	2,923,202
NONCURRENT LIABILITIES				
Long-term liabilities, less current maturities	7,072,437	1,451,565	3,041	8,527,043
Other post-employment liability	1,650,860	891,344	-	2,542,204
Total liabilities	10,316,761	3,270,057	405,631	13,992,449
NET POSITION (DEFICIT)				
Net investment in capital assets	(1,679,552)	(25,586)	14,657,207	12,952,069
Restricted for				
Capital improvements	-	-	6,439,659	6,439,659
Water line extension projects	705,829	-	-	705,829
Capital projects	1,487,431	86,065	-	1,573,496
Unrestricted	(1,237,010)	150,885	(67,987)	(1,154,112)
Total net position (deficit)	\$ (723,302)	\$ 211,364	\$21,028,879	\$20,516,941

CITY OF SARATOGA SPRINGS, NEW YORK

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

	Year Ended December 31, 2012			
	Water	Sewer	City Center	Total
OPERATING REVENUES				
Water sales	\$ 3,152,201	\$ -	\$ -	\$ 3,152,201
Sewer sales	-	3,925,598	-	3,925,598
General operating	-	-	51,145	51,145
Facility charges	-	-	789,757	789,757
Total operating revenues	<u>3,152,201</u>	<u>3,925,598</u>	<u>840,902</u>	<u>7,918,701</u>
OPERATING EXPENSES				
Costs of sales and services	1,803,174	3,159,706	543,133	5,506,013
Administration	713,673	465,153	878,153	2,056,979
Depreciation	<u>252,517</u>	<u>10,132</u>	<u>52,658</u>	<u>315,307</u>
Total operating expenses	<u>2,769,364</u>	<u>3,634,991</u>	<u>1,473,944</u>	<u>7,878,299</u>
Operating income	<u>382,837</u>	<u>290,607</u>	<u>(633,042)</u>	<u>40,402</u>
NONOPERATING REVENUES (EXPENSES)				
Hotel occupancy tax	-	-	956,954	956,954
Other general revenue items	24,967	6,563	58,858	90,388
Interest and earnings	654	-	13,444	14,098
Interest	<u>(271,620)</u>	<u>(70,476)</u>	<u>-</u>	<u>(342,096)</u>
Total nonoperating revenues (expenses)	<u>(245,999)</u>	<u>(63,913)</u>	<u>1,029,256</u>	<u>719,344</u>
Income before transfers	<u>136,838</u>	<u>226,694</u>	<u>396,214</u>	<u>759,746</u>
Transfer to governmental funds	<u>(441,267)</u>	<u>(267,495)</u>	<u>133,258</u>	<u>(575,504)</u>
CHANGE IN NET POSITION	<u>(304,429)</u>	<u>(40,801)</u>	<u>529,472</u>	<u>184,242</u>
NET POSITION (DEFICIT), beginning of year	(689,283)	(846,022)	20,349,611	18,814,306
Prior period adjustments	<u>270,410</u>	<u>1,098,187</u>	<u>149,796</u>	<u>1,518,393</u>
NET POSITION (DEFICIT), end of year	<u>\$ (723,302)</u>	<u>\$ 211,364</u>	<u>\$ 21,028,879</u>	<u>\$ 20,516,941</u>

CITY OF SARATOGA SPRINGS, NEW YORK
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

	Year Ended December 31, 2012			
	Water	Sewer	City Center	Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Charges for services	\$ 2,885,166	\$ 3,870,514	\$ 851,660	\$ 7,607,340
Payments to contractors and suppliers	(1,033,928)	(3,079,676)	(705,760)	(4,819,364)
Payments to employees, payroll taxes, and benefits	(1,495,144)	(692,154)	(965,610)	(3,152,908)
	<u>356,094</u>	<u>98,684</u>	<u>(819,710)</u>	<u>(364,932)</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond proceeds	2,015,000	100,000	-	2,115,000
Purchase of capital assets	(554,545)	(20,922)	(776,091)	(1,351,558)
Payment on bonds	(423,735)	(29,936)	-	(453,671)
Interest paid	(215,469)	(72,132)	(566)	(288,167)
	<u>821,251</u>	<u>(22,990)</u>	<u>(776,657)</u>	<u>21,604</u>
CASH FLOWS PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Hotel occupancy taxes	-	-	971,616	971,616
Sale of investments	-	-	211	211
Transfers and other	(416,300)	(260,932)	192,116	(485,116)
	<u>(416,300)</u>	<u>(260,932)</u>	<u>1,163,943</u>	<u>486,711</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES				
Interest and dividends received	654	-	13,444	14,098
(Allocation to) use of restricted cash and cash equivalents	(750,090)	206,086	86,044	(457,960)
	<u>(749,436)</u>	<u>206,086</u>	<u>99,488</u>	<u>(443,862)</u>
Net increase (decrease) in cash and cash equivalents	11,609	20,848	(332,936)	(300,479)
CASH AND CASH EQUIVALENTS, beginning of year	140,151	257,835	408,447	806,433
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 151,760</u>	<u>\$ 278,683</u>	<u>\$ 75,511</u>	<u>\$ 505,954</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 382,837	\$ 290,607	\$ (633,042)	\$ 40,402
Depreciation expense	252,517	10,132	52,658	315,307
(Increase) decrease in				
Receivables, net of allowances	(267,035)	(55,084)	10,758	(311,361)
Inventory	7,164	-	-	7,164
Prepays	(49,916)	(24,370)	(26,638)	(100,924)
Increase (decrease) in				
Accounts payable and other liabilities	49,636	38,411	(162,627)	(74,580)
OPEB liability	117,978	77,709	(60,819)	134,868
Due to other funds	(137,087)	(238,721)	-	(375,808)
Net cash provided (used) by operating activities	<u>\$ 356,094</u>	<u>\$ 98,684</u>	<u>\$ (819,710)</u>	<u>\$ (364,932)</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 POSITION - FIDUCIARY FUNDS**

