

COMPREHENSIVE
ANNUAL FINANCIAL REPORT



CITY OF SARATOGA SPRINGS, UTAH
FISCAL YEAR ENDED JUNE 30, 2012

CITY OF SARATOGA SPRINGS, UTAH

COMPREHENSIVE ANNUAL FINANCIAL
REPORT

(INCLUDING INTERNAL CONTROL, AND COMPLIANCE REPORTS
AND SUPPLEMENTARY INFORMATION)
FOR FISCAL YEAR ENDED JUNE 30, 2012

PREPARED BY:
ADMINISTRATION DEPARTMENT

CHELESE M. RAWLINGS
FINANCE MANAGER

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SENIOR ACCOUNTANT

CITY OF SARATOGA SPRINGS, UTAH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2012

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INTRODUCTORY SECTION





December 4, 2012

To the Honorable City Council, Honorable Mayor and Citizens of the City of Saratoga Springs, Utah:

These financial statements have been prepared by the City of Saratoga Springs Finance Department in accordance with accounting principles generally accepted in the United States (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). Utah State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report fulfills that requirement for the fiscal year ended June 30, 2012.

The City's management is responsible for the accuracy of the report, as well as the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the report is complete and accurate in all material respects. To provide a basis for management to make these representations, the City maintains a comprehensive system of internal controls designed to provide reasonable, but not absolute, assurance against loss of assets or material misstatement in the financial statements. This level of assurance is an inherent limitation in a system of internal controls. They should be cost-effective, with cost of such controls not exceeding the related benefit.

The basic financial statements contained in this report have been audited by Litz & Company P.C., a firm of licensed certified public accountants. With this type of audit, the independent auditors render an opinion, with reasonable assurance, as to whether the basic financial statements for the fiscal year ended June, 30, 2012, are fairly presented and free of any material misstatement. Audit procedures included extensive testing and analysis of transactions, balances and systems. The unqualified ("clean") opinion on the basic financial statements signed by Litz & Company P.C. is located at the beginning of the financial section.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the *Management's Discussion and Analysis* (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Saratoga Springs, Utah

The City of Saratoga Springs is a municipality governed by a six member legislative body consisting of an elected Mayor and five-member Council. The City was incorporated in 1997 and operates under a Council-Manager form of government established by ordinance. Policy-making and legislative authority are vested in the City Council. The City Council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager, among other things. The City's manager is responsible for carrying out the policies and ordinances of the legislative body, for overseeing the day-to-day operations for the City, and for appointing heads of the various departments. The Council and Mayor are elected on a non-partisan basis. Council members and the Mayor serve four-year staggered terms.

The City provides many municipal services including police, fire and medical response, parks, recreation, library, water, sewer, garbage, public improvements, streets, planning, zoning, and administrative services. This report includes the financial statements of the funds required to report those activities, organizations and functions which are related to the City and are controlled by or financially accountable to the City Council.

Budgetary Control

The City Council is required to adopt a final budget no later than June 22 of the fiscal year. The annual budget serves as the foundation of the City's financial planning and control. Budgets are prepared for all governmental fund types including the general fund, capital improvement funds and debt service funds. The City Council approves all City budgets at the department level (general government, public safety, highways and public improvements, parks and recreation). Budgetary control is maintained at the department level where expenditures may not legally exceed appropriations. Department heads may make transfers within a department. The City Council may amend the budget by ordinance during the budget year but must hold a public hearing after appropriate public notice to increase governmental fund's budget before it can adopt the ordinance.

Local Economy and Trends

The City of Saratoga Springs is located in Utah County, Utah, on the northwest shores of Utah Lake in the center of Utah's Wasatch Front Metropolitan Area. The City is 20 miles south of Salt Lake City and 30 minutes by freeway from the Salt Lake International Airport. It is an exciting pro-development community which boasts a high quality of life that includes beautiful lakeshore living, a quiet and rural atmosphere, great air quality, superb views and an excellent central location between the Provo/Orem and Salt Lake City metro areas.

The City's population (2010 Census) of 17,781- residents is a suburban population that works along the Wasatch Front but desires a quiet suburban area in which to live. The City is among the top ten highest growth cities in Utah, and as a region the northern Utah County area has also

experienced rapid development and growth in recent years. The physical infrastructure to continue rapid residential growth is in place and regular planning ensures that transportation expansions map to population growth rates.

Land developed in the City has taken the form of large “master planned” communities with progressive land-use and zoning practices which have resulted in quality and diverse housing styles. Since the incorporation of the city, several ordinances have been adopted and a land development code has been created that encourages planned developments, clustering of residential units, preservation of open space, creation of parks and trail systems, and the maximization of views along Utah Lake shore.

Long-term Financial Planning

Revenue Forecasting- The City has endorsed the recommended practices issued by the *National Advisory Council on State and Local Budgeting* addressing budgeting and financial planning, specifically the six revenue forecasting practices.

- Multi-year revenue/resource projections
- Maintaining an in-depth understanding of revenues/resources
- Assessing the effects of potential changes to revenue source rates and bases
- Periodically estimating the impact and potential foregone revenue/resources as a result of policies that exempt from payment, provide discounts and credits, or otherwise favor a particular category of taxpayers or service users
- Developing a process for achieving consensus on the forecast of revenues used to estimate available resources for a budget
- Preparing and maintaining a revenue manual that documents revenue sources and factors relevant to present and projected future levels of those revenues

Forecasting Methodology- The City uses *qualitative* and *quantitative* approaches to forecasting revenues that include, but are not limited to:

- Trend Analysis
- Economic Reviews and Publications
- Departmental Surveys
- National, State, and Local Policy Changes
- Comparing Revenue Collections against Projections
- Consensus, Expert, and Judgmental Forecasting

Both forecasting methods include global, national, state, and local analysis that may impact revenues and financial planning.

Relevant Financial Policies

The City of Saratoga Springs recognizes its duty to its citizens and other interested parties to vigilantly account for public funds and resources. The Policies and Objectives hereinafter are set forth to establish guidelines for fiscal accountability, full disclosure, and planning. These

financial management policies provide a basic framework for the overall fiscal management of the City. These policies represent a foundation to address changing circumstances and conditions, and to assist in the decision making process. In addition, these policies represent guidelines for evaluating both current and future activities.

The financial policies represent long-standing principles and practices that have enabled the City to maintain financial stability. The policies are reviewed annually to represent current public policy decisions. These policies are adopted annually by the Council as part of the budget process.

Major Initiatives

City Council Long-term Goals

- Create a community that has diverse and sustainable resources. This should include a strong workforce, infrastructure planning and coordination, water system rights and delivery, consumer and sales tax base, be economically and environmentally sustainable.
- Create and support arts in the community including civic events, performing arts, and visual arts.
- Create a diverse community including cultural, housing opportunities, and age distribution.
- Provide a full range of quality of life facilities for citizens of all ages and backgrounds that include: full service library, diverse recreation programs, and outdoor recreation opportunities.
 - Parks
 - Trails
 - Shoreline and/or a boardwalk trails
 - Trail heads for off-road vehicles
- Create a diverse educational base including all phases of childhood education and post high school educational opportunities.
- Facilitate mass transit facilities and opportunities within the community.
- Develop long term plans for a sewer recycling and reuse center.
- Develop long term plans and opportunities to utilize geothermal, solar, wind, and renewable power sources.
- Apply for funding grants.
- Create a long term lakeshore business development plan.
- Facilitate a private or public cemetery within the City.

Update on Major Projects

1. **400 North Widening (\$300,000).** The City will construct a new lane on the eastbound portion of 400 North between 200 West and Redwood Road. This new lane will act as a turning lane onto Redwood Road. An overlay over existing asphalt will also be done along that same segment.
2. **Road Maintenance (\$715,000).** Complete recommended road projects and any other roadway maintenance needs identified by staff or council.

3. **Lift Stations 1 & 2 (\$150,000).** Install grinders in the upstream manholes at each lift station to reduce damage to the pumps from large debris.
4. **Lift Stations 4 & 5 (\$200,000).** Install system to bypass sewer flows around lift station for maintenance or pump failure.
5. **North Secondary Water System (\$3,401,000).** Expand zone 2 secondary pond in Harvest Hills (pond 6), equip the sunrise well to pump to zone 2, and install pressures and pipeline connecting well to pond.
6. **400 North Outfall (\$914,300).** Complete storm drain in 400 North from Sierra Estates to east side of Redwood Road.
7. **Well 1 (\$462,600).** Improvements to Well 1 including rehabilitation, pump, and well and house reconstruction.

Awards and Acknowledgements

The City of Saratoga Springs received the Distinguished Budget Presentation Award from the Government Finance Officer's Association (GFOA) for the City's adopted budget for the period beginning July, 1, 2011. In order to qualify for the award program, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the Administration and Finance Departments. We would like to express our appreciation to Litz & Company P.C., certified public accountants, for their professional service and assistance. We would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



Mark Christensen – City Manager



Chelese M. Rawlings – Finance Manager

CITY OF SARATOGA SPRINGS
1307 N. Commerce Drive, Suite 200
Saratoga Springs, Utah 84045
801-766-9793

MAYOR AND CITY COUNCIL AS OF JUNE 30, 2012

Mayor Mia B. Love

Email: mlove@saratogaspringscity.com

Term: 01/2010 - 01/2014

Council Member Jim Miller

Email: jmiller@saratogaspringscity.com

Term: 01/2010 - 01/2014

Council Member Rebecca Call

Email: rcall@saratogaspringscity.com

Term: 01/2012 - 01/2016

Council Member Bud Poduska

Email: bpoduska@saratogaspringscity.com

Term: 01/2012 - 01/2016

Council Member Michael McOmber

Email: mmcomber@saratogaspringscity.com

Term: 01/2010 - 01/2014

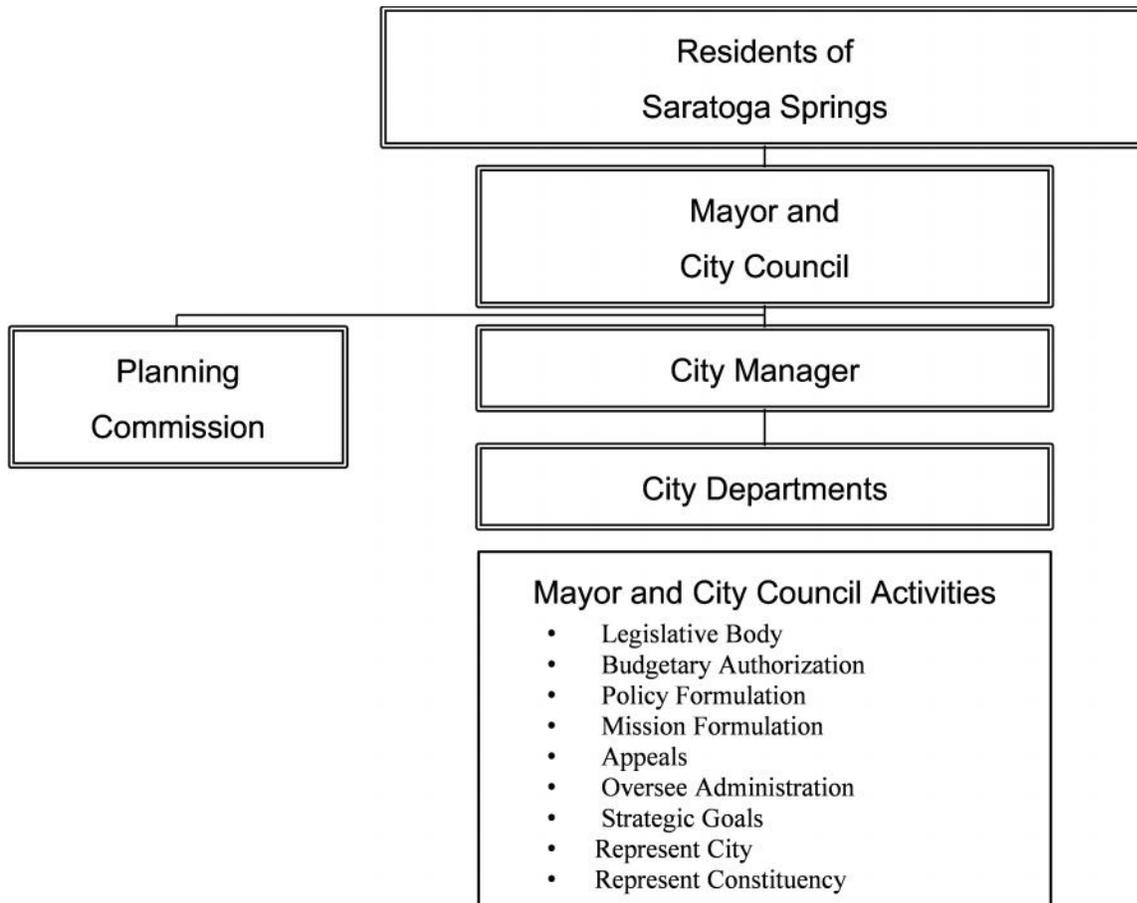
Council Member Shellie Baertsch

Email: sbaertsch@saratogaspringscity.com

Term: 01/2012 - 01/2016

CITY OF SARATOGA SPRINGS, UTAH

**ORGANIZATIONAL CHART
FY2012**



FINANCIAL SECTION

Independent Auditor's Report

**Honorable Mayor and City Council
City of Saratoga Springs, Utah**

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 City of Saratoga Springs as of and for the year ended June 30, 2012, which collectively comprise the City of Saratoga Springs basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Saratoga Springs management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Saratoga Springs as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012, on our consideration of City of Saratoga Springs' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as noted on the table of contents, are 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 the financial reporting for placing the basic financial statements in an appropriate operation, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Saratoga Springs basic financial statements as a whole. The introductory and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

 : Company, P.C.

