CITY OF SARATOGA SPRINGS
OFFICE OF COMMISSIONER OF FINANCE

PRELIMINARY FINANCIAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Dated: May 1, 2012

CITY OF SARATOGA SPRINGS
OFFICE OF THE COMMISSIONER OF FINANCE
DECEMBER 31, 2011 PRELIMINARY FINANCIAL REPORT
BASED ON THE ANNUAL UPDATE DOCUMENT AND THE MODIFIED ACCRUAL BASIS OF ACCOUNTING

DATED: May 1, 2012

2011 Annual Update Document and 2011 Audited Financial Statements

The Annual Update Document (AUD) for the City of Saratoga Springs for fiscal year ended December 31, 2011 was completed on April 19, 2012 and filed with the State Comptroller's Office on April 23, 2012. It is important to note the AUD is prepared using the modified accrual basis of accounting and presented by fund. The Financial Statements will be prepared using full accrual and presented as government-wide, rather than by fund, but will also include the fund statements as a matter of fiscal accountability. Schedules will show what adjustments were made to convert from fund level to government-wide.

The Finance office is preparing the 2011 Financial Statements for an audit to commence June 18, 2012. Upon completion of the audit, the Commissioner of Finance will release the audited figures, which will meet generally accepted accounting principles.

Please note that all numbers in the written report are rounded to the nearest thousand, unless otherwise stated.

General Fund 2011

The AUD indicates a **$10,524,728** General Fund fund balance as of 12/31/11, of which **$6,211,775** is unrestricted and unassigned. The General Fund had an operating **surplus** of **$3,539,871**.

At this time the unrestricted and unassigned fund balance is in excess of the 10% to 12.5% range as outlined in the fund balance policy adopted by the City Council on August 16, 2011 by **$1,555,691.** The amount is calculated by taking "the audited balance available in the unrestricted fund balance of the City's General Fund for the most recently audited fiscal year, divided by the adopted expenditure budget for the ensuing fiscal year for the City General Fund."

Copies of the fund balance policy are available in the Finance Office or on the public drive.

The calculation prior to audit follows:

FUND BALANCE CALCULATION

A	$ 6,211,775	12/31/11 UNRESTRICTED UNASSIGNED FUND BALANCE
B	$37,248,677	2012 ADOPTED BUDGET (ENSUING YEAR)
	16.68%	% OF ADOPTED BUDGET
A/B	10% - 12.5%	ACCETABLE RANGE

(If below 10%, considered a shortfall or deficiency. If above 12.5% considered a surplus or excess. Within 10% to 12.5%, no action needed.)

B*12.5%=C	$ 4,656,085	12.5% LIMIT AMOUNT
A-C	**$ 1,555,691**	**SURPLUS/EXCESS**

FIGURES ARE NOT AUDITED AND ARE SUBJECT TO CHANGE.

The **restricted/assigned fund balance** is comprised of the following items:

1. $2,092,000 is restricted in the form of capital reserves and other miscellaneous reserves.
2. $2,221,000 is assigned and appropriated for expenses to be paid in 2012 as a result of encumbrances carried over from 2011. Encumbrances are expenditures committed to on or before 12/31/11 but paid after12/31/11.

The following is a **roll forward of the AUD restricted and unrestricted fund balance** for 2011 (numbers are rounded to nearest dollar):

EGINNING EST/ASSG	BEGINNING UNREST/UNASSG	PRIOR PERIOD ADJUSTMENT	ADJUSTED BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
2,809,809	**4,202,048**	**(27,000)**	**4,175,048**	**3,539,871**	**4,312,953**	**6,211,775**

(Refer to the General Fund fund balance roll forward for 2007-2011 at Attachment B.)

For further explanation of fund balance and surplus, please refer to Attachment C.