	December 31, 2012	
	Agency Funds	Private Purpose Trust
ASSETS		
Cash	<u>\$ 717,737</u>	<u>\$ 35,107</u>
LIABILITIES		
Accounts payable	570,295	-
Due to other governments	147,411	-
Due to other funds	<u>31</u>	<u>-</u>
Total liabilities	<u>717,737</u>	<u>-</u>
NET POSITION	<u>\$ -</u>	<u>\$ 35,107</u>

CITY OF SARATOGA SPRINGS, NEW YORK

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

	Year Ended December 31, 2012
	Private Purpose Trust
ADDITIONS	
Private donations	\$ 750
Interest earnings	35
Total additions	<u>785</u>
DEDUCTIONS	
Culture and recreation	<u>970</u>
CHANGE IN NET POSITION	(185)
NET POSITION, beginning of year	<u>35,292</u>
NET POSITION, end of year	<u>\$ 35,107</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 (U.S. 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 U.S. 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, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City's significant accounting policies are described below.

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 position 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 to external users for support.

The statement of net position 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

The preparation of financial statements requires management 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, 2012

NOTE 1 - ORGANIZATION AND 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 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, 2012

NOTE 1 - ORGANIZATION AND 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 (Community Development) is used to account for federally-funded community development block grants, revolving loan funds, and other federally-funded programs. The City has two special districts: the Downtown 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 for future expansion of 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, 2012

NOTE 1 - ORGANIZATION AND 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 account groups 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 position.

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 restricted cash and cash equivalents are considered investments for cash flow purposes.

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 6.5% - 6.75% of outstanding property and school taxes at December 31, 2012. 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, 2012

NOTE 1 - ORGANIZATION AND 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 of external constraints. Restricted assets are maintained in separate bank accounts, and the City Council limits their use to their corresponding purpose

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. *Fund Balance*

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

Restricted - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action such as legislation, resolution or ordinance by the government's highest level of decision-making authority.

Assigned - Amounts that are constrained only by the government's *intent* to be used for a specified purpose, but are not restricted or committed in any manner.

Unassigned - The residual amount in the General Fund after all of the other classifications have been established. In a special revenue fund, if expenditures and other financing uses exceed the amounts restricted, committed or assigned for those purposes, then a negative unassigned fund balance will occur.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

l. Fund Balance - Continued

The City's fund balance policy is set by the Council, the highest level of decision-making authority. The City considers "formal action" for a committed fund balance to be the passing of a resolution by Council. The Council has delegated the ability to assign fund balance to the Commissioner of Finance. The City considers funds to be expended in the order of restricted, committed, assigned, and unassigned. In accordance with the City's fund balance policy, unrestricted fund balance in the General Fund shall not be less than 10% and not more than 12.5% of the total adopted budgeted expenditures of the General Fund. In the event the unrestricted fund balance of the General Fund exceeds the maximum requirement, the excess may be utilized for any lawful purpose approved by the Council.

m. 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.

n. 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 position. 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.

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 scheduled debt payment annually, and WASAD reimburses the City every year at a lower amount than the actual debt. When the bond is fully paid off, WASAD will continue to reimburse the City for its remaining portion of the bond.

o. New Accounting Pronouncements

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.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The City fully adopted GASB Statements No. 62 and No. 63 as of January 1, 2012, and there was no significant impact to the financial statements.

p. Subsequent Events

The City has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through July 24, 2013, the date the financial statements were available to be issued.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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. Expenditures may not legally exceed budgeted appropriations at the activity level. 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.

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, 2012.