October 26, 2012



CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

The following narrative is presented to facilitate a better understanding of the City's financial position and results of operations for the year ended June 30, 2012. When read in conjunction with the letter of transmittal and the notes to the financial statements, the financial highlights, overview and analysis should assist the reader to gain a more complete knowledge of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The City's government-wide net assets (the amount by which assets exceed liabilities) as of June 30, 2012, were \$176,068,605. Of this amount, \$5,707,321 (unrestricted net assets) is available to meet ongoing financial obligations.
- The City's government-wide net assets increased by \$7,599,537. Of this amount, business-type activities increased by \$3,039,738, a rise of 3.6 percent, and the governmental activities increased by \$4,559,799 a rise of 5.4 percent when compared to last fiscal year.
- The City's governmental funds reported a combined ending fund balance of \$12,080,940, an increase of \$558,916 (4.9 Percent) compared to the beginning of this year's fund balance amount. The Increase in fund balance in comparison to last fiscal year is attributable to a decrease in restricted fund balance for capital projects and debt service funds in conjunction with increased revenues. Of the combined total fund balance, \$2,478,911 is available for spending at the discretion of the City (unassigned fund balance).
- The General Fund is the primary operating fund of the City. The unassigned fund balance of the General Fund at June 30, 2012, totaled \$2,478,911 and is 22.5 percent of the General Fund total revenues for the year and 20.5 percent of total governmental fund balance.
- The City's total debt had a net decrease of \$4,729,194 during fiscal year 2012. This represents a 13.7 percent decrease over the prior year, this results from required debt service payments and the issuance of bonds.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report includes four parts: 1) the independent auditors' report on financial statements and supplementary information; 2) this segment, management's discussion and analysis; 3) the basic financial statements; and 4) supplementary information. Within the basic financial statements are two distinct types of financial statements, 1) the government-wide financial statements, and 2) the fund financial statements. The notes to the financial statements are also an integral part of the basic financial statements. The City's basic financial statements are presented in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended.

Immediately following the notes to the financial statements, the supplementary information includes balance sheets and income statements for non-major governmental funds, as well as other budgetary information.

Government-wide Financial Statements: The government-wide financial statements provide a view of City finances as a whole, similar to a private-sector business. These statements include the Statement of Net Assets and the Statement of Activities.

The **Statement of Net Assets** includes all of the City's assets and liabilities, and the resulting difference between the assets and liabilities, or net assets. Net assets (and the related change in net assets from year to year) is probably the most important financial measurement to enable an understanding of the financial position of the City, and whether financial position improves or deteriorates each year. To assess the overall health of the City, additional non-financial factors, such as changes in the property tax base, the condition of the City's infrastructure, etc. should be considered.

The **Statement of Activities** shows how the City's net assets changed as a result of its operations during the most recent fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or dispursed (the accrual basis of accounting). For example, most revenues are reported when the revenues are legally due, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until sometime later.

There are two distinct types of activities reflected in the government-wide statements: governmental activities and business-type activities. Governmental activities are those supported primarily by taxes and intergovernmental revenues, while business-type activities are those in which all costs (or at least a significant portion of costs) are intended to be recovered through user fees and charges. The governmental activities for the City of Saratoga Springs included

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

General Government (Legislative, Administrative, Utility Billing, Treasurer, Recorder, Attorney, Justice Court, Non-Departmental, Buildings and Grounds, Elections, and Planning and Zoning); Public Safety (Communications, Police, and Fire, Building Inspection); Public Works (Building Inspection, Streets, Engineering, and GIS); and Recreation (parks & open spaces, recreation, and library). The business-type activities include Water, Sewer, Storm Drain, and Garbage.

Fund Financial Statements: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which the funds are to be spent as well as how the activities are to be controlled. The two broad categories of funds are: governmental funds and proprietary funds.

Governmental Funds – At the fund level, the focus is on changes in short-term spendable resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliations, between the two types of statements is necessary to understand how the numbers differ. Such reconciliations are provided for the reader on pages 27 and 29. The city has three governmental type funds. These are the general fund, the internal service fund and the capital projects funds. Two of these are considered major funds: The basic governmental fund financial statements can be found on pages 26-30 of this report.

- The **General Fund** is used to account for all financial resources of the City that are not accounted for by a specialized fund. More specifically, the general fund is used to account for ordinary operations such as collection of tax revenues and general government expenditures. The City adopts an annual appropriation budget for the general fund. On page 30, a budgetary comparison statement has been provided for the general fund to demonstrate budgetary compliance.
- **Internal Service Fund** is used to account for the central financing of goods or services provided to various departments of the City or other governments on a cost-reimbursement basis. The City currently has one internal service fund. The Street Lighting Fund provides storage, repair, and maintenance.
- **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital improvements. These funds do not account for capital improvements financed by the proprietary funds.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The only proprietary fund type used by the City is enterprise funds. The basic proprietary fund financial statements can be found on pages 32-34 of this report.

- *Enterprise Funds* are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City currently operates enterprise funds for the City-owned water system, sewer system, storm drain and garbage.

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the basic financial statements as listed in the table of contents.

FINANCIAL ANALYSIS OF THE CITY AS A - WHOLE

Net assets – The following table presents summary information for the Statement of net assets for the years ended June 30, 2012 and 2011.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

City of Saratoga Springs
Comparative Summary of Net Assets
(in millions of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total %</u>
	<u>Activities</u>		<u>Activities</u>				<u>Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Current and other assets	\$ 14.5	\$ 14.5	\$ 9.1	\$ 7.2	\$ 23.6	\$ 21.7	8.8%
Capital assets	79.3	76.7	102.9	104.6	182.2	181.3	0.5%
Total Assets	<u>93.8</u>	<u>91.2</u>	<u>112.0</u>	<u>111.8</u>	<u>205.8</u>	<u>203.0</u>	<u>1.4%</u>
Long-Term debt	4.8	4.9	23.6	25.9	28.4	30.8	-7.8%
Other liabilities	0.6	2.7	0.8	1.0	1.4	3.7	-62.2%
Total liabilities	<u>5.4</u>	<u>7.6</u>	<u>24.4</u>	<u>26.9</u>	<u>29.8</u>	<u>34.5</u>	<u>-13.6%</u>
Net assets							
Invested in capital assets,							
net of related debt	75.6	74.0	81.8	79.0	157.4	153.0	2.9%
Restricted	7.9	6.9	5.1	3.5	13.0	10.4	25.0%
Unrestricted	<u>5.0</u>	<u>2.7</u>	<u>0.7</u>	<u>2.4</u>	<u>5.7</u>	<u>5.1</u>	<u>11.8%</u>
Total net assets	<u>\$ 88.5</u>	<u>\$ 83.6</u>	<u>\$ 87.6</u>	<u>\$ 84.9</u>	<u>\$ 176.1</u>	<u>\$ 168.5</u>	<u>4.5%</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2012, the City's assets exceeded liabilities by approximately \$176.1 million (net assets) compared to \$168.5 million at June 30, 2011. This would indicate an improved financial position in comparison to last fiscal year. Roughly 89.4 percent at June 30, 2012, and 90.8 percent at June 30, 2011, of these amounts are represented by the investment in capital assets, net of debt still outstanding relating to the acquisition of those assets. Due to the nature of long-term assets (not easily convertible to liquid assets) they are not considered to be available for spending or appropriation. Further, even though the presentation here shows capital assets net of related debt, it should be understood that the repayment of this debt does not come from the capital assets themselves, but comes from other resources. The increase in the City's investment in capital assets net of related debt of \$4.4 million was due to the net of routine acquisitions of capital assets, repayments of related debt, depreciation expense and spending of bond proceeds.

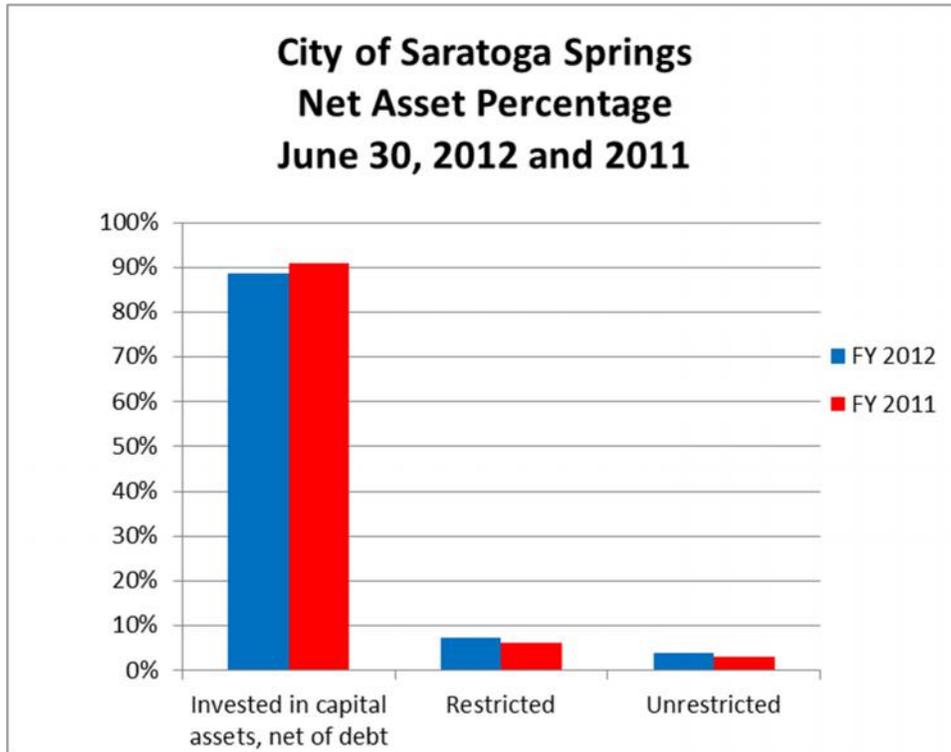
Restricted net assets of \$13.0 million at June 30, 2012, and \$10.4 million at June 30, 2011, represents sources that are subject to external restrictions on how they may be used.

The other sub-classification of net assets is unrestricted. The balance of \$5.7 million at June 30, 2012 and \$5.1 million at June 30, 2011, which is unrestricted, indicates that this amount may be used to meet general, on-going financial obligations without limitations established

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

by debt covenants or other legal requirements. The increase from last fiscal year is the result of an increase in charges for services for ongoing revenues.

The following graph represents the percentage of restricted and unrestricted net assets as discussed above.



Changes in Net Assets – As taken from the Statement of Activities, the following table signifies the changes in net assets for fiscal years 2012 and 2011.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

City of Saratoga Springs
Summary of Change in Net Assets
(in millions of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total %</u> <u>Change</u>
	<u>Activities</u>		<u>Activities</u>				
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Revenues							
Program Revenues							
Charges for Services	\$ 6.1	\$ 1.6	\$ 10.3	\$ 6.7	\$ 16.4	\$ 8.3	97.6%
Operating grants and contributions	1.1	1.7	-	-	1.1	1.7	-35.3%
Capital grants and contributions	2.7	5.8	1.2	0.7	3.9	6.5	-40.0%
General Revenues							
Property Tax	4.2	2.4	-	-	4.2	2.4	75.0%
Other Taxes	3.0	2.7	-	-	3.0	2.7	11.1%
Investment earnings	0.1	0.1	0.1	0.1	0.2	0.2	0.0%
Other	0.3	-	-	-	0.3	-	100.0%
Total Revenues	<u>17.5</u>	<u>14.3</u>	<u>11.6</u>	<u>7.5</u>	<u>29.1</u>	<u>21.8</u>	<u>33.5%</u>
Expenses							
General government	2.0	1.3	-	-	2.0	1.3	53.8%
Public safety	4.8	4.6	-	-	4.8	4.6	4.3%
Highways and public improvements	4.0	3.4	-	-	4.0	3.4	17.6%
Parks and recreation	1.9	1.7	-	-	1.9	1.7	11.8%
Interest on long-term debt	0.2	0.1	0.4	0.2	0.6	0.3	100.0%
Water utility	-	-	4.2	4.1	4.2	4.1	2.4%
Sewer utility	-	-	2.4	2.1	2.4	2.1	14.3%
Garbage utility	-	-	0.8	0.6	0.8	0.6	33.3%
Storm drain utility	-	-	0.7	0.5	0.7	0.5	40.0%
Total Expenses	<u>12.9</u>	<u>11.1</u>	<u>8.5</u>	<u>7.5</u>	<u>21.4</u>	<u>18.6</u>	<u>15.1%</u>
Change in net assets	4.6	3.2	3.0	0.0	7.6	3.2	137.5%
Net assets beginning	<u>83.9</u>	<u>80.7</u>	<u>84.6</u>	<u>84.6</u>	<u>168.5</u>	<u>165.3</u>	<u>1.9%</u>
Net assets ending	<u>\$ 88.5</u>	<u>\$ 83.9</u>	<u>\$ 87.6</u>	<u>\$ 84.6</u>	<u>\$ 176.1</u>	<u>\$ 168.5</u>	<u>4.5%</u>

Net assets increased from governmental activities in fiscal year 2012 approximately \$4.6 million and \$3.2 million in fiscal year 2011. The increase is primarily due to increased charges for services, licensing and permits, increased property tax, and sales tax. Expenses for governmental activities were higher with a \$1.8 million increase. This is mainly due to changing from distributing certain cost directly to various funds to recording the costs in the general fund and charging the other funds an administrative fee to cover their portion.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

Net assets increased \$3.0 million in fiscal year 2012 and decreased \$0.1 million in 2011 for business-type activities. The revenues for business-type activities increased in charges for services mainly due to raised utility rates and capital grant contributions increased over last year.