Below is a list of **items, which contributed to the AUD General Fund financial position for the fiscal year** ended December 31, 2011:

GENERAL FUND REVENUES

1. Property Taxes increased by 9% from 2010 as a result of an increase in the tax rates and an enforcement of delinquent taxes by way of foreclosure. The City continued to have a strong collection rate on all taxes of 93.3%. Interest and penalties on property taxes also increased as a result of the foreclosure proceeding by $73,000.
2. Sales tax increased from 2010 by 4% and exceeded the budget. 2011 sales tax collections were $9,377,000, a $331,000 increase from 2010 actual collections, and $277,000 more than the 2011 adopted budget.
3. The City received VLT Aid from the State in 2011 that it did not anticipate receiving and was therefore not included in the 2011 adopted budget. The City received $1,496,000. Nothing was received in 2010. The City Council created a million dollar tax stabilization reserve with some of this money.
4. Departmental income increased in Public Safety primarily due to aggressively billing for Fire Services. The City received $129,000 in 2011 and $19,000 in 2010. However this was $13,000 less than budgeted.
5. Building permits were $253,000 in 2011. This exceeded the 2011 adopted budget of $102,000 and was $167,000 greater than 2010 actual results.
6. Federal Aid increased due to a full year of reimbursement for 7 firefighters under the SAFER grant. $350,000 was reimbursed in 2011 and $9,000 in 2010.
7. Overall revenue performance was strong in 2011 with increases in actual receipts for Mortgage Tax, Occupancy Tax, Admissions Tax, and Franchise Fees, just to name a few. These actual revenues exceeded the 2011 adopted budget amounts.

GENERAL FUND EXPENSES

1. Health insurance costs were $6,057,000 in 2011. This was an increase 4% from 2010 but was $358,000 less than the revised budget for 2011. The difference was due to 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 $3,575,000, an increase of $600,000 from 2010. However the actual expenses for 2011 was $377,000 less than anticipated in the adopted budget.
3. Utility costs for City buildings in the general fund were $11,000 less than in 2010 and $105,000 les than budgeted. Total utility costs in 2011 were $539,000.
4. Overtime costs were $811,000 in 2011. An increase from 2010 of $130,000. The expense in 2011 was $37,000 less than budgeted.
5. Unemployment was budgeted as $102,000 in 2011. The actual expense was$68,000, a difference of $33,000. Unemployment in 2011 decreased by $100,000 when compared to 2010 actual costs.
6. Payments for compensatory time were $20,000 less than budgeted and $44,000 less than actual expense in 2010.
7. Total General Fund expenses were $1.5 million more than those in 2010. Actual results were $3.6 million less than budgeted. It is important to note though $2.2 million in encumbrances exist at year end. These are goods or services ordered or committed to in 2011 but which will be paid for in 2012. Therefore $1.4 was the actual unspent/uncommitted variance. The reasons for this variance are noted above.

Other Funds:

1. The Water Fund ended 2011 with a negative unassigned fund balance of $129,000. Total fund balance decreased $87,000. This was the result of a decrease in revenues for actual water sales. Water rates and consumption history should be reviewed carefully when developing rates for the following years. A plan should be established to build a comfortable amount of positive unassigned unappropriated fund balance.
2. The Sewer Fund's assigned unappropriated fund balance for 2011 was $246,000, an increase of approximately $50,000.
3. The City Center's fund balance as of December 31, 2011 was $20,502,000. $6,526,000 is restricted for capital projects and the remainder is restricted for City Center operations.

Other Items

Debt Limit

The City's self-imposed debt limit was $73,612,000 as of 12/31/11. There were outstanding bonds of $36,736,000; of which $10,840,000 represents projects whose debt was excluded from the calculation, leaving $47,716,000 available for future bonding.

Long-term Liabilities

- The value of accumulated sick and compensatory time on December 31, 2011 for all City employees was $3,230,000, a decrease of $82,000 from 2010.
- The City is obligated to the New York State Retirement System $2,498,000 for past service costs for 384e for firefighters, 384e and 384eb for police officers and for a portion of the 2004 retirement bills, all of which were amortized over a ten year period.
- The City also owes $1,318,000 in future lease payments on various equipment and vehicles.
- The long term liability calculated for post employment benefits provided to employees at retirement was valued at $27,960,000 as of December 31st.
- These obligations added to the outstanding bonded debt noted above, amounts to $71,742,000 in long term liabilities. Total long term liabilities in 2010 were $64,284,000.

Cash balances

On December 31, 2011, cash balances in the general fund were $9,428,000, an increase of $5,059,000 from 2010.