Cash and Cash Equivalents, Restricted

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

Debt service	\$ 2,066,447
Special assessment district purposes	1,963
Tax stabilization	1,501,439
Capital projects	1,269,421
Capital improvements	2,480,329
Community development	364,575
Council designated purposes	<u>78,552</u>
Total restricted cash and cash equivalents	<u>\$ 7,762,726</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

a. Cash, Cash Equivalents, and Investments - Continued

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

City Center capital improvements	\$ 6,439,447
Water capital projects	2,193,260
Sewer capital projects	<u>86,065</u>
Total restricted	<u>\$ 8,718,772</u>

b. Receivables

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

Receivables	General	Capital	Debt Service	Community Development	Water	Sewer	Center Authority	Total
City and county taxes	\$ 870,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 870,766
School taxes	641,119	-	-	-	-	-	-	641,119
Tax sales	874,018	-	-	-	-	-	-	874,018
Water rents	-	-	-	-	1,271,852	-	-	1,271,852
Sewer rents	-	-	-	-	-	1,699,450	-	1,699,450
Accounts	2,153,937	-	-	-	83,000	-	19,870	2,256,807
Rehabilitation loans	-	-	-	162,817	-	-	-	162,817
State and federal	1,513,999	92,370	-	56,698	-	-	-	1,663,067
Other governments	638,298	-	300	-	-	-	205,686	844,284
Total net receivables	<u>6,692,137</u>	<u>92,370</u>	<u>300</u>	<u>219,515</u>	<u>1,354,852</u>	<u>1,699,450</u>	<u>225,556</u>	<u>10,284,180</u>
Allowance for uncollectible accounts	<u>(1,395,638)</u>	<u>-</u>	<u>-</u>	<u>(15,508)</u>	<u>(59,600)</u>	<u>(78,271)</u>	<u>-</u>	<u>(1,549,017)</u>
Total net receivables	<u>\$ 5,296,499</u>	<u>\$ 92,370</u>	<u>\$ 300</u>	<u>\$ 204,007</u>	<u>\$ 1,295,252</u>	<u>\$ 1,621,179</u>	<u>\$ 225,556</u>	<u>\$ 8,735,163</u>

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

Receivables net of allowances	
Governmental activities	\$ 5,593,176
Business-type activities	<u>3,141,987</u>
Total	<u>\$ 8,735,163</u>

c. Capital Assets

Capital asset activity was as follows:

Governmental Activities	Year Ended December 31, 2012			Balance December 31, 2012
	Balance January 1, 2012	Additions/ Adjustments	Retirements/ Reclassifications	
Capital assets not being depreciated				
Land	\$ 3,921,258	\$ -	\$ -	\$ 3,921,258
Work in progress	12,733,695	1,796,548	(5,079,986)	9,450,257
Total capital assets not being depreciated	<u>16,654,953</u>	<u>1,796,548</u>	<u>(5,079,986)</u>	<u>13,371,515</u>
Depreciable capital assets				
Buildings	14,449,822	248,577	(150,000)	14,548,399
Improvements	8,625,513	66,560	-	8,692,073
Machinery, equipment, and vehicles	13,134,228	808,021	(625,092)	13,317,157
Infrastructure	47,361,898	8,955,464	(40,279)	56,277,083
Total depreciable capital assets	<u>83,571,461</u>	<u>10,078,622</u>	<u>(815,371)</u>	<u>92,834,712</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

c. Capital Assets

Governmental Activities	Year Ended December 31, 2012			Balance December 31, 2012
	Balance January 1, 2012	Additions/ Adjustments	Retirements/ Reclassifications	
Less accumulated depreciation				
Buildings	5,926,303	341,021	-	6,267,324
Improvements other than buildings	2,877,758	392,257	-	3,270,015
Machinery, equipment, and vehicles	9,110,939	803,195	-	9,914,134
Infrastructure	26,874,195	601,790	-	27,475,985
Total accumulated depreciation	44,789,195	2,138,263	-	46,927,458
Net depreciable capital assets	38,782,266	7,940,359	(815,371)	45,907,254
Total net capital assets governmental activities	\$ 55,437,219	\$ 9,736,907	\$ (5,895,357)	\$ 59,278,769

Business-type Activities	Year Ended December 31, 2012			Balance December 31, 2012
	Balance January 1, 2012	Additions/ Adjustment	Retirement Reclassifications	
Water activity				
Capital assets not being depreciated				
Land	\$ 325,841	\$ -	\$ -	\$ 325,841
Work in progress	-	381,888	-	381,888
Total capital assets not being depreciated	325,841	381,888	-	707,729
Depreciable capital assets				
Buildings	749,195	-	-	749,195
Improvements	1,236,532	-	-	1,236,532
Machinery, equipment, and vehicles	686,537	15,000	-	701,537
Infrastructure	14,911,188	157,657	-	15,068,845
Total depreciable capital assets	17,583,452	172,657	-	17,756,109
Less accumulated depreciation				
Buildings	219,991	10,317	-	230,308
Improvements	70,375	54,842	-	125,217
Machinery, equipment, and vehicles	325,469	29,551	-	355,020
Infrastructure	11,740,664	157,807	-	11,898,471
Total accumulated depreciation	12,356,499	252,517	-	12,609,016
Net depreciable capital assets	5,226,953	(79,860)	-	5,147,093
Total net capital assets water activities	\$ 5,552,794	\$ 302,028	\$ -	\$ 5,854,822