Revenues – For the year ended June 30, 2012, the City’s government-wide revenues are approximately \$29.1 million as compared to the prior year total revenues of \$21.8 million. Key elements of this change were as follows

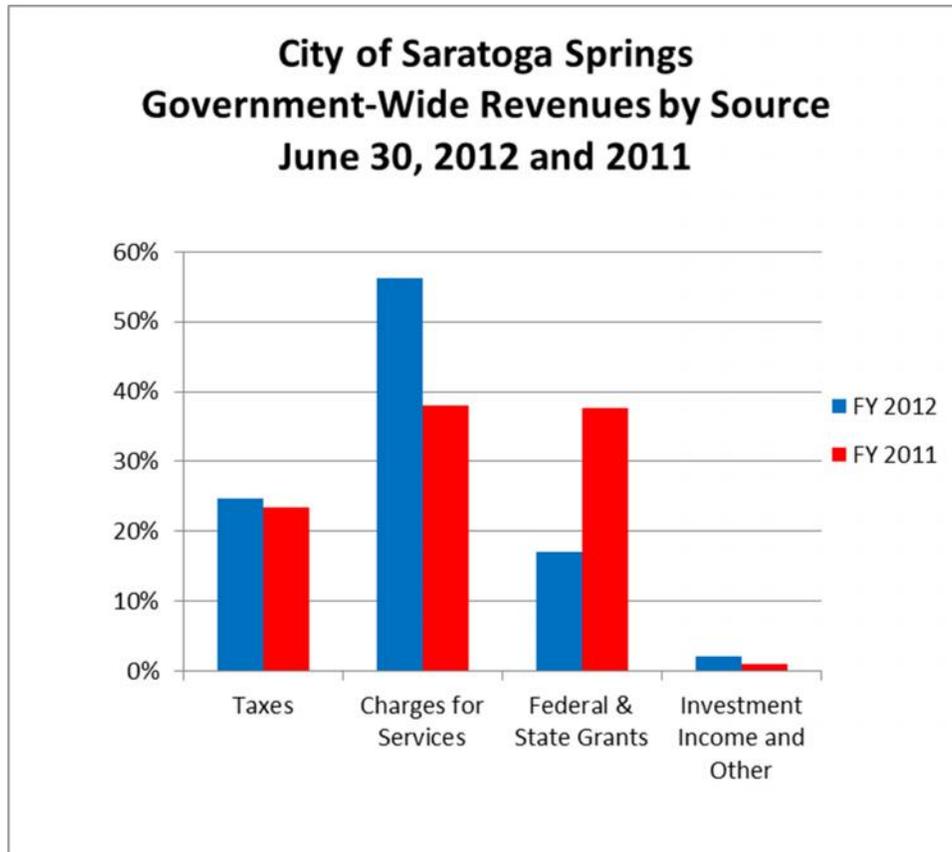
- Of the City’s total revenues, about 24.7 percent in fiscal year 2012 and 23.4 percent in fiscal year 2011 resulted from taxes (over half of which is from property taxes) as shown in the following table:

City of Saratoga Springs
(in millions of dollars)

	Government-wide Tax Revenues		Total % Change
	2012	2011	
Property tax	\$ 4.2	\$ 2.4	75%
General sales and use tax	2.2	1.9	16%
Franchise fees	0.2	0.2	0%
Energy Tax	0.6	0.6	0%
Total	\$ 7.2	\$ 5.1	41%

- Charges for services increased in fiscal year 2012 about \$8.1 million and increased from 38.1 percent of total revenues in in fiscal year 2011 to 56.4 percent in fiscal year 2012. The increase is due to increased collections in utility service fees.
- Operating and capital contributions combined decreased by \$3.2 million in fiscal year 2012. This was due to less capital and operating grant revenues received.
- Investment and other income, which is a combination of interest earnings and gain on the sale of capital assets, increased by \$0.3 million in fiscal year 2012. A portion of this increase is due to increased collection of fines and fees for public safety.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012



Expenses – The City’s government-wide total expenses cover a range of services. For the year ended June 30, 2012, the City’s total expenses are \$21.4 million compared to the prior year of \$18.6 million. Of the \$2.8 million increase, general government expenses increased \$0.7 million, public safety increased \$0.2 million, highways and public improvements increased \$0.6 million, parks and recreation increased \$0.2 million, interest on long-term debt increased \$0.3 million, and business-type activities increased by \$0.8 million.

Governmental Activities:

Revenue Highlights:

- Taxes encompass a sizable source of revenue for the City’s governmental activities: Roughly \$7.2 million or 41.1 percent in fiscal year 2012 and \$5.1 million or 35.7 percent in fiscal year 2011 of total revenues from governmental activities. The \$2.1 million increase is majorly from general property tax and sales tax.
- Charges for services increased to \$6.1 million or 34.9 percent of total revenues from governmental activities in fiscal year 2012 from \$1.6 million or 11.2 percent of total

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

revenues in fiscal year 2011. The increase in fiscal year 2012 is a result from increased service fees.

- Grant and contribution revenue denotes approximately \$3.8 million or 21.7 percent in fiscal year 2012 and \$7.5 million or 52.4 percent in fiscal year 2011 of total revenues from governmental activities. The \$3.7 million decrease was the effect of a decrease in operating and capital grant contributions due to the City.

Expense Highlights:

- General government expenses of around \$2.0 million in fiscal year 2012 and \$1.3 million in fiscal year 2011 represented 15.5 percent in fiscal year 2012 and 11.7 percent in fiscal year 2011 of total expenses from governmental activities. General government includes: Legislative, Administration, Utility billing, Treasury, Recorder, Attorney, Justice court, Elections, and non-departmental. The \$0.7 million increase is due to moving departments to the general government that were split between funds.
- Public safety expenses were \$4.8 million or 37.2 percent in fiscal year 2012 and \$4.6 million or 41.4 percent in fiscal year 2011. The \$0.2 million increase is due to contract services, vehicle leases, and communications and radios.
- Highways and public improvements were \$4.0 million or 31.0 percent in fiscal year 2012 and \$3.4 million or 30.6 percent in fiscal year 2011. The \$0.6 million increase is due to moving some departments to the general fund, vehicle lease payments, capital outlay, and general maintenance.
- Parks and recreation expenses were \$1.9 million or 14.7 percent in fiscal year 2012 and \$1.7 million or 15.3 percent in fiscal year 2011. The \$0.2 million increase is due to equipment purchases, maintenance and supplies.

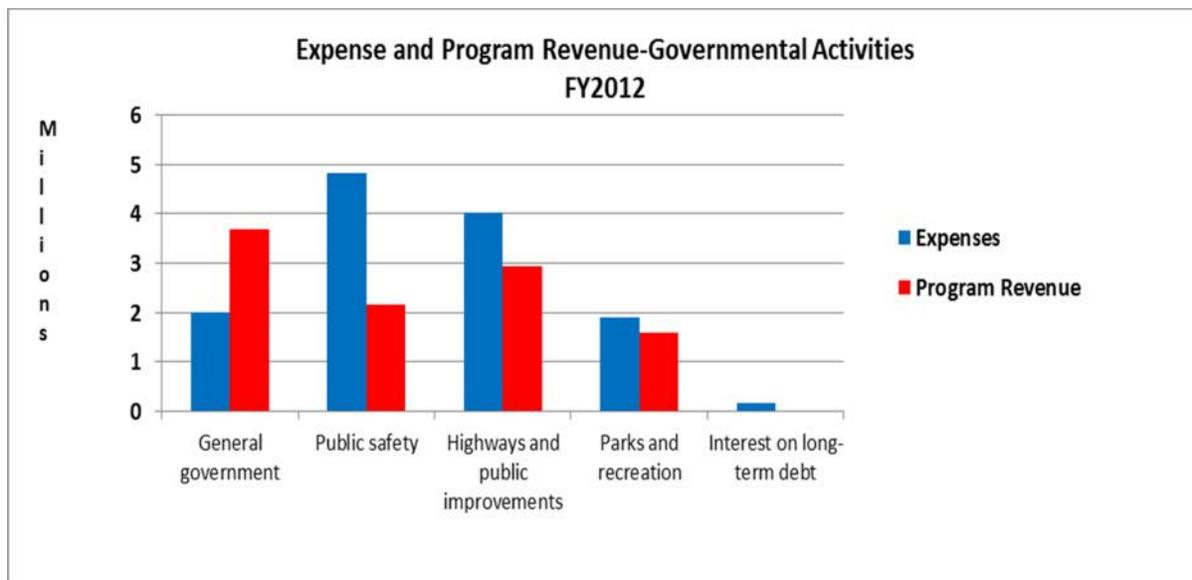
As a result, total net expenses that were funded by general revenues were \$2.7 million. Tax revenues of \$7.2 million were sufficient to fund net expenses in fiscal year 2012.

The following presents the costs and net costs (total cost less fees generated by the activities and intergovernmental aid) of the City's programs:

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

City of Saratoga Springs
Costs of Governmental Activities
(in millions of dollars)

	Total Cost of Services		Net Cost of Services		Total % Change
	2012	2011	2012	2011	
General government	\$ 2.0	\$ 1.3	\$ (1.6)	\$ 0.6	-366.7%
Public safety	4.8	4.7	2.7	2.7	0.0%
Highways and public improvements	4.0	3.4	1.1	(1.5)	173.3%
Parks and recreation	1.9	1.7	0.3	0.2	50.0%
Interest on long-term debt	0.2	-	0.2	-	100.0%
Total	<u>\$ 12.9</u>	<u>\$ 11.1</u>	<u>\$ 2.7</u>	<u>\$ 2.0</u>	<u>35.0%</u>



Based on Government-Wide Financial Statements. See page 22.

Business-type Activities:

The City's business-type activities increased net assets by \$3.0 million. Key elements of this increase were as follows:

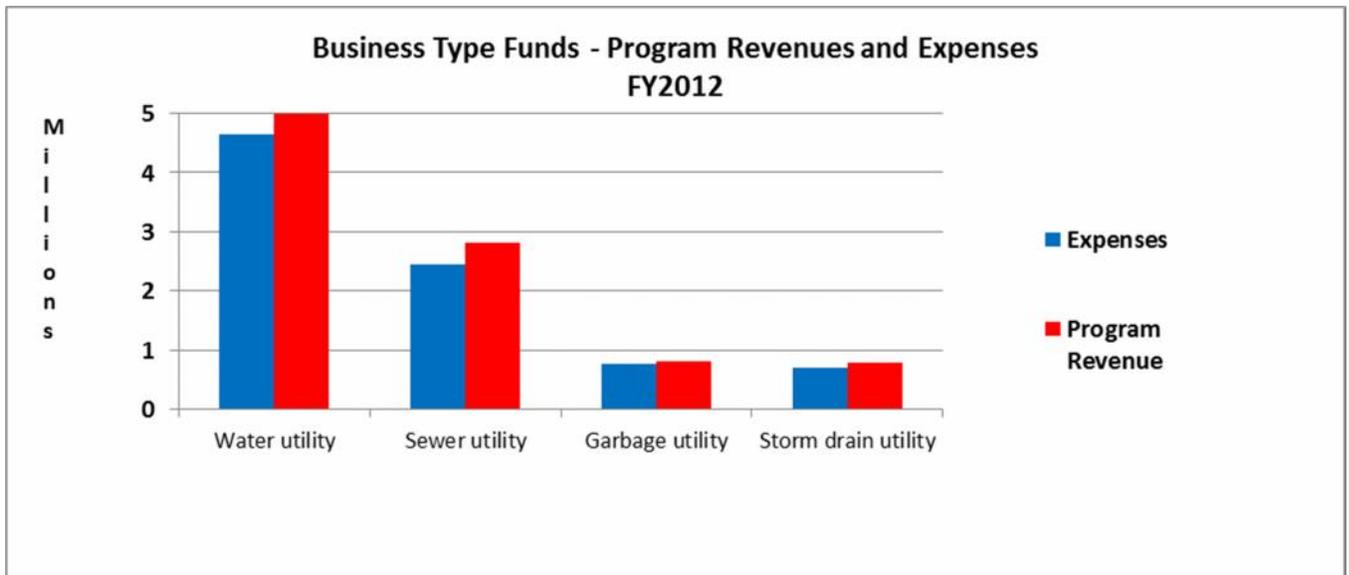
Revenue Highlights:

- Charges for services for business-type activities increased approximately \$3.6 million in fiscal year 2012. This is mainly due to rates for storm drain, recycling, sewer, culinary water, secondary water and garbage increasing as of July 1, 2011.
- Operating and capital grants and contributions increased about \$0.5 million in fiscal year 2012. The \$0.5 million increase is due to an increase in grant and contribution revenue.
- Investment earnings stayed approximately the same in fiscal year 2012.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

Expense Highlights:

- Personnel expenses decreased approximately \$0.7 million due to the moving of departments from the proprietary funds to the general government. The \$0.7 million increase in the general government accounts for the decrease in the business-type activities.
- Supplies and maintenance expenses decreased slightly from the prior year.
- Professional services expenses increased by under \$0.2 million.
- Treatment and sanitation expenses increased by about \$0.3 million. This is mainly due to a higher customer base in the garbage utility.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources available for appropriation. Such information is helpful in assessing the City's financial requirements.