Comments for Future Years

The City needs to continue to be conservative when budgeting for the general, water and sewer funds, focus on spending reserves when appropriate and maintain and/or build fund balances. The City needs to analyze one time revenues when they occur to determine how and when they should be used. In addition the City needs to be conservative in its budgeting practices for all revenues and expenditures. Over estimation of revenues and under estimation of expenditures can have a detrimental impact on the overall position of the City in the short and long-term.

Dated: May 1, 2012

CITY OF SARATOGA SPRINGS

ATTACHMENT A - PAGE 1 of 2

General Fund	Amounts
Beginning Fund Balance	$ 7,011,857
Prior Period Adj - Dec Fund Balance	(27,000)
Adj Beginning Fund Balance	6,984,857
Add 2011 Revenues	38,944,093
Subtract 2011 Expenditures	35,404,222
Ending Fund Balance	$ 10,524,728

Debt Service Fund	Amounts
Beginning Fund Balance	$ 1,245,351
Prior Period Adj - Inc Fund Balance	27,000
Beginning Fund Balance	1,272,351
Add 2011 Revenues	2,780,317
Subtract 2011 Expenditures	2,871,742
Ending Fund Balance	$ 1,180,926

Water Fund	Amounts
Beginning Fund Balance	$ 712,897
Add 2011 Revenues	2,435,013
Subtract 2011 Expenditures	2,521,862
Ending Fund Balance	$ 626,048

City Center Authority	Amounts
Beginning Fund Balance	$ 19,259,857
Add 2011 Revenues	2,707,225
Subtract 2011 Expenditures	1,465,237
Ending Fund Balance	$ 20,501,845

CITY OF SARATOGA SPRINGS

ATTACHMENT A - PAGE 2 of 2

Sewer Fund	Amounts
Beginning Fund Balance	$ 216,122
Add 2011 Revenues	3,500,654
Subtract 2011 Expenditures	3,449,503
Ending Fund Balance	$ 267,273

Capital Fund	Amounts
Beginning Fund Balance	$ 3,538,430
Add 2011 Revenues	2,898,488
Subtract 2011 Expenditures	2,326,535
Ending Fund Balance	$ 4,110,383

CITY OF SARATOGA SPRINGS

ATTACHMENT B - PAGE 1 of 2
GENERAL FUND FUND BALANCE ROLL FORWARD
DECEMBER 31, 2007 - 2011

YEAR	BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	PRIOR PERIOD ADJUSTMENT	ADJUSTED BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
2007	2,626,654	165,723	-	165,723	4,094,749	2,927,144	3,959,982
2008	2,927,144	3,959,982	-	3,959,982	832,504	3,882,856	3,836,774
2009	3,882,856	3,836,774	(3,019)	3,833,755	(1,809,265)	3,054,802	2,852,544
2010	3,054,802	2,852,544	(2,100)	2,850,444	1,106,611	2,809,809	4,202,048
2011	**2,809,809**	**4,202,048**	**(27,000)**	**4,175,048**	**3,539,871**	**4,312,953**	**6,211,775**

CITY OF SARATOGA SPRINGS

ATTACHMENT B - PAGE 2 of 2
WATER FUND FUND BALANCE ROLL FORWARD
DECEMBER 31, 2007 - 2011

YEAR	BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
2007	777,824	(39,895)	(274,900)	638,729	(175,700)
2008	638,729	(175,700)	(120,634)	539,820	(197,425)
2009	539,820	(197,425)	98,125	648,281	(207,761)
2010	648,281	(207,761)	272,377	764,506	(51,609)
2011	**764,506**	**(51,609)**	**(86,849)**	**755,053**	**(129,005)**

SEWER FUND FUND BALANCE ROLL FORWARD
DECEMBER 31, 2007 - 2011

YEAR	BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
2007	75,784	227,022	(21,600)	15,252	265,954
2008	15,252	265,954	(123,934)	17,109	140,163
2009	17,109	140,163	(156,018)	21,313	(20,059)
2010	21,313	(20,059)	214,868	17,752	198,370
2011	**17,752**	**198,370**	**51,161**	**267,273**	**-**

ATTACHMENT C Page 1 of 2
City of Saratoga Springs
Surplus and Fund Balance as of December 31, 2011

What is surplus?