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

c. Capital Assets - Continued

Business-type Activities	Year Ended December 31, 2012			Balance December 31, 2012
	Balance January 1, 2012	Additions/ Adjustment	Retirement Reclassifications	
Sewer Activity				
Capital assets not being depreciated				
Work in progress	\$ -	\$ 987,147	\$ -	\$ 987,147
Depreciable capital assets				
Improvements	\$ 197,246	\$ -	\$ -	\$ 197,246
Machinery, equipment, and vehicles	14,817	-	-	14,817
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	3,113	1,997	-	5,110
Machinery, equipment, and vehicles	54,948	1,160	-	56,108
Infrastructure	16,145	6,975	-	23,120
Total accumulated depreciation	<u>74,206</u>	<u>10,132</u>	<u>-</u>	<u>84,338</u>
Net depreciable capital assets	<u>478,857</u>	<u>(10,132)</u>	<u>-</u>	<u>468,725</u>
Total net capital assets sewer activities	<u>\$ 478,857</u>	<u>\$ 977,015</u>	<u>\$ -</u>	<u>\$ 1,455,872</u>
City Center Authority				
Buildings	\$ -	\$ 14,706,228	\$ -	\$ 14,706,228
Machinery, equipment, and vehicles	141,455	-	-	141,455
Work in progress	13,930,135	-	(13,930,135)	-
Accumulated depreciation	144,077	52,658	(6,259)	190,476
Total net capital assets City Center Authority	<u>\$ 13,927,513</u>	<u>\$ 14,653,570</u>	<u>\$ (13,923,876)</u>	<u>\$ 14,657,207</u>

Depreciation expense was charged to functions/programs as follows:

Mayor	\$ 15,902
Finance	16,138
DPW	719,380
DPS	60,865
Accounts	4,067
Police	91,345
Fire	236,594
Home and community service	21,047
Transportation	423,484
Culture and recreation	549,441
Total depreciation expense for governmental activities	<u>\$ 2,138,263</u>
Water	\$ 252,517
Sewer	10,132
City center authority	52,658
Total depreciation expense for business-type activities	<u>\$ 315,307</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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>	<u>December 31, 2012</u>	
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 1,818,006	\$ -
Water	-	672,663
Sewer	-	763,732
Agency	-	31
Debt Service	-	381,580
	<u>\$ 1,818,006</u>	<u>\$ 1,818,006</u>

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

<u>Fund</u>	<u>December 31, 2012</u>	
	<u>Due To</u>	<u>Due From</u>
Internal balances		
Governmental	\$ 1,436,395	\$ -
Business-type	-	1,436,395
	<u>\$ 1,436,395</u>	<u>\$ 1,436,395</u>

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

<u>Fund</u>	<u>December 31, 2012</u>	
	<u>In</u>	<u>Out</u>
General	\$ 631,970	\$ 75,000
Capital	250,000	562,516
SAD	-	250,000
WASAD	-	49,503
Debt service	131,995	-
Community Development	-	76,946
	<u>\$ 1,013,965</u>	<u>\$ 1,013,965</u>

In the government-wide statement of net position, interfund receivables and payables of \$381,581 between governmental activities were eliminated, leaving the balances shown above. In the government-wide statement of activities, interfund transfers of \$1,013,965 between governmental activities were eliminated, leaving \$201,333 in transfers from the governmental activities to the business-type activities and \$776,837 in transfers from the business-type activities to the governmental activities. The net amount transferred from the business-type activities to the governmental activities was \$575,504.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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 May 15, 2012, the City issued a \$6,645,383, 28 year, general obligation bond. On December 15, 2012, the City issued a \$555,304, 10 year, statutory installment bond. Of the total amount, \$5,085,687 was issued to finance governmental activities, \$100,000 to finance sewer activities and \$2,015,000 was issued to finance water activities.

A summary of the City's general obligation serial bond transactions for the year ended December 31, 2012, is as follows:

Bonds payable, beginning of year	\$ 36,736,200
Bonds issued	7,200,687
Bonds retired	<u>(1,801,200)</u>
Bonds payable, end of year	<u><u>\$ 42,135,687</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 from Federal and New York State income tax purposes. These bonds generally are issued as 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, 2012</u>
Serial Bond, general obligation	07/93	03/13	4.75%	\$ 160,000
Serial Bond, EFC	03/97	02/17	3.40%	845,000
Serial Bond, general obligation	10/97	09/17	4.50%	400,000
Serial Bond, general obligation	06/00	06/14	5.12%	320,000
Serial Bond, general obligation	09/02	09/22	3.90%	1,055,000
Serial Bond, general obligation	04/04	02/34	4.00%	3,300,000
Serial Bond, general obligation	03/05	06/24	3.85%	3,255,000
Serial Bond, general obligation	04/06	04/35	4.25%	7,495,000
Serial Bond, general obligation	07/07	07/30	3.70%	7,910,000
Serial Bond, general obligation	08/08	08/38	5.00%	4,675,000
Serial Bond, general obligation	01/09	01/24	4.25%	620,000
Serial Bond, general obligation	09/09	09/39	4.25%	1,315,000
Serial Bond, general obligation	07/10	07/37	4.42%	1,475,000
Statutory Installment Bond	04/11	04/39	4.63%	2,110,000
Serial Bond, general obligation	05/12	05/39	3.00%	6,645,383
Statutory Installment Bond	12/12	12/22	2.00%	<u>555,304</u>
				<u><u>\$ 42,135,687</u></u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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, 2013	\$ 1,990,687	\$ 1,742,048	\$ 3,732,735
2014	1,820,000	1,585,499	3,405,499
2015	1,715,000	1,520,511	3,235,511
2016	1,755,000	1,457,268	3,212,268
2017	1,735,000	1,391,853	3,126,853
For the years ending December 31, 2018-2022	8,755,000	5,983,176	14,738,176
2023-2027	8,520,000	4,232,852	12,752,852
2028-2032	8,250,000	2,467,974	10,717,974
2033-2037	6,160,000	916,683	7,076,683
2038-2039	<u>1,435,000</u>	<u>62,707</u>	<u>1,497,707</u>
	<u>\$ 42,135,687</u>	<u>\$ 21,360,571</u>	<u>\$ 63,496,258</u>

Of the total outstanding indebtedness of the City in the sum of \$42,135,687, \$29,285,870 was subject to the statutory debt limit and represented approximately 39% of the City's \$74,849,531 self-imposed debt limit.

ii. Special Assessment Debt

At December 31, 2012, the amount of special assessment debt outstanding for SAD and WASAD was \$53,192 and \$154,848, respectively. These amounts are reflected in the governmental activities statement of net position and included in the schedules above.

iii. Lease Payables

On March 7, 2008, the City entered into a lease agreement in the amount of \$1,721,297 to finance the purchase and installation of energy management equipment. The rate of interest on the first \$1,000,000 is 2%, which was bought down by a New York State Energy Research and Development Authority ("NYSERDA") grant. Principal payments of \$86,011 were made in 2012. On December 14, 2012, the City issued a statutory installment bond in the amount of \$555,304 to refinance the portion of the lease not subsidized by NYSERDA. The principal balance remaining on the lease is \$639,480.

In May 2010, the City entered into a lease agreement in the amount of \$84,750 to finance the purchase of public safety vehicles. Principal payments of \$28,250 were made in 2012. The principal balance remaining on the lease is \$9,417, which will be paid in April 2013.

v. 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:

	<u>January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2012</u>
Sick time	\$ 2,567,404	\$ 153,491	\$ 112,635	\$ 2,608,260
Compensatory time	548,393	1,012,998	810,678	750,713
Total	<u>\$ 3,115,797</u>	<u>\$ 1,166,489</u>	<u>\$ 923,313</u>	<u>\$ 3,358,973</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

e. Indebtedness - Continued

vi. Long-Term Liabilities, Less Current Maturities

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

	<u>Due In One Year</u>	<u>More Than One Year</u>	<u>Total</u>
Governmental Activities			
Debt			
EPC Lease	\$ 43,687	\$ 595,793	\$ 639,480
Vehicle Leases	9,417	-	9,417
Bonds	1,490,332	31,629,523	33,119,855
ERS/PFRS Amortized	586,807	1,331,557	1,918,364
	<u>\$ 2,130,243</u>	<u>\$ 33,556,873</u>	<u>\$ 35,687,116</u>
Water			
Debt			
Bonds	\$ 467,666	\$ 7,066,708	\$ 7,534,374
ERS Amortized	5,457	5,729	11,186
	<u>\$ 473,123</u>	<u>\$ 7,072,437</u>	<u>\$ 7,545,560</u>
Sewer			
Debt			
Bonds	\$ 32,689	\$ 1,448,769	\$ 1,481,458
ERS Amortized	2,663	2,796	5,459
	<u>\$ 35,352</u>	<u>\$ 1,451,565</u>	<u>\$ 1,486,917</u>
City Center			
Debt			
ERS Amortized	\$ 2,897	\$ 3,041	\$ 5,938
Business Type Activities			
Debt			
Bonds	\$ 500,355	\$ 8,515,477	\$ 9,015,832
ERS Amortized	11,017	11,566	22,583
	<u>\$ 511,372</u>	<u>\$ 8,527,043</u>	<u>\$ 9,038,415</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.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