As of June 30, 2012, the aggregate fund balance of the City's governmental funds was \$12.1 million, an increase of about \$0.6 million in comparison with the fiscal year ended June 30, 2011. In fiscal year 2012, about \$2.5 million or 20.7 percent of this amount is unassigned fund balance compared to about \$1.8 million or 16.2 percent in fiscal year 2011. Unassigned fund balance categories are available for appropriation by the City Council at their discretion.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

Restricted fund balance which have externally enforceable limitations on use are not available for new spending and are approximately \$7.9 million in fiscal year 2012 and \$7.4 million in fiscal year 2011.

The remainder of the fund balance of \$1.7 million is assigned. Of the assigned fund balance, \$1.4 million is assigned to capital improvements and \$0.3 million is assigned to street lighting. In fiscal year 2011 the assigned fund balance was about \$1.9 million and was allocated \$1.7 million to capital improvements and \$0.2 million to street lighting.

The General Fund is the principal operating fund of the City. Utah State code establishes a 5.0 percent minimum (\$529,359) and an 18.0 percent maximum (\$1,905,691) limit to the amount that may be accumulated as the fund balance in the General Fund. As of June 30, 2012 the unassigned fund balance of the General Fund was \$2,478,911 and was \$573,220 above the 18.0 percent limit. The unassigned fund balance increased by \$696,095 in fiscal year 2012. The unassigned fund balance in fiscal year 2011 increased by \$380,346.

As of June 30, 2012, the restricted fund balance in the Capital Projects Fund was \$7.3 million and the assigned fund balance was \$1.4 million. In fiscal year 2011 the restricted fund balance was \$6.6 million and the unreserved and assigned fund balances combined were \$1.7 million. The \$0.7 million increase in restricted fund balance and the \$0.3 million decrease in assigned fund balance resulted from capital outlay spending of bond proceeds and other revenue sources.

As of June 30, 2012, the assigned fund balance in Street Lighting was \$0.3 million. In fiscal year 2011 the assigned fund balance was \$0.2 million. The increase of fund balance resulted from reduced capital outlay in fiscal year 2012 as compared to fiscal year 2011.

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

Net assets of the City's enterprise funds totaled about \$87.6 million at June 30, 2012, as compared to \$84.5 million at the end of fiscal year 2011. Net assets at the end of fiscal year 2012 and 2011 for each of these funds were:

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

City of Saratoga Springs
Proprietary Funds

<u>Fund</u>	<u>Amount</u>		<u>Change</u>
	<u>2012</u>	<u>2011</u>	
Water Utility	\$ 54,786,156	\$ 52,272,174	\$ 2,513,982
Sewer Utility	18,218,559	17,831,138	387,421
Storm Drain Utility	14,316,998	14,232,639	84,359
Garbage Utility	266,932	212,956	53,976
Total	<u>\$ 87,588,645</u>	<u>\$ 84,548,907</u>	<u>\$ 3,039,738</u>

The net increase in net assets from the prior year was \$3.0 million as compared to an increase of \$0.3 million in fiscal year 2011. Operating revenues increased \$2.3 million as compared to a minimal decrease change in fiscal year 2011. The Water Utility operating revenues increased by \$2.0 million due to increased water fees from a rate increases effective July 1, 2011. The Sewer Utility operating revenues stayed approximately the same. The Storm Drain Utility operating revenues increased by \$0.2 million, and the Garbage Utility operating revenues increased by less than \$0.1 million.

Water Utility net assets invested in capital assets net of related debt increased by 2.3 million in fiscal year 2012 primarily due to increased accumulated depreciation, routine acquisition and disposition of capital assets, and depreciation expense. Restricted net assets increased by \$1.3 million compared to last fiscal year. Unrestricted net assets decreased about \$1.0 million.

Sewer utility net assets invested in capital assets net of related debt decreased by \$0.3 million, restricted net assets increased by \$0.5 million, unrestricted net assets increased by \$0.3 million. The decrease in net assets invested in capital assets net of related debt was due to the net acquisition of capital assets, and depreciation expense.

Storm Drain Utility net assets invested in capital assets net of related debt decreased by \$0.2 million, restricted net assets increased by \$0.2 million, unrestricted net assets increased by under \$0.1 million resulting in a net increase of total net assets of \$0.1 million. The increase in net assets invested in capital assets net of related debt was due to the net acquisition of capital assets, and depreciation expense.

Garbage Utility unrestricted net assets increased by less than \$0.1 million.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget for expenditures of less than \$0.1 million (net increase) can be summarized as follows:

- Less than \$0.1 million increase in general government resulting from an appropriation for the green belt property tax allocation.
- Less than \$0.1 million increase in public safety from increased grant expenses and increasing vehicle lease payments.
- Less than \$0.1 million decrease in highways and public improvements due to a decrease in budgeted planned road projects.
- More than \$0.1 million increase in parks and recreation mainly due to an increase in the budget for landscape equipment purchases, registration and recreation program expenses, and parks maintenance and supplies.

Total actual expenditures came in \$0.4 million below the final budget. All departments kept within their legal spending authority. The differences between actual and the final budget can be briefly summarized as follows:

- The final budget was \$0.1 million more than the actual expenditures in general government. This difference was attributed to spending coming in under budget in supplies, education and training, and contract services
- The final budget was \$0.1 million more than the actual expenditures in public safety. This difference was attributed to coming in under budget in professional contract services, and vehicle lease payments.
- The final budget was \$0.2 million more than the actual expenditures in highways and public improvements. This difference was attributed to coming in under budget in salaries and wages, employee benefits, general road maintenance, snow removal and vehicle lease payments.
- The final budget had virtually no change from actual expenditures in parks and recreation.

Actual revenues of \$11.0 million exceeded the final budgeted revenues of \$9.7 million by \$1.3 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for is governmental and business-type activities totaled 182.3 million (net of \$48.7 million accumulated depreciation) at June 30, 2012, as compared to \$181.3 million (net of \$41.1 million accumulated depreciation) at June 30, 2011. This investment in capital assets includes land, water rights, buildings, equipment, infrastructure,

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

water capacities, culinary water system, secondary water irrigation system, sewer system, storm drain system, and construction in progress.

Major capital asset additions during the year ended June 30, 2012 include:

Governmental Activities:

- \$1.9 million Neptune park
- \$1.4 million Public works site and building
- \$1.3 million Fox Hollow
- \$0.4 million Eagle park
- \$0.3 million South marina

Business-type Activities:

- \$1.3 million Summerhill

Additional information on the City's capital assets can be found in Note 4 – Capital Assets on pages 43-44 of this report.

Long-Term Debt: Long-term debt for governmental activities decreased by under \$0.2 million in comparison with fiscal year 2011. Business-type activities debt also decreased in fiscal year 2012 by \$2.8 million when compared with fiscal year 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for Utah County was 6.1 percent compared with the State unemployment rate of 6.2 percent and a national rate of 8.4 percent.
- The fiscal year 2012 City budget does not include a property tax increase. The City Council adopted the certified tax rate for the General Fund. In accordance with Utah Statutes, the certified tax rate is intended to generate the same amount of property tax revenue as was received the prior year plus revenue for “new growth” occurring in the City. All other revenue sources have been estimated on a conservative basis using a multi-year trend analysis and assuming no significant changes in the local economy. The City's approach to budgeting includes preparation of a five-year capital plan. The long-term nature of the City's financial planning system allows decision makers to better understand the true effect of policy decisions. One of the most powerful aspects of the multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider necessary steps to alter the long-term forecasted position of the City.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Saratoga Springs' finances to everyone with an interest. Questions concerning any of the information provided in this report requests for additional information should be addressed to:

City of Saratoga Springs

Attn: Finance Department

1307 N. Commerce Drive, Suite 200

Saratoga Springs, Utah 84045-5302

BASIC FINANCIAL STATEMENTS

CITY OF SARATOGA SPRINGS
Statement of Net Assets
June 30, 2012

	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 9,882,944	\$ 7,298,198	\$ 17,181,142
Receivables, (net of allowance for uncollectibles)	2,998,889	542,853	3,541,742
Prepaid and inventories	7,628	92,382	100,010
Deferred charges	111,147	148,141	259,288
Restricted cash and investments	1,578,945	1,006,096	2,585,041
Capital assets not being depreciated			
Land	18,365,122	-	18,365,122
Water rights	-	14,792,562	14,792,562
Construction in progress	4,888,399	466,191	5,354,590
Capital assets net of accumulated depreciation:			
Buildings and system	3,743,856	7,102,884	10,846,740
Improvements other than buildings	-	80,452,456	80,452,456
Machinery and equipment	1,099,447	66,955	1,166,402
Infrastructure	51,178,970	-	51,178,970
Net Capital Assets	<u>79,275,794</u>	<u>102,881,048</u>	<u>182,156,842</u>
Total assets	<u>93,855,347</u>	<u>111,968,718</u>	<u>205,824,065</u>
LIABILITIES			
Accounts payable	404,295	401,370	805,665
Accrued interest payable	12,025	95,225	107,250
Deposits	207,087	320,359	527,446
Noncurrent liabilities:			
Due or payable within one year	454,998	1,905,929	2,360,927
Due or payable after one year	4,296,982	21,657,190	25,954,172
Total liabilities	<u>5,375,387</u>	<u>24,380,073</u>	<u>29,755,460</u>
NET ASSETS			
Invested in capital assets, net of related debt	75,648,247	81,743,067	157,391,314
Restricted for debt service	-	310,945	310,945
Restricted for capital improvements	7,890,183	4,768,842	12,659,025
Unrestricted	4,941,530	765,791	5,707,321
Total Net Assets	<u>\$ 88,479,960</u>	<u>\$ 87,588,645</u>	<u>\$ 176,068,605</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SARATOGA SPRINGS
Statement of Activities
For the Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,998,497	\$ 2,473,625	\$ 868,189	\$ 206,740	\$ 1,550,057	\$ -	\$ 1,550,057
Public safety	4,833,686	1,894,515	250,469	-	(2,688,702)	-	(2,688,702)
Highways and streets	4,022,464	1,179,069	-	1,758,429	(1,084,966)	-	(1,084,966)
Parks and recreation	1,899,678	888,193	-	698,874	(312,611)	-	(312,611)
Interest on long-term debt	157,437	-	-	-	(157,437)	-	(157,437)
Total governmental activities	12,911,762	6,435,402	1,118,658	2,664,043	(2,693,659)	-	(2,693,659)
Business-type activities:							
Water	4,649,685	6,393,708	-	738,210	-	\$ 2,482,233	2,482,233
Sewer	2,434,510	2,488,427	-	315,850	-	369,767	369,767
Storm drain	702,476	596,706	-	184,082	-	78,312	78,312
Garbage	756,772	808,855	-	-	-	52,083	52,083
Total business-type activities	8,543,443	10,287,696	-	1,238,142	-	2,982,395	2,982,395
Total primary government	21,455,205	16,723,098	1,118,658	3,902,185	(2,693,659)	2,982,395	288,736
General revenues:							
Property taxes					4,149,276	-	4,149,276
Sales and use taxes					2,162,610	-	2,162,610
Franchise fees					655,845	-	655,845
Energy taxes					212,494	-	212,494
Investment earnings					73,233	57,343	130,576
Total general revenues					7,253,458	57,343	7,310,801
Changes in net assets					4,559,799	3,039,738	7,599,537
Net assets - beginning (restated)					83,920,161	84,548,907	168,469,068
Net assets - ending					88,479,960	87,588,645	176,068,605

The notes to the financial statements are an integral part of this statement.