Surplus is the excess of revenues over expenses, calculated for the current period. However, if expenses are greater than revenues, it is called a deficiency.

General Fund	2011 Amounts	2010 Amounts	2009 Amounts
12/31 Revenues	38,944,093	34,955,372	33,014,964
Less: 12/31 Expenditures	35,404,222	33,848,761	34,824,229
Operating Surplus/(Deficiency)	**3,539,871**	1,106,611	(1,809,265)
Beginning Fund Balance	7,011,857	5,907,346	$ 7,719,630
Prior Period Adjustment - Decrease Fund Balance	(27,000)	(2,100)	$ (3,019)
12/31 Fund Balance	**10,524,728**	7,011,857	$ 5,907,346

What is Fund Balance and how is it broken down?

Fund balance is the amount available for future spending, adjusted annually for either the surplus or deficiency, and it can be either restricted or unrestricted. It is a cumulative figure from period to period. It is calculated by first allocating nonspendable items, restrictions, commitments or assignments. Whatever amount is remaining is the unrestricted unassigned fund balance. Unlike nonspendables, restrictions commitments, or assignments, the City Council may be able to us a portion of the positive unrestricted unassigned fund balance at it's own discretion subject to the requirements outlined in the Unrestricted Fund Balance Policy. An unrestricted unassigned fund balance that falls below 10% of the ensuing years adopted expenditure budget indicates a need for a plan to rebuild.

Restrictions/Assignments	2011 Amounts	2010 Amounts	2009 Amounts
Encumbrances - Reserve	-	1,748,195	$ 1,782,659
Restricted - Capital Reserves	1,013,025	983,311	1,131,722
Restricted - Tax Stabilization Reserve	1,000,491		
Other Restricted Fund Balance	78,451		
Council Designated/Miscellaneous Reserves	-	78,303	78,108
Assigned Fund Balance - Encumbrances	2,220,986		
Appropriated to Next Years Budget	-	-	62,313
Total Restrictions/Assignments	**4,312,953**	**2,809,809**	**$ 3,054,802**
Unrestricted Unassigned Fund Balance	**6,211,775**	**4,202,048**	**$ 2,852,544**
12/31 Fund Balance	***10,524,728***	***7,011,857***	***$ 5,907,346***

(Reserves plus Unrestricted/Unassigned Fund Balance)

ATTACHMENT C Page 2 of 2
FUND BALANCE TERMINOLOGY

Old Terminology	New Terminology
Reserve for Inventory	Nonspendable *(Inherently nonspendable due to form or because must be maintained intact.)*
Special Reserves - Capital	Restricted - Capital Reserve Restricted - Tax Stabilization Reserve
Special Reserves - Miscellaneous	Other Restricted Fund Balance *(Subject to legal restriction.)*
Unreserved Appropriated Fund Balance (For Next Year Budget)	Assigned Appropriated Fund Balance
Reserve for Encumbrances	Assigned Appropriated Fund Balance *(Subject to a purpose and for funds other than the General Fund, this is the residual classification.)*
Unreserved Unappropriated Fund Balance	Unrestricted Unassigned Fund Balance *(Residual classification for General Fund, could be positive or negative. All other funds only used to report deficit.)*