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 2012 on December 15, 2012. The required contributions for the current and two preceding years were:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
ERS regular contribution	\$ 1,769,014	\$ 1,455,513	\$ 965,248
ERS 2004 amortization	51,194	51,507	51,507
PFRS regular contribution	2,367,796	1,773,637	1,412,757
PFRS 2004 amortization	84,743	85,261	84,743
PFRS Fire 384E	136,868	138,191	138,191
PFRS Police 384EB	48,003	48,467	48,467
PFRS Police 84E	369,007	372,574	372,574
PFRS Police Re-open 384D	<u>49,323</u>	<u>49,800</u>	<u>49,800</u>
 Totals	 <u>\$ 4,875,948</u>	 <u>\$ 3,974,950</u>	 <u>\$ 3,123,287</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, 2012**

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, 2014	\$ 46,718	\$ 4,789	\$ 51,507
Payable February 1, 2015	<u>49,054</u>	<u>2,453</u>	<u>51,507</u>
Totals	<u>\$ 95,772</u>	<u>\$ 7,242</u>	<u>\$ 103,014</u>
<u>PFRS Amortization</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2014	\$ 76,865	\$ 7,878	\$ 84,743
Payable February 1, 2015	<u>80,708</u>	<u>4,035</u>	<u>84,743</u>
Totals	<u>\$ 157,573</u>	<u>\$ 11,913</u>	<u>\$ 169,486</u>

The unpaid principal balance of \$253,345 at December 31, 2012, for the above amortizations is included in the financial statements as a non-current governmental liability, of which \$123,583 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 ten 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, 2014	<u>\$ 128,170</u>	<u>\$ 10,021</u>	<u>\$ 138,191</u>

The unpaid principal balance of \$128,170 at December 31, 2012, is included in the financial statements as a non-current governmental liability, of which \$128,170 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 is paying for this program over a ten-year period at 8% interest per annum. The first installment was paid in February 2008, for the City's 2007 fiscal year and the final installment is due in February 2017.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

- f. Employee Retirement Systems and Pension Plan - Continued*
- ii. Employee Retirement Systems Funding Policy - Continued*

The maturity schedules for this debt are as follows:

384 E - Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,234,013</u>	<u>\$ 256,283</u>	<u>\$ 1,490,296</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 160,530</u>	<u>\$ 33,338</u>	<u>\$ 193,868</u>

384 EB Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 164,889</u>	<u>\$ 34,311</u>	<u>\$ 199,200</u>

The unpaid principal balance of \$1,559,432 at December 31, 2012, 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 \$346,070 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.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 4 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

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, 2012, the City contributed \$2,236,713 to the Retiree Health Plan. Some Retiree Health Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$262,477 for the year ended December 31, 2012.

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 2012, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

Required Information	Govt.	Water	Sewer	Total
Annual required contribution	\$ 7,563,062	\$ 325,264	\$ 148,898	\$ 8,037,224
Interest on net OPEB obligation	1,031,341	56,734	30,309	1,118,384
Adjustment to annual required contribution	<u>(1,551,161)</u>	<u>(85,330)</u>	<u>(45,585)</u>	<u>(1,682,076)</u>
Annual OPEB cost (expense)	7,043,242	296,668	133,622	7,473,532
Contributions made (expected)	<u>(2,172,549)</u>	<u>(64,164)</u>	-	<u>(2,236,713)</u>
Increase in net OPEB obligation	4,870,693	232,504	133,622	5,236,819
Net OPEB obligation, beginning of year	<u>25,783,519</u>	<u>1,418,356</u>	<u>757,722</u>	<u>27,959,597</u>
Net OPEB obligation, end of year	<u>\$30,654,212</u>	<u>\$ 1,650,860</u>	<u>\$ 891,344</u>	<u>\$33,196,416</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 2012 was as follows:

Activity	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012			
Governmental	\$ 7,043,242	31%	\$ 30,654,212
Water	296,668	22%	1,650,860
Sewer	133,622	0%	891,344
December 31, 2011			
Governmental	9,739,542	27%	25,783,518
Water	426,252	9%	1,418,356
Sewer	182,442	0%	757,722
December 31, 2010			
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, 2012, the actuarial accrued liability for benefits was \$78,232,416, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Retiree Health Plan) was \$20,837,019, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 375%.

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.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

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 a Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

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

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

Turnover - Rates of decrement due to turnover based on the experience under the New York State 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 Society of Actuaries (SOA) Long-Run Medical Cost Trend Model.

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, 2012, was twenty-six years.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 5 - PRIOR PERIOD ADJUSTMENTS

The City made certain prior period adjustments to correct government-wide and proprietary fund net position as of the beginning of the year for the correction of the retirement liability, capital assets not previously classified in the proper fund, an allowance related to receivables resulting from prior years activity, and for other miscellaneous items.