GOVERNMENTAL FUND
FINANCIAL STATEMENTS

CITY OF SARATOGA SPRINGS
Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2012

	<u>Major Funds</u>			Totals
	General	Capital Projects	Special Revenue	
ASSETS				
Cash and investments	\$ 2,300,672	\$ 7,499,200	\$ 290,159	\$ 10,090,031
Receivables, (net of allowance for uncollectables)	2,594,432	12,733	25,024	2,632,189
Due from other funds	366,700	-	-	366,700
Prepaid expenses	7,628	-	-	7,628
Cash and investments - restricted	120,661	1,249,774	1,423	1,371,858
Total assets	<u>\$ 5,390,093</u>	<u>\$ 8,761,707</u>	<u>\$ 316,606</u>	<u>\$ 14,468,406</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 309,470	\$ 83,944	\$ 10,881	\$ 404,295
Unearned revenue	1,874,084	-	-	1,874,084
Deposits	109,087	-	-	109,087
Total liabilities	<u>2,292,641</u>	<u>83,944</u>	<u>10,881</u>	<u>2,387,466</u>
Fund balances:				
Nonspendable - prepaid expenditures	7,628			7,628
Restricted for:				-
Roads	610,913			610,913
Impact fees (roads, parks, public safety)	-	6,065,707		6,065,707
Construction	-	1,205,935		1,205,935
Assigned to:				
Capital improvements		1,406,121		1,406,121
Street lighting			305,725	305,725
Unassigned	2,478,911			2,478,911
Total fund balances	<u>3,097,452</u>	<u>8,677,763</u>	<u>305,725</u>	<u>12,080,940</u>
Total liabilities and fund balances	<u>\$ 5,390,093</u>	<u>\$ 8,761,707</u>	<u>\$ 316,606</u>	<u>\$ 14,468,406</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SARATOGA SPRINGS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Total fund balances for governmental funds	12,080,940
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	79,275,794
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	1,874,084
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(4,750,858)</u>
Net assets of governmental activities	<u><u>\$ 88,479,960</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Major Funds			Total Governmental Funds
	General	Capital Projects	Special Revenue	
REVENUES				
Taxes:				
Property	\$ 2,758,185	\$ -	\$ -	\$ 2,758,185
Sales	2,162,610	-	-	2,162,610
Franchise	212,494	-	-	212,494
Energy	655,845	-	-	655,845
Licenses and Permits	563,917	-	-	563,917
Intergovernmental	810,056	253,562	-	1,063,618
Investment Earnings	16,103	48,765	1,683	66,551
Contributions and donations	32,757	94,197	-	126,954
Charges for services	3,399,368	2,041,035	149,123	5,589,526
Other	385,230	7,733	14,979	407,942
Total Revenues	10,996,565	2,445,292	165,785	13,607,642
EXPENDITURES				
Current:				
General government	1,810,043	-	109,513	1,919,556
Public safety	4,563,023	19,112	-	4,582,135
Highways and streets	1,093,845	2,451,276	-	3,545,121
Parks and recreation	776,785	1,888,690	-	2,665,475
Debt service:				
Capital lease payments	365,282	-	-	365,282
Principal	140,000	-	-	140,000
Interest	148,500	-	-	148,500
Paying agent fees	2,500	-	-	2,500
Total expenditures	8,899,978	4,359,078	109,513	13,368,569
Excess (deficiency) of revenues over (under) expenditures	2,096,587	(1,913,786)	56,272	239,073
OTHER FINANCING SOURCES (USES)				
Capital leases	119,100	-	-	119,100
Sale of capital assets	200,743	-	-	200,743
Transfers in	-	2,247,216	-	2,247,216
Transfers out	(2,247,216)	-	-	(2,247,216)
Total other financing sources and uses	(1,927,373)	2,247,216		319,843
Net change in fund balances	169,214	333,430	56,272	558,916
Fund balances - beginning	2,928,238	8,344,333	249,453	11,522,024
Fund balances - ending	\$ 3,097,452	\$ 8,677,763	\$ 305,725	\$ 12,080,940

The notes to the financial statements are an integral part of this statement.

CITY OF SARATOGA SPRINGS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2012

Net change in fund balances-total governmental funds \$ 558,916

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays 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 capital outlays exceeded depreciation in the current period. 110,601

Net affect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. 2,334,138

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,397,775

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long-Term Debt	148,695
Bond Issuance Cost	2,992
Amortized Bond Premium	6,682
	158,369

\$ 4,559,799

The notes to the financial statements are an integral part of this statement.

CITY OF SARATOGA SPRINGS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 2,175,196	\$ 2,280,000	\$ 2,758,185	\$ 478,185
Sales	2,100,000	2,163,000	2,162,610	(390)
Franchise	210,000	284,000	212,494	(71,506)
Energy	600,000	600,000	655,845	55,845
Licenses and Permits	290,900	290,900	563,917	273,017
Intergovernmental	804,028	807,278	810,056	2,778
Investment Earnings	12,000	12,000	16,103	4,103
Contributions and donations	10,000	29,696	32,757	3,061
Charges for services	2,755,262	2,660,162	3,399,368	739,206
Other	336,000	561,889	385,230	(176,659)
Total Revenues	9,293,386	9,688,925	10,996,565	1,307,640
EXPENDITURES				
Current:				
General government	1,893,772	1,919,608	1,810,043	(109,565)
Public safety	4,899,641	4,944,939	4,813,097	(131,842)
Highways and streets	1,443,778	1,375,444	1,182,396	(193,048)
Parks and recreation	838,695	804,575	803,442	(1,133)
Debt service:				
Principal	140,000	140,000	140,000	-
Interest	148,500	148,500	148,500	-
Paying agent fees	2,500	2,500	2,500	-
Total expenditures	9,366,886	9,335,566	8,899,978	(435,588)
Excess (deficiency) of revenues over (under) expenditures	(73,500)	353,359	2,096,587	1,743,228
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	119,100	119,100
Sale of capital assets	-	-	200,743	200,743
Transfers in	189,905	189,905	-	(189,905)
Transfers out	(116,405)	(2,247,216)	(1,956,216)	291,000
Total other financing sources and uses	73,500	(2,057,311)	(1,636,373)	420,938
Net change in fund balances	-	(1,703,952)	460,214	2,164,166
Fund balances - beginning	2,928,238	2,928,238	2,928,238	-
Fund balances - ending	\$ 2,928,238	\$ 1,224,286	\$ 3,388,452	\$ 2,164,166

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS

CITY OF SARATOGA SPRINGS
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Major Funds				Totals
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,271,955	\$ 2,719,398	\$ 1,050,414	\$ 256,431	\$ 7,298,198
Cash with fiscal agent	645,786				645,786
Restricted cash and investments:					
Customer deposits	160,255	160,104			320,359
Receivables, (net of allowance for uncollectables)	206,757	213,027	40,617	82,452	542,853
Inventories	92,382				92,382
Total current assets	4,377,135	3,092,529	1,091,031	338,883	8,899,578
Noncurrent assets:					
Restricted cash and investments	19,595	13,935	5,161	1,260	39,951
Bond issuance costs, net	148,141				148,141
Capital assets:					
Water rights	14,792,562				14,792,562
Construction in progress	131,372	298,810	36,009		466,191
Water capacities	10,950,988				10,950,988
Culinary water system	54,753,018				54,753,018
Secondary wate system	7,161,355				7,161,355
Sewer system		20,054,423			20,054,423
Storm drain system			15,562,587		15,562,587
Equipment	347,032	216,207	143,115		706,354
Less accumulated depdreciation	(14,113,305)	(4,961,264)	(2,491,861)		(21,566,430)
Total capital assets (net of accumulated depreciation)	74,023,022	15,608,176	13,249,850		102,881,048
Total noncurrent assets	74,190,758	15,622,111	13,255,011	1,260	103,069,140
Total Assets	\$ 78,567,893	\$ 18,714,640	\$ 14,346,042	\$ 340,143	\$ 111,968,718
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 89,279	\$ 332,396	\$ 1,709	\$ 73,211	\$ 496,595
Due to other funds	366,700				366,700
Compensated absences	12,148	1,650			13,798
Customer deposits payable	160,255	160,104			320,359
Matured bonds and contract payable	1,409,374				1,409,374
Accrued interest payable	95,225				95,225
Capital leases payable - current	2,653	171	18,008		20,832
Total current liabilities	2,135,634	494,321	19,717	73,211	2,722,883
Noncurrent liabilities:					
Compensated absences	11,655	1,760			13,415
Water revenue bonds	4,634,000				4,634,000
Special assessment bonds	2,957,000				2,957,000
Culinary water system contract payable	14,035,460				14,035,460
Capital leases payable	7,988		9,327		17,315
Total of noncurrent liabilities	21,646,103	1,760	9,327		21,657,190
Total liabilities	23,781,737	496,081	29,044	73,211	24,380,073
NET ASSETS					
Invested in capital assets, net of related debt	52,912,547	15,608,005	13,222,515		81,743,067
Restricted for debt service	310,945				310,945
Restricted for improvements	3,111,060	726,524	931,258		4,768,842
Unrestricted	(1,548,396)	1,884,030	163,225	266,932	765,791
Total net assets	\$ 54,786,156	\$ 18,218,559	\$ 14,316,998	\$ 266,932	\$ 87,588,645

The notes to the financial statements are an integral part of this statement.

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Major Funds				Total Proprietary Funds
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	
Operating revenues:					
Charges for services	\$ 3,985,975	\$ 1,848,336	\$ 360,928	\$ 808,855	\$ 7,004,094
Installation service fees	181,345	150,150	-	-	331,495
Other	6,569	-	-	-	6,569
Total operating revenues	4,173,889	1,998,486	360,928	808,855	7,342,158
Operating expenses:					
Personnel	374,881	66,182	-	-	441,063
Supplies and maintenance	334,702	126,633	39,128	-	500,463
Professional services	219,226	4,748	-	-	223,974
Administration	749,658	374,833	251,974	32,686	1,409,151
Power and pumping	401,080	55,940	-	-	457,020
Treatment and sanitation	4,800	919,300	-	718,141	1,642,241
Depreciation	2,144,295	681,974	409,318	-	3,235,587
Other	12,505	11,829	2,056	5,945	32,335
Total operating expenses	4,241,147	2,241,439	702,476	756,772	7,941,834
Operating Income (Loss)	(67,258)	(242,953)	(341,548)	52,083	(599,676)
Nonoperating revenues (expenses):					
Investment earnings	31,749	17,654	6,047	1,893	57,343
Developer reimbursements	-	(193,071)	-	-	(193,071)
Interest expense and fiscal charges	(408,538)	-	-	-	(408,538)
Total nonoperating revenues (expenses)	(376,789)	(175,417)	6,047	1,893	(544,266)
Income before contributions and transfers	(444,047)	(418,370)	(335,501)	53,976	(1,143,942)
Capital contributions	738,210	315,850	184,082	-	1,238,142
Impact Fees	2,219,819	489,941	235,778	-	2,945,538
Transfers out	-	-	-	-	-
Change in net assets	2,513,982	387,421	84,359	53,976	3,039,738
Total net assets - beginning (restated)	52,272,174	17,831,138	14,232,639	212,956	84,548,907
Total net assets - ending	\$ 54,786,156	\$ 18,218,559	\$ 14,316,998	\$ 266,932	\$ 87,588,645

The notes to the financial statements are an integral part of this statement.

CITY OF SARATOGA SPRINGS
Statement of Fund Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Major Funds				Totals
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,384,037	\$ 2,168,860	\$ 329,820	\$ 803,847	\$ 6,686,564
Payments to suppliers	(1,084,290)	(1,215,146)	(38,748)	(652,547)	(2,990,731)
Payments to employees	(395,977)	(81,221)	(2,260)	(563)	(480,021)
Payments for interfund services used	(749,658)	(374,833)	(251,974)	(32,686)	(1,409,151)
Net cash provided by operating activities	<u>1,154,112</u>	<u>497,660</u>	<u>36,838</u>	<u>118,051</u>	<u>1,806,661</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	3,114,374	-	-	-	3,114,374
Capital contributions	2,319,819	296,870	235,778	-	2,852,467
Purchases of capital assets	(133,103)	-	-	-	(133,103)
Acquisition and construction of capital assets	(176,543)	(32,263)	(31,024)	-	(239,830)
Principal paid on capital debt	(5,857,300)	-	-	-	(5,857,300)
Interest paid on capital debt	(366,909)	-	-	-	(366,909)
Capital lease down payment	(9,655)	(4,297)	(17,152)	-	(31,104)
Net cash provided (used) by capital and related financing activities	<u>(1,109,317)</u>	<u>260,310</u>	<u>187,602</u>	<u>-</u>	<u>(661,405)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends received	31,749	17,654	6,047	1,893	57,343
Net cash provided (used) by investing activities	<u>31,749</u>	<u>17,654</u>	<u>6,047</u>	<u>1,893</u>	<u>57,343</u>
Net increase in cash and cash equivalents	76,544	775,624	230,487	119,944	1,202,599
Cash and cash equivalents, July 1, 2011	3,195,411	1,943,774	819,927	136,487	6,095,599
Cash and cash equivalents, June 30, 2012	<u>\$ 3,271,955</u>	<u>\$ 2,719,398</u>	<u>\$ 1,050,414</u>	<u>\$ 256,431</u>	<u>\$ 7,298,198</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (67,258)	\$ (242,953)	\$ (341,548)	\$ 52,083	\$ (599,676)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,144,295	681,974	409,318	-	3,235,587
Disposal of capital assets expense	6,495	679	2,150	-	9,324
(Increase) decrease in net accounts receivable	31,206	188,121	(25,947)	(3,748)	189,632
Increase in customer deposits	4,578	156,292	-	-	160,870
Increase (decrease) in accounts payable	(118,472)	(97,375)	286	71,539	(144,022)
(Decrease) in compensated absences payable	(21,096)	(15,039)	(2,260)	(563)	(38,958)
Total adjustments	<u>2,047,006</u>	<u>914,652</u>	<u>383,547</u>	<u>67,228</u>	<u>3,403,109</u>
Net cash provided by operating activities	<u>\$ 1,979,748</u>	<u>\$ 671,699</u>	<u>\$ 41,999</u>	<u>\$ 119,311</u>	<u>\$ 2,803,433</u>

The notes to the financial statements are an integral part of this statement.