CITY OF SARATOGA SPRINGS
BUDGET EXPENSE COMPARISON
DECEMBER 31, 2011

ATTACHMENT D

Department	2011 Adopted Budget	2011 Revised Budget	2011 Actual	2010 Adopted Budget	2010 Revised Budget	2010 Actual	2009 Adopted Budget	2009 Revised Budget	2009 Actual	2008 Adopted Budget	2008 Revised Budget	2008 Actual	2007 Adopted Budget	2007 Revised Budget	2007 Actual
Mayor	$ 2,039,630	$ 2,288,311	$ 1,820,642	$ 2,098,743	$ 2,321,691	$ 1,870,994	$ 2,362,758	$ 2,499,519	$ 2,138,753	2,637,180	2,778,881	2,290,444	2,369,875	2,451,287	2,163,445
Finance	2,267,874	2,316,068	2,139,421	2,160,347	2,198,428	2,128,141	2,151,939	2,107,621	2,034,810	2,310,470	2,934,349	2,409,672	2,207,049	2,251,938	1,554,598
DPW	8,443,331	9,397,131	8,725,688	8,936,416	9,480,310	8,383,665	9,374,807	9,633,035	8,631,205	9,871,064	10,270,671	9,785,206	8,965,559	9,447,831	8,980,776
DPS	20,033,356	21,032,435	19,945,059	19,168,488	19,651,119	18,844,359	19,786,037	19,944,474	19,225,184	19,663,125	20,054,490	19,111,892	18,786,198	19,353,976	18,322,910
Accounts	1,270,836	1,971,257	1,075,345	1,267,800	1,886,335	1,166,992	1,070,298	1,579,953	1,025,377	1,249,608	1,721,708	1,097,548	1,177,462	1,513,981	1,050,599
Recreation	1,966,000	2,028,107	1,698,068	1,815,678	1,831,504	1,454,609	1,992,718	1,994,484	1,767,900	2,128,997	2,130,931	1,974,293	2,011,295	2,007,991	1,881,005
Total	$ 36,021,027	$ 39,033,309	$ 35,404,222	$35,447,472	$ 37,369,386	$33,848,760	$36,738,557	$37,759,086	$34,823,229	$37,860,444	$39,891,030	$36,669,056	$35,517,438	$ 37,027,004	$33,953,333
		8.36%			5.42%			2.78%			5.36%			4.25%	

Increase in Revised Budget due to Encumbrances carried forward from prior years and Amendments.

City of Saratoga Springs
Departmental Expense Report
December 31, 2011
COMPARED TO PREVIOUS YEARS

ATTACHMENT E

Department	2011 Revised Budget	2011 Actual	2010 Revised Budget	2010 Actual	2009 Revised Budget	2009 Actual	2008 Revised Budget	2008 Actual	2007 Revised Budget	2007 Actual
Mayor	$ 2,288,311	$ 1,820,642	$ 2,321,691	$ 1,870,994	$ 2,499,519	$ 2,138,753	$ 2,778,881	$ 2,290,444	$ 2,451,287	$ 2,163,445
Finance	2,316,088	2,139,421	2,198,428	2,128,141	2,107,621	2,034,810	2,934,349	2,409,672	2,251,938	1,554,598
DPW	9,397,131	8,725,688	9,480,310	8,383,665	9,633,035	8,631,205	10,270,671	9,785,206	9,447,831	8,980,776
DPS	21,032,436	19,945,059	19,651,119	18,844,359	19,944,474	19,225,184	20,054,490	19,111,892	19,353,976	18,322,910
Accounts	1,971,257	1,075,345	1,886,335	1,166,992	1,579,953	1,025,377	1,721,708	1,097,548	1,513,981	1,050,599
Recreation	2,028,107	1,698,068	1,831,504	1,454,609	1,994,484	1,767,900	2,130,931	1,974,293	2,007,991	1,881,005
Totals	$ 39,033,309	$ 35,404,222	$ 37,369,386	$ 33,848,760	$ 37,759,086	$ 34,823,229	$ 39,891,030	$ 36,669,056	$ 37,027,004	$ 33,953,333

CITY OF SARATOGA SPRINGS
2007 THROUGH 2011
ACTUAL DEPARTMENTAL EXPENDITURES
AS OF DECEMBER 31

ATTACHMENT F

Department	**2011 Actual**	2010 Actual	2009 Actual	2008 Actual	2007 Actual
Mayor	**$ 1,820,642**	$ 1,870,994	$ 2,138,753	$ 2,290,444	$ 2,163,445
Finance	**2,139,421**	2,128,141	2,034,810	2,409,672	1,554,598
DPW	**8,725,688**	8,383,665	8,631,205	9,785,206	8,980,776
DPS	**19,945,059**	18,844,359	19,225,184	19,111,892	18,322,910
Accounts	**1,075,345**	1,166,992	1,025,377	1,097,548	1,050,599
Recreation	**1,698,068**	1,454,609	1,767,900	1,974,293	1,881,005
TOTALS	$ 35,404,222	$ 33,848,760	$ 34,823,229	$ 36,669,056	$ 33,953,333
% Change From Prior Year	*4.60%*	*-2.80%*	*-5.03%*	*8.00%*	*4.84%*