Description	Fund	Governmental Activities	Business-Type Activities	Total
Adjust retirement liability balance	City Center	\$ -	\$ 143,537	\$ 143,537
Adjust retirement liability balance	Water	-	270,410	270,410
Adjust retirement liability balance	Sewer	-	131,962	131,962
Adjust retirement liability balance	General	(1,061,099)	-	(1,061,099)
Reclassification of work in progress in General Fund	General/Sewer	(966,225)	966,225	-
Adjust for depreciation error in prior year	City Center	-	6,259	6,259
CHIPS overpayment in prior periods	General	(4,368)	-	(4,368)
Parking ticket allowance related to prior periods	General	(1,202,119)	-	(1,202,119)
 Total prior period adjustments		 <u>\$ (3,233,811)</u>	 <u>\$ 1,518,393</u>	 <u>\$ (1,715,418)</u>

An additional prior period adjustment was made in the fund financial statements only. This adjustment increased the capital projects fund balance by \$489,917 to properly account for proprietary fund project activity.

NOTE 6 - REMEDIATION COSTS

During 2012, \$214,589 in expenses were included in the government-wide financial statements as a capital expense during 2012 for costs to improve the fleet fueling system, the removal of soil and overages at the garage and compost facilities, and for a consultant. The City will also need to pay for the costs identified in the Environmental Benefit Plan, once it is approved. It is estimated that these costs will total \$185,000 and will appear as expenses in the government-wide financial statements.

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 effect on 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 2012 annual contribution to the workers' compensation pool was \$372,590.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 - COMMITMENTS AND CONTINGENCIES - Continued

c. Grant Programs

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

d. 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.

e. Labor Relations

The City has 298 employees covered by seven bargaining units. Contracts with the Police Chiefs, Police Lieutenants, and Fire Chiefs expired on December 31, 2008. Contracts with the firefighters expired on December 31, 2011. Contracts with the CSEA City Hall, CSEA Public Works, and the Police Benevolent Association expired on December 31, 2012. All expired contracts are under negotiation.

NOTE 8 - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term *deferred* in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

In March 2012, GASB issued Statement No. 66, *Technical Corrections*. This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement and to defined contribution plans that provide postemployment benefits other than pensions. This statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria. In addition, this statement requires single-employer and cost-sharing pension plans to present certain information for each of the ten most recent fiscal years about employer and nonemployer contributing entity obligations for pensions provided through the pension plan in required supplementary information. This statement is effective for periods beginning after June 15, 2013, with early implementation encouraged.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 8 - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED - Continued

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations, including mergers and acquisitions. This statement requires disclosures to be made that will enable financial statement users to evaluate the nature and financial effect of those transactions. This statement is effective for periods beginning after December 15, 2013, with earlier application encouraged.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. An obligation guaranteed in a nonexchange transaction will need to be reported until it is legally released as an obligor. This statement is effective for periods beginning after June 15, 2013, with earlier application encouraged.

Management has not estimated the extent of potential impact of these statements on the City's financial statements

NOTE 9 - SUBSEQUENT EVENTS

On June 12, 2013, the City issued \$4,278,499 in general obligation bonds to finance various projects, including water improvements and reconstruction of numerous City buildings. The bonds will mature in 2033.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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, 2012			
	Budgeted Amounts		Actual	Variance with
	Adopted	Revised	Amounts	Revised - Positive (Negative)
REVENUES				
Real property taxes and tax items	\$ 16,669,468	\$ 16,679,173	\$ 16,519,475	\$ (159,698)
Non-property taxes	11,966,508	11,966,508	12,131,794	165,286
Departmental income	1,530,396	1,808,387	1,986,589	178,202
Intergovernmental charges	297,000	305,618	309,061	3,443
Use of money and property	384,000	384,000	447,779	63,779
Licenses and permits	237,900	237,900	397,762	159,862
Fines and forfeitures	617,400	626,860	590,366	(36,494)
Sale of property and compensation for loss	376,226	420,542	607,084	186,542
Miscellaneous	1,620,800	1,671,281	1,701,896	30,615
State aid	3,107,950	3,428,684	3,448,324	19,640
Federal aid	334,358	387,774	435,740	47,966
Total revenues	<u>37,142,006</u>	<u>37,916,727</u>	<u>38,575,870</u>	<u>659,143</u>
EXPENDITURES				
General government support	6,187,935	7,907,238	7,739,609	167,629
Public safety	20,660,660	21,540,366	20,882,005	658,361
Health	119,568	216,221	17,965	198,256
Transportation	4,061,186	6,407,612	4,550,758	1,856,854
Economic opportunity and development	131,291	131,291	141,291	(10,000)
Culture and recreation	2,580,005	2,510,138	2,299,148	210,990
Home and community service	949,275	1,106,686	957,489	149,197
Debt service	342,903	137,903	137,903	-
Total expenses	<u>35,032,823</u>	<u>39,957,455</u>	<u>36,726,168</u>	<u>3,231,287</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	103,671	103,671	631,970	528,299
Interfund transfers out	<u>(215,855)</u>	<u>(283,930)</u>	<u>(276,333)</u>	<u>7,597</u>
Total other financing sources (uses)	<u>(112,184)</u>	<u>(180,259)</u>	<u>355,637</u>	<u>535,896</u>
Net change in fund balance (actual) and appropriated fund balance (budget)	<u>\$ 1,996,999</u>	<u>\$ (2,220,986)</u>	2,205,339	<u>\$ 4,426,325</u>
FUND BALANCE, beginning of year			10,498,773	
Prior period adjustment			<u>(4,368)</u>	
FUND BALANCE, end of year			<u>\$ 12,699,744</u>	