NOTES
TO THE
FINANCIAL
STATEMENTS

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The City of Saratoga Springs (City) was incorporated in December 1997. The City operates under a council manager form of government and provides the following services as authorized by its character: public safety (police, fire, inspection and animal control), streets and highways, public utilities (refuse collection, water and sewer), parks and recreation and general administrative services. The financial statements of The City of Saratoga Springs have been prepared in conformity with generally accepted accounting principles (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. The following is a summary of the more significant policies.

A. Reporting Entity

The City of Saratoga Springs is a municipal corporation governed by an elected mayor and six council members. The accompanying financial statements present the financial affairs of the government and its operations.

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 the related Governmental Accounting Standards. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent on the City.

The City has no component units.

B. Government-wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of inter-fund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities and inter-fund services provided.

The Statement of Net Assets presents the City's assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. 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 within a specific function. The City does not allocate general government (indirect) expenses to other functions. 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; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies – Continued

B. Government-wide and Fund Financial Statements - Continued

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements, to the extent that those standards do no conflict with, or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The use of financial resources to acquire capital assets are shown as assets in the government-wide financial statements, rather than reported as expenditures in the governmental fund financial statements. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source in the governmental fund financial statements. Amounts paid to reduce long-term debt in the government-wide financial statements are reported as a reduction of the related liability, rather than expenditures in the governmental fund statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (generally within sixty days) to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under the accrual method of accounting. However, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded when payment is due.

Sales and use taxes, franchise taxes and earned but un-reimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Property taxes are measurable as of the date levied and available only when cash is received by the county treasurer prior to the City's fiscal year end and remitted to the City within sixty days of its fiscal year end.

The City reports the following governmental funds:

General Fund - The General Fund is the primary operating fund. It is used to account for all financial resources of the City not accounted for by a separate, specialized fund.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted or committed for specified purposes. The City has one special revenue fund that operates the street light program.

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting - Continued

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital improvements (other than those financed by proprietary funds.)

The City reports the following proprietary fund types as enterprise funds:

Water Utility Fund – The Water Utility Fund accounts for the water distribution system of the City for its residents.

Sewer Utility Fund – The Sewer Utility Fund accounts for the sewage collection systems of the City for its residents

Storm Drain Utility Fund – The Storm Drain Utility Fund accounts for the various storm drain collection and retention systems in the City for its residents.

Garbage Collection Utility Fund – The Garbage Collection Utility Fund accounts for the collection and disposal of garbage for City residents.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by the Enterprise Funds for providing administrative, billing, and facility costs for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Enterprise funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operation. The principal operating revenues of the enterprise funds are charges to customers to the system. Operating expenses for enterprise funds 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 non operating revenues and expenses.

D. Budgets

Annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1, in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required and prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies – Continued

D. Budgets – Continued

The Budgetary Comparison schedules presented in this section of the report are for the City’s general fund and special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Utah State allows for any undesignated fund balances in excess of 5% of total revenue of the general fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 18% of the total estimated revenue of the general fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the City has one year to determine an appropriate use and then the excess must be included as an available resource in the general fund budget.

E. Taxes

In connection with budget adoption an annual tax ordinance establishing the tax rate is adopted before June 22 and the City Recorder is to certify the tax rate to the County Auditor before June 22. Budgets for the general, special revenue, and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The above procedures are authorized by the Utah Code Sections 10-6-109 through 10-6-135.

All property taxes levied by the City are assessed and collected by Utah County. Taxes are attached as an enforceable lien as of January 1, are levied as of October 1, and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on monthly.

F. Capital Assets

Capital assets, which include land, buildings, property, plant, equipment, water rights, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are carried at cost or estimated historical cost. Depreciation of these assets is computed by use of the straight-line method over their estimated useful lives as follows:

Buildings and improvements	40 Years
Sewer collection system	30 Years
Water distribution systems	40 Years
Infrastructure and improvements	10-25 Years
Machinery and equipment	5-20 Years
Other improvements	10-40 Years

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies – Continued

G. Long-Term Obligation

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance are deferred and amortized over the life of the applicable debt.

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 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.

H. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund financial statements; governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned.

Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance classifications are restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance classification include those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the governments highest level of decision making authority, the City Council. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the City Council.

Assigned fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed in the General Fund, that are intended to be used for specific purposes. It is the City’s policy to require City Council action for the assignment of funds.

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies – Continued

H. Equity Classifications – Continued

Unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted. It is the City’s policy to use committed funds first then assigned funds and lastly use unassigned funds when all are available for use in satisfying the expenditure.

Proprietary Fund equity is classified the same as in the government-wide statements.

I. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date of three months or less when acquired by the City.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Deposits and Investments

As of June 30, 2012, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 15,302,779	85 days *	not rated
Total	<u>\$ 15,302,779</u>		

* Weighted-average maturity

A. Custodial Credit Risk

Deposits and investments for the City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the City’s exposure to various risks related to its cash management activities.

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be recovered. The City’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The City’s deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City’s bank balances at June 30, 2012 were \$2,010,354 of which \$1,760,354 were uninsured and uncollateralized.

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 2 - Deposits and Investments – Continued

A. Custodial Credit Risk – Continued

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City policy to minimize custodial credit risk is to follow the Utah Money Management Act and the City's approved investment policy. The City currently invests only in the State of Utah PTIF as discussed below.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act. The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool exceeded its amortized cost basis by \$96,768 at June 30, 2012.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by following its investment policy by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the table at the beginning of Note 2.

D. Restricted Cash

The City maintains cash in accounts held by third party custodians that are restricted for the use of bond payments. The amount of restricted cash at June 30, 2012 was \$1,948,508.

Note 3 - Accounts Receivable – Unearned Revenue

Accounts receivable are recorded net of the allowance for doubtful accounts of \$35,858 in the enterprise fund. Unearned revenue in the governmental funds consist of property taxes receivable that will not be collected in sufficient time to be classified as revenue in the current fiscal year.

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 16,896,158	\$ 1,571,706	\$ (102,741)	\$ 18,365,123
Construction in process	<u>1,375,332</u>	<u>3,513,067</u>	<u>-</u>	<u>4,888,399</u>
Total	18,271,490	5,084,773	(102,741)	23,253,522
Capital assets, being depreciated:				
Buildings	4,343,371	14,973	-	4,358,344
Machinery and equipment	3,053,458	183,853	(36,448)	3,200,863
Improvements	-	-	-	-
Infrastructure	<u>72,977,894</u>	<u>1,811,235</u>	<u>(46,368)</u>	<u>74,742,761</u>
Total	80,374,723	2,010,061	(82,816)	82,301,968
Less accumulated depreciation for:				
Buildings	(498,530)	(115,959)	-	(614,489)
Machinery and equipment	(1,820,049)	(314,805)	33,438	(2,101,416)
Improvements	-	-	-	-
Infrastructure	<u>(19,594,328)</u>	<u>(3,977,636)</u>	<u>8,173</u>	<u>(23,563,791)</u>
Total	<u>(21,912,907)</u>	<u>(4,408,400)</u>	<u>41,611</u>	<u>(26,279,696)</u>
Capital assets, being depreciated, net	<u>58,461,816</u>	<u>(2,398,339)</u>	<u>(41,205)</u>	<u>56,022,272</u>
	<u>76,733,306</u>	<u>2,686,434</u>	<u>(143,946)</u>	<u>79,275,794</u>
Business-type activities:				
Capital assets, not being depreciated:				
Water rights	14,659,649	133,173	(200)	14,792,622
Construction in progress	<u>308,487</u>	<u>157,703</u>	<u>-</u>	<u>466,190</u>
Total	14,968,136	290,876	(200)	15,258,812
Capital assets, being depreciated:				
Water capacity	10,950,988	-	-	10,950,988
Culinary water system	56,435,835	710,023	(1,534,017)	55,611,841
Secondary water irrigation system	5,634,300	1,527,435	(380)	7,161,355
Sewer system	19,729,005	326,163	(745)	20,054,423
Storm drain system	15,380,808	184,082	(2,303)	15,562,587
Equipment	<u>706,354</u>	<u>-</u>	<u>-</u>	<u>706,354</u>
Total	108,837,290	2,747,703	(1,537,445)	110,047,548
Less accumulated depreciation for:				
Water capacity	(3,448,695)	(547,549)	-	(3,996,244)
Culinary water system	(8,444,322)	(1,394,337)	296	(9,838,363)
Secondary water irrigation system	(615,084)	(179,034)	26	(794,092)
Sewer system	(4,096,398)	(667,029)	67	(4,763,360)
Storm drain system	(2,005,227)	(388,875)	155	(2,393,947)
Equipment	<u>(580,627)</u>	<u>(58,771)</u>	<u>-</u>	<u>(639,398)</u>
Total accumulated depreciation	<u>(19,190,353)</u>	<u>(3,235,595)</u>	<u>544</u>	<u>(22,425,404)</u>
Capital assets, being depreciated, net	<u>89,646,937</u>	<u>(487,892)</u>	<u>(1,536,901)</u>	<u>87,622,144</u>
Business-type activities capital assets, net	<u>104,615,073</u>	<u>(197,016)</u>	<u>(1,537,101)</u>	<u>102,880,956</u>

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 4 - Capital Assets – Continued

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:

General government	\$ 56,543
Public safety	201,891
Highways and public works	2,900,500
Parks and recreation	<u>1,249,466</u>
Total depreciation expense - governmental activities	<u><u>\$ 4,408,400</u></u>

Business-type activities:

Water utility	\$ 2,144,300
Sewer utility	681,975
Storm drain utility	<u>409,320</u>
Total depreciation expense - business-type activities	<u><u>\$ 3,235,595</u></u>

Combined depreciation expense	<u><u>\$ 7,643,995</u></u>
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Note 5 - Compensated Absences

Accumulated unpaid vacation, compensatory leave pay and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). In the governmental funds (using the modified accrual basis of accounting) only the unpaid amounts due to retired or terminated employees are recorded as liabilities. All City employees are paid from the general fund. The total compensated absences liability is reported in the government wide financial statements as long-term debt in accordance with the Governmental Accounting Standards. Based on historical estimates, the City estimates that \$161,729 of the compensated absences balance will be due in the next year.

Note 6 - Retirement Plans

A. Plan Description

The City of Saratoga Springs is a participant in the Utah State Retirement Systems (URS), a multiple employer, cost sharing retirement systems providing defined benefits based on years of services and highest average salaries. The City contributes to the Local Governmental Contributory Retirement System, the Local Governmental Non-contributory Retirement System, the Public Safety Retirement System, and Firefighters Retirement System. The Systems provide refunds, retirement benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirements Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Non-contributory Retirement System, the Public Safety Retirement System, and the Firefighters Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems at 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 6 - Retirement Plans – Continued

B. Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems which they belong; 16.18% for the Firefighters Tier 1 Retirement System. The City is required to contribute a percent of covered salary to the respective systems, 10.33% for the Contributory System, 13.77% to the Noncontributory System, 28.64% to the Public Safety System, and 10.64% to the Firefighters Tier 2 System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. The City has paid 100% of the required contributions.

The City's contributions to the various systems for June 30, 2012, 2011 and 2010 were as follows:

A. Local Governmental System – Contributory

<u>2012</u>	<u>2011</u>	<u>2010</u>	
\$ 1,160	\$ -	\$ -	Employer contributions
15,287	-	-	Salary subject to contributions

B. Local Governmental System – Noncontributory

<u>2012</u>	<u>2011</u>	<u>2010</u>	
\$ 277,930	\$ 235,277	\$ 190,977	Employer contributions
2,018,379	1,759,743	1,637,884	Salary subject to contributions

C. Utah Public Safety System – Public Safety

<u>2012</u>	<u>2011</u>	<u>2010</u>	
\$ 267,246	\$ 263,463	\$ 181,562	Employer contributions
1,135,530	932,945	692,720	Salary subject to contributions

D. Local Governmental System – Firefighters

<u>2012</u>	<u>2011</u>	<u>2010</u>	
\$ 52,418	\$ 57,078	\$ 28,659	Employer paid for employee contributions
7,010	-	-	Employer contributions
391,057	352,773	296,073	Salary subject to contributions

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 7 - Deferred Compensation Plan

The City also offers its employees defined contribution plans in accordance with Internal Revenue Code Sections 401(k), 401(a), and 457. Under a Section 218 agreement authorized by the Social Security Act, certain City employees are excluded from Social Security coverage. Accordingly, the City makes payments to defined contribution plans in lieu of contributing Social Security Taxes for these employees. Employees may also defer a portion of their salary until future years.