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, 2012			
	Budgeted Amounts		Actual Amounts	Variance with Revised - Positive (Negative)
	Adopted	Revised		
REVENUES				
Real property taxes and tax items	\$ 2,892,416	\$ 2,892,416	\$ 2,615,519	\$ (276,897)
Use of money and property	40,400	40,400	405,602	365,202
Total revenues	<u>2,932,816</u>	<u>2,932,816</u>	<u>3,021,121</u>	<u>88,305</u>
EXPENDITURES				
General government support	28,000	75,250	21,419	53,831
Debt service, principal	1,606,187	2,579,073	1,333,063	1,246,010
Debt service, interest	1,429,876	1,492,198	1,297,239	194,959
Total expenditures	<u>3,064,063</u>	<u>4,146,521</u>	<u>2,651,721</u>	<u>1,494,800</u>
OTHER FINANCING SOURCES				
Interfund transfers in	<u>131,247</u>	<u>131,247</u>	<u>131,995</u>	<u>748</u>
Net change in fund balance (actual) and appropriated fund balance (budget)	<u>\$ -</u>	<u>\$ (1,082,458)</u>	501,395	<u>\$ 1,583,853</u>
FUND BALANCE, beginning of year			<u>1,180,926</u>	
FUND BALANCE, end of year			<u>\$ 1,682,321</u>	

CITY OF SARATOGA SPRINGS, NEW YORK

**OTHER POSTEMPLOYMENT BENEFITS - SCHEDULE OF FUNDING
PROGRESS AND EMPLOYEE CONTRIBUTIONS**

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)
12/31/12	\$ -	\$ 78,232,416	\$ 78,232,416	0.00%	\$ 20,837,019	375%
12/31/10	\$ -	\$ 104,696,319	\$ 104,696,319	0.00%	\$ 15,199,469	689%
12/31/08	\$ -	\$ 79,897,486	\$ 79,897,486	0.00%	\$ 20,438,926	391%

SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF SARATOGA SPRINGS, NEW YORK

SUPPLEMENTARY INFORMATION

December 31, 2012

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

**SUPPLEMENTARY INFORMATION - COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENT FUNDS**

	<u>December 31, 2012</u>		
	<u>Downtown Special Assessment District</u>	<u>West Avenue Special Assessment District</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 117,828	\$ 3,401	\$ 121,229
Cash, special reserves	<u>1,963</u>	<u>-</u>	<u>1,963</u>
Total assets	<u>\$ 119,791</u>	<u>\$ 3,401</u>	<u>\$ 123,192</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>\$ 16,532</u>	<u>\$ -</u>	<u>\$ 16,532</u>
FUND BALANCE			
Restricted for			
Other restrictions	1,963	-	1,963
Assigned for			
Special district purposes	<u>101,296</u>	<u>3,401</u>	<u>104,697</u>
Total fund balance	<u>103,259</u>	<u>3,401</u>	<u>106,660</u>
Total liabilities and fund balances	<u>\$ 119,791</u>	<u>\$ 3,401</u>	<u>\$ 123,192</u>

CITY OF SARATOGA SPRINGS, NEW YORK

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

	<u>Year Ended December 31, 2012</u>		
	<u>Downtown Special Assessment District</u>	<u>West Avenue Special Assessment District</u>	<u>Total</u>
REVENUES			
Real property taxes and tax items	\$ 84,465	\$ 50,923	\$ 135,388
Interest and earnings	171	33	204
Total revenues	<u>84,636</u>	<u>50,956</u>	<u>135,592</u>
EXPENDITURES			
Current			
Administration	-	3,803	3,803
Economic opportunity and development	42,079	-	42,079
Debt service			
Principal	14,465	-	14,465
Interest	2,007	-	2,007
Total expenditures	<u>58,551</u>	<u>3,803</u>	<u>62,354</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	<u>(250,000)</u>	<u>(49,503)</u>	<u>(299,503)</u>
Net change in fund balance	(223,915)	(2,350)	(226,265)
FUND BALANCE, beginning of year	<u>327,174</u>	<u>5,751</u>	<u>332,925</u>
FUND BALANCE, end of year	<u>\$ 103,259</u>	<u>\$ 3,401</u>	<u>\$ 106,660</u>