Contributions to the plans are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
457Plan			
Employee Contributions	\$ 46,430	\$ 51,399	\$ 58,272
Employer Contributions	226	-	20,076
401(k) Plan			
Employee Contributions	79,620	2,803	61,222
Employer Contributions	324,687	279,305	234,063
Traditional IRA Plan			
Employee Contributions	125	-	-
Roth IRA Plan			
Employee Contributions	9,715	8,910	8,910

Note 8 - Interfund Transfers

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2012 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ 291,000	\$ 2,538,216
Capital Projects	<u>2,247,216</u>	<u>-</u>
	<u>\$ 2,538,216</u>	<u>\$ 2,538,216</u>

The purpose of the inter-fund transfers is to meet the City's ongoing cash needs for capital projects. In addition to the transfers, the General Fund charged \$1,231,434 to the enterprise funds for personnel and administrative services and facility costs during the year.

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 9 - Contingent Liabilities

Amounts received or receivables from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial. The City is also involved in various claims that should be covered by insurance.

On November 25, 2009 the City entered into an agreement with the Central Utah Water Conservancy District (District) to obtain delivery of water through District facilities equal to 10,000 acre feet. He City is obligated to pay a one-time development charge of \$6,200 per acre foot (\$62,000,000 for 10,000 acre feet of water) to the district which is due when the City takes delivery but no later than June 30, 2020. The City's obligation is backed by a contract with a landowner of property that is located within the City. The contract with the landowner requires collateral in the amount of the obligation and the funding of an account twelve months prior to the payment due date. The purpose of the water rights is to serve land in the future as those parcels are developed.

On March 30, 2010 the City entered into an agreement with a neighboring municipality to provide police services. In accordance with the agreement the City is to receive \$751,525 on an annual basis for the service.

The City has entered into an agreement with a developer to reimburse the developer for installing added improvements to the sewer system. The City will pay the developer \$700 for each connection to the north sewer system service area until the year 2020 up to a maximum of \$2,200,396. The City makes payments to the developer as fees are collected. The total amount paid to the developer as of June 30, 2012 was \$989,260 of which \$165,200 was paid during the fiscal year ended June 30, 2012.

Note 10 – Construction Commitments

The City has active construction projects as of June 30, 2012. The projects include construction of roads and utility system upgrades.

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>	<u>Estimated Completion</u>
All projects	\$1,085,327	\$502,295	Jul 12 – Mar 13

Note 11 - 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; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in the Local Governments Trust, a public entity risk pool. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The City carries \$2,000,000 of liability coverage and \$1,000,000 of fidelity bond coverage for the treasurer.

The City participates in the public entity risk pool's general liability insurance program. This program requires annual premiums based on the City's level of insurance and previous claims experience. The payment of the premium indemnifies the City for claims that exceed its deductible amount. The risk pool is governed by the inter-local risk pool agreement

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 12 – Leases

Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of several vehicles for the various City departments. The lease agreements qualify as capital lease obligations for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities		
		Water Utility	Sewer Utility	Storm Drain Utility
Equipment	\$ 1,030,504	\$ 46,597	\$ 17,478	\$ 115,050
Accumulated depreciation	<u>(619,677)</u>	<u>(45,283)</u>	<u>(17,748)</u>	<u>(90,396)</u>
Total	<u>\$ 410,827</u>	<u>\$ 1,314</u>	<u>\$ -</u>	<u>\$ 24,654</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

<u>Year Ending June 30</u>	Governmental Activities	Business-type Activities		
		Water Utility	Sewer Utility	Storm Drain Utility
2013	\$ 162,410	\$ 3,390	\$ 658	\$ 18,841
2014	131,046	1,948	-	9,420
2015	103,496	1,948	-	-
2016	43,795	1,948	-	-
2017	24,588	1,948	-	-
2018-2023	<u>9,803</u>	<u>974</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	475,137	12,155	658	28,261
Less: amount representing interest	<u>(7,357)</u>	<u>(1,186)</u>	<u>(4)</u>	<u>(976)</u>
Present value of minimum lease payments	<u>\$ 467,780</u>	<u>\$ 10,969</u>	<u>\$ 654</u>	<u>\$ 27,285</u>

Operating Leases

The City leases vehicles under non-cancelable operating leases. Total Cost for such leases were \$16,609 for the year ended June 30, 2012. Under the lease \$11,864 will be due in the fiscal year 2013

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 13 – Long-term Debt

A. Special Assessment Bonds

During the fiscal year the City issued the 2012 series special assessment debt to pay off higher interest rate 2009 series special assessment debt of the City. The 2012 series bonds will be repaid from assessments levied against the property owners benefited by the improvements made by the City in the special improvement district area. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government may draw from the established reserve fund to cover the deficiency. The bonds have a stated rate of interest of 0.75% - 4.45% and are payable in installments of principal and interest over the next 17 years.

The special assessment bonds are recorded in the enterprise fund with annual debt service requirements to maturity for special assessment bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 157,374	\$ 84,762	\$ 242,136
2014	159,000	83,582	242,582
2015	160,000	82,230	242,230
2016	162,000	80,582	242,582
2017	164,000	78,395	242,395
2018-2022	866,000	346,211	1,212,211
2023-2027	992,000	219,599	1,211,599
2028-2029	454,000	30,305	484,305
Total	<u>\$3,114,374</u>	<u>\$1,005,666</u>	<u>\$4,120,040</u>

B. Revenue Bonds

The government has issued bonds where the government pledged revenues derived from the operation of the utility system to pay the outstanding debt service. Revenue bonds are the obligations of the enterprise funds and the amounts outstanding at year end are as follows:

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 13 – Long-term Debt – Continued

B. Revenue Bonds – Continued

2005 Water Revenue Bonds

On December 28, 2005 the City issued \$2,031,000 in Series 2005 Water Refunding bonds with a maturity date of January 1, 2026 at an interest rate of 3.84%. The bonds were issued to 1) finance the costs of associate with acquiring constructing, and equipping portions of the City’s culinary water system, 2) refund the Series 2004 Water Revenue Bonds, and 3) finance the costs of issuance of the Series 2005 Bonds. Each principal payment is subject to prepayment and redemptions at any time, in whole or in part in inverse order, at the election of the City. The redemption price will equal 100% of the principal amount to be repaid or redeemed, plus accrued interest, if any, to the date of redemption.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Intertest</u>	<u>Total Debt Service</u>
2013	\$ 87,000	\$ 60,364	\$ 147,364
2014	90,000	57,024	147,024
2015	94,000	53,568	147,568
2016	97,000	49,958	146,958
2017	101,000	46,233	147,233
2018-2022	566,000	77,796	643,796
2023-2026	537,000	52,491	589,491
Total	<u>\$ 1,572,000</u>	<u>\$ 397,434</u>	<u>\$ 1,969,434</u>

2006 Water Revenue Bonds

On April 8, 2006 the City issued \$3,285,000 in Series 2006 Water Revenue Bonds with a maturity date of January 1, 2027 at a 3.2% interest rate. The bonds were issued to finance the costs associated with acquiring, constructing, and equipping portions of the City’s culinary water system, along with financing the costs of issuance of the Series 2006 Bonds. Each principal payment is subject to prepayment and redemption at any time, in whole or in part, in inverse order, at the election of the City. The redemption price is equal to 100% of the principal amount to be prepaid or redeemed, plus accrued interest, if any, to the date of redemption.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Intertest</u>	<u>Total Debt Service</u>
2013	\$ 149,000	\$ 83,744	\$ 232,744
2014	154,000	78,976	232,976
2015	159,000	74,048	233,048
2016	164,000	68,960	232,960
2017	169,000	63,712	232,712
2018-2022	931,000	233,792	1,164,792
2023-2027	\$ 891,000	74,944	965,944
Total	<u>\$ 2,617,000</u>	<u>\$ 678,176</u>	<u>\$ 3,295,176</u>

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 13 – Long-term Debt – Continued

B. Revenue Bonds – Continued

2009 Water Revenue Bonds

On July 20, 2009 the City issued \$866,000 in Series 2009 Water Revenue Bonds with a maturity date of June 1, 2024 at an initial rate of 4.16%. The interest rate will reset every 5 years to 90% of the five-year advanced fixed rate as quoted by the Seattle Federal Home Loan Bank. The maximum interest rate allowed is 7.5%. The bonds were issued for the purpose of financing the construction of improvements and additions to the City’s water system and paying costs of issuance of the 2009 Bonds. The Bonds are subject to redemption on any business day and with at least 30 days prior written notice at the option of the City, in whole or in part, at the redemption price of 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date. If the interest rate adjustment is to exceed 7.5% , the owners of the Bonds will require the City to purchase all outstanding Bonds at the purchase price equal to 100 percent of the aggregate unpaid principal plus accrued interest at the rate immediately preceding the interest tare adjustment date.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Intertest</u>	<u>Total Debt Service</u>
2013	\$ 48,000	\$ 30,326	\$ 78,326
2014	50,000	28,329	78,329
2015	52,000	26,249	78,249
2016	54,000	24,086	78,086
2017	57,000	21,840	78,840
2018-2022	321,000	63,584	384,584
2023-2024	147,000	9,235	156,235
Total	<u>\$ 729,000</u>	<u>\$ 203,649</u>	<u>\$ 932,649</u>

2011 Sale Tax Revenue Bonds

Sales tax revenue bonds are special limited obligations of the City backed by the portion of sales and use taxes levied by the City under the Local Sales and Use Tax Act. The bonds are obligations of the governmental funds.

On June 1, 2011 the city issued \$4,000,000 in Series 2011 Sales Taxes Revenue Bonds at interest rates ranging from 3.0% to 4.125% with a maturity date of June 1, 2031. The bonds were issued to finance the costs associated with acquiring, constructing, renovating, equipping, and furnishing the City’s facilities (including a public works facility, fire station, and city well improvements) and to exercise a purchase option under an outstanding financing lease for eh the City Hall building. Bond proceeds were also used to pay the cost of issuance of the Bonds. The Bonds maturing on or after June 1, 2021 are subject to redemption prior to maturity, in whole or in part, at the option of the City on December 31, 2020 or on any date thereafter, from such maturities or parts thereof as selected by the City. The redemption price will equal 100% of the principal amount to be repaid or redeemed, plus accrued interest, if any, to the date of redemption.

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 13 – Long-term Debt – Continued

B. Revenue Bonds – Continued

2011 Sale Tax Revenue Bonds – Continued

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Intertest</u>	<u>Total Debt Service</u>
2013	145,000	139,950	284,950
2014	150,000	135,450	285,450
2015	155,000	130,800	285,800
2016	160,000	126,000	286,000
2017	165,000	121,050	286,050
2018-2022	920,000	499,350	1,419,350
2023-2027	1,105,000	307,435	1,412,435
2028-2031	1,060,000	67,324	1,127,324
Total	<u>3,860,000</u>	<u>1,527,359</u>	<u>5,387,359</u>

C. Note Payable

Culinary Water System

Prior to the City being established in December 1997, a water company had built a water system in the area covered by the City. On February 2, 2005, the city entered into a settlement agreement to purchase the water system and the rights to the unused water capacity. The City's obligation of \$21,000,000 is to be serviced by paying two-thirds, presently \$2000, of each connection or impact fee collected. By agreement, the obligation bears no interest. If the City has not paid the full obligation by February 2, 2025, then the remaining, unpaid balance becomes due at that date. The note is an obligation of the water enterprise fund. Based on the projection of 525 connections annually, the remaining obligation is expected to be retired as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Intertest</u>	<u>Total Debt Service</u>
2013	\$ 1,050,000	\$ -	\$ 1,050,000
2014	1,050,000	-	1,050,000
2015	1,050,000	-	1,050,000
2016	1,050,000	-	1,050,000
2017	1,050,000	-	1,050,000
2018-2022	5,250,000	-	5,250,000
2023-2026	4,503,460	-	4,503,460
Total	<u>\$ 15,003,460</u>	<u>\$ -</u>	<u>\$ 15,003,460</u>

THE CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2012

Note 13 – Long-term Debt – Continued

D. Changes in Long-term Debt

During the year ended June 30, 2012, the following activity occurred in liabilities reported as long-term:

	Balance			Balance	Due Within
	June 30, 2011	Additions	Retirements	June 30, 2012	One Year
Governmental Activities:					
2011 Sales Tax Revenue Bonds	\$ 4,000,000	\$ -	\$ (140,000)	\$ 3,860,000	\$ 145,000
2011 Sales Tax Revenue Bond Premium	133,634	-	(6,682)	126,952	-
Obligations Under Capital Lease	549,948	-	(167,517)	382,431	190,038
Compensated Absences	228,420	154,177	-	382,597	161,729
Total	\$ 4,912,002	\$ 154,177	\$ (314,199)	\$ 4,751,980	\$ 496,767
Business Type Activities:					
2005 Water Revenue Refunding Bonds	\$ 1,656,000	\$ -	\$ (84,000)	\$ 1,572,000	\$ 87,000
2006 Water Revenue Bonds	2,762,000	-	(145,000)	2,617,000	149,000
2009 Water Revenue Bonds	775,000	-	(46,000)	729,000	48,000
2012 Special Assessment Bonds	-	3,114,374	-	3,114,374	157,374
2009 Special Assessment Bond	4,601,000	-	(4,601,000)	-	-
Contract payable	15,971,500	-	(968,040)	15,003,460	1,050,000
Obligations Under Capital Lease	68,123	-	(30,149)	37,974	19,320
Compensated Absences	66,171	-	(38,959)	27,212	27,212
Total	\$ 25,899,794	\$ 3,114,374	\$ (5,913,148)	\$ 23,101,020	\$ 1,537,906

Note 14 – Prior Period Adjustment

The City previously reported \$380,000 of debt obligations of the water utility fund as obligations of the general government. The beginning net equity and debt of the water fund have been adjusted for this error. Likewise the beginning net assets values of the governmental activities and debt balances have also been adjusted for this error as shown below.

	Governmental Activities	Water Utility Fund
Net assets as previously stated June 30, 2011	\$83,540,161	\$52,652,174
Record debt in proper fund	380,000	(380,000)
Net assets as restated June 30, 2011	\$83,920,161	\$52,272,174



STATISTICAL SECTION

THIS PART OF THE CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT PRESENT DETAILED INFORMATION AS A CONTEXT FOR UNDERSTANDING WHAT THE INFORMATION IN THE FINANCIAL STATEMENTS AND NOTE DISCLOSURES SAY ABOUT THE CITY'S OVERALL FINANCIAL HEALTH.

UNLESS OTHERWISE NOTED, THE INFORMATION IN THESE SCHEDULES IS DERIVED FROM THE FINANCIAL STATEMENTS FOR THE RELEVANT YEAR.

Schedule 1
CITY OF SARATOGA SPRINGS, UTAH
NET ASSETS BY COMPONENT
Last Nine Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities									
Invested in capital assets, net of related debt	\$ 25,899,814	\$ 30,518,073	\$ 48,696,718	\$ 71,195,926	\$ 79,015,924	\$ 80,964,663	\$ 72,879,872	\$ 74,023,634	\$ 75,648,247
Restricted	3,544,954	4,952,261	5,842,246	8,446,142	10,597,938	9,436,161	5,418,579	6,879,966	7,890,183
Unrestricted	<u>608,568</u>	<u>1,074,401</u>	<u>3,114,889</u>	<u>967,824</u>	<u>342,310</u>	<u>1,411,862</u>	<u>2,384,845</u>	<u>2,636,561</u>	<u>4,941,530</u>
Total Governmental Activities Net Assets	<u>\$ 30,053,336</u>	<u>\$ 36,544,735</u>	<u>\$ 57,653,853</u>	<u>\$ 80,609,892</u>	<u>\$ 89,956,172</u>	<u>\$ 91,812,686</u>	<u>\$ 80,683,296</u>	<u>\$ 83,540,161</u>	<u>\$ 88,479,960</u>
Business-Type Activities									
Invested in capital assets, net of related debt	\$ 26,800,742	\$ 32,018,536	\$ 45,526,681	\$ 57,048,125	\$ 62,062,064	\$ 62,465,261	\$ 80,299,189	\$ 79,011,572	\$ 80,775,067
Restricted	687,687	1,664,985	2,074,087	4,568,662	3,020,674	1,299,971	2,156,528	3,487,439	5,079,787
Unrestricted	<u>93,512</u>	<u>(83,839)</u>	<u>(1,482,535)</u>	<u>53,505</u>	<u>1,526,777</u>	<u>3,178,868</u>	<u>2,166,007</u>	<u>2,429,896</u>	<u>1,733,791</u>
Total Business-Type Activities Net Assets	<u>\$ 27,581,941</u>	<u>\$ 33,599,682</u>	<u>\$ 46,118,233</u>	<u>\$ 61,670,292</u>	<u>\$ 66,609,515</u>	<u>\$ 66,944,100</u>	<u>\$ 84,621,724</u>	<u>\$ 84,928,907</u>	<u>\$ 87,588,645</u>
Primary Government									
Invested in capital assets, net of related debt	\$ 52,700,556	\$ 62,536,609	\$ 94,223,399	\$ 128,244,051	\$ 141,077,988	\$ 143,429,924	\$ 153,179,061	\$ 153,035,206	\$ 156,423,314
Restricted	4,232,641	6,617,246	7,916,333	13,014,804	13,618,612	10,736,132	7,575,107	10,367,405	12,969,970
Unrestricted	<u>702,080</u>	<u>990,562</u>	<u>1,632,354</u>	<u>1,021,329</u>	<u>1,869,087</u>	<u>4,590,730</u>	<u>4,550,852</u>	<u>5,066,457</u>	<u>6,675,321</u>
Total Primary Government Net Assets	<u>\$ 57,635,277</u>	<u>\$ 70,144,417</u>	<u>\$ 103,772,086</u>	<u>\$ 142,280,184</u>	<u>\$ 156,565,687</u>	<u>\$ 158,756,786</u>	<u>\$ 165,305,020</u>	<u>\$ 168,469,068</u>	<u>\$ 176,068,605</u>

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

Schedule 2
 CITY OF SARATOGA SPRINGS, UTAH
 CHANGES IN NET ASSETS
 Last Nine Fiscal Years
 (accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses									
Governmental Activities:									
General Government	\$ 868,733	\$ 829,609	\$ 1,064,188	\$ 1,638,279	\$ 1,611,513	\$ 1,199,630	\$ 1,292,510	\$ 1,291,631	\$ 1,998,497
Public Safety	742,703	1,169,177	1,934,221	3,352,802	3,318,850	3,010,953	3,669,436	4,651,168	4,833,686
Highways and Public Improvements	1,265,417	1,638,328	2,039,020	3,038,959	4,401,040	5,479,252	3,126,167	3,364,997	4,022,464
Parks and Recreation	294,951	346,692	451,937	834,999	1,421,153	1,784,119	1,614,955	1,738,032	1,899,678
Economic Development				880	1,425	3,168			
Interest on Long-Term Debt	1,415	39,891	76,603	100,180	109,232	95,006	27,858	47,519	157,437
Total Governmental Activities	<u>3,173,219</u>	<u>4,023,697</u>	<u>5,565,969</u>	<u>8,966,099</u>	<u>10,863,213</u>	<u>11,572,128</u>	<u>9,730,926</u>	<u>11,093,347</u>	<u>12,911,762</u>
Business-Type Activities:									
Water Utility	1,201,389	1,736,325	2,620,541	2,626,163	3,726,377	3,485,076	3,940,978	4,286,081	4,649,685
Sewer Utility	633,389	839,375	1,120,299	1,161,951	1,551,185	1,588,786	1,766,075	2,043,128	2,434,510
Garbage Utility	202,049	267,612	401,114	458,001	579,672	625,307	649,154	633,551	702,476
Storm Drain Utility	-	-	-	-	-	-	467,758	470,700	756,772
Total Business-Type Activities	<u>2,036,827</u>	<u>2,843,312</u>	<u>4,141,954</u>	<u>4,246,115</u>	<u>5,857,234</u>	<u>5,699,169</u>	<u>6,823,965</u>	<u>7,433,460</u>	<u>8,543,443</u>
Total Primary Government Expenses	<u>\$ 5,210,046</u>	<u>\$ 6,867,009</u>	<u>\$ 9,707,923</u>	<u>\$ 13,212,214</u>	<u>\$ 16,720,447</u>	<u>\$ 17,271,297</u>	<u>\$ 16,554,891</u>	<u>\$ 18,526,807</u>	<u>\$ 21,455,205</u>
Revenues									
Governmental Activities:									
Charges for Services	\$ 3,018,029	\$ 2,016,061	\$ 2,908,541	\$ 3,092,136	\$ 2,510,743	\$ 1,161,700	\$ 1,522,477	\$ 1,600,554	\$ 6,435,402
Operating Grants and Contributions	179,829	249,690	436,226	322,409	400,110	387,031	713,486	1,719,874	1,118,658
Capital Grants and Contributions	3,671,637	7,028,447	21,313,394	26,048,845	13,586,365	6,883,169	5,754,442	5,740,308	2,664,043
Total Governmental Activities	<u>6,869,495</u>	<u>9,294,198</u>	<u>24,658,161</u>	<u>29,463,390</u>	<u>16,497,218</u>	<u>8,431,900</u>	<u>7,990,405</u>	<u>9,060,736</u>	<u>10,218,103</u>
Business-Type Activities									
Charges for Services	1,686,609	3,236,525	5,933,947	2,536,062	2,842,550	3,388,665	4,440,588	5,087,783	10,287,696
Capital Grants and Contributions	7,244,451	5,597,732	10,632,313	16,209,498	8,318,095	2,877,659	5,724,324	2,223,380	1,238,142
Total Business-Type Activities	<u>8,931,060</u>	<u>8,834,257</u>	<u>16,566,260</u>	<u>18,745,560</u>	<u>11,160,645</u>	<u>6,266,324</u>	<u>10,164,912</u>	<u>7,311,163</u>	<u>11,525,838</u>
Total Primary Government Revenues	<u>\$ 15,800,555</u>	<u>\$ 18,128,455</u>	<u>\$ 41,224,421</u>	<u>\$ 48,208,950</u>	<u>\$ 27,657,863</u>	<u>\$ 14,698,224</u>	<u>\$ 18,155,317</u>	<u>\$ 16,371,899</u>	<u>\$ 21,743,941</u>
Net (Expense)/Revenue									
Governmental Activities	\$ 3,696,276	\$ 5,270,501	\$ 19,092,192	\$ 20,497,291	\$ 5,634,005	\$ (3,140,228)	\$ (1,740,521)	\$ (2,032,611)	\$ (2,693,659)
Business-Type Activities	6,894,233	5,990,945	12,424,306	14,499,445	5,303,411	567,155	3,340,947	(122,297)	2,982,395
Total Primary Government Net Expense	<u>\$ 10,590,509</u>	<u>\$ 11,261,446</u>	<u>\$ 31,516,498</u>	<u>\$ 34,996,736</u>	<u>\$ 10,937,416</u>	<u>\$ (2,573,073)</u>	<u>\$ 1,600,426</u>	<u>\$ (2,154,908)</u>	<u>\$ 288,736</u>

Schedule 2, Continued

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses									
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes									
Property Taxes	318,663	472,781	589,660	737,174	785,703	2,304,884	2,442,112	2,395,277	4,149,276
Sales and Use Taxes	317,432	359,176	641,275	868,029	1,246,985	1,495,027	1,723,051	1,881,168	2,162,610
Franchise Fees	202,769	268,661	400,554	131,526	141,716	193,385	158,393	227,207	212,494
Energy Taxes	-	-	-	314,617	450,148	480,352	549,691	632,865	655,845
Interest Earnings	48,605	120,280	385,433	561,210	508,018	223,094	56,812	98,172	73,233
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	34,787	-
Other	(134,205)	-	-	-	579,705	300,000	(14,318,928)	(380,000)	309,789
Total Governmental Activities	<u>753,264</u>	<u>1,220,898</u>	<u>2,016,922</u>	<u>2,612,556</u>	<u>3,712,275</u>	<u>4,996,742</u>	<u>(9,388,869)</u>	<u>4,889,476</u>	<u>7,563,247</u>
Business-Type Activities:									
Interest Earnings	9,450	26,796	94,246	234,830	215,517	67,430	17,749	49,480	57,343
Other	134,205	-	-	-	(579,705)	(300,000)	14,318,928	380,000	6,569
Total Business-Type Activities	<u>143,655</u>	<u>26,796</u>	<u>94,246</u>	<u>234,830</u>	<u>(364,188)</u>	<u>(232,570)</u>	<u>14,336,677</u>	<u>429,480</u>	<u>63,912</u>
Total Primary Government General Revenue	<u>896,919</u>	<u>1,247,694</u>	<u>2,111,168</u>	<u>2,847,386</u>	<u>3,348,087</u>	<u>4,764,172</u>	<u>4,947,808</u>	<u>5,318,956</u>	<u>7,627,159</u>
Change in Net Assets									
Governmental Activities	\$ 4,449,540	\$ 6,491,399	\$ 21,109,114	\$ 23,109,847	\$ 9,346,280	\$ 1,856,514	\$ (11,129,390)	\$ 2,856,865	\$ 4,559,799
Business-Type Activities	<u>7,037,888</u>	<u>6,017,741</u>	<u>12,518,552</u>	<u>14,734,275</u>	<u>4,939,223</u>	<u>334,585</u>	<u>17,677,624</u>	<u>307,183</u>	<u>3,039,738</u>
Total Primary Government	<u>\$ 11,487,428</u>	<u>\$ 12,509,140</u>	<u>\$ 33,627,666</u>	<u>\$ 37,844,122</u>	<u>\$ 14,285,503</u>	<u>\$ 2,191,099</u>	<u>\$ 6,548,234</u>	<u>\$ 3,164,048</u>	<u>\$ 7,599,537</u>

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

Schedule 3
CITY OF SARATOGA SPRINGS, UTAH
Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund									
Unreserved, undesignated	\$ 728,417	\$ 693,258	\$ 637,022	\$ 637,523	\$ 200,514	\$ 767,756	\$ 1,601,996	\$ -	\$ -
Unassigned								1,782,816	2,478,911
All other governmental funds									
Reserved									
Roads and impact fees	3,140,869	4,548,176	5,842,246						
Roads and captial improvements				7,777,648	810,413	170,162	6,048,717		
Advance to sewer fund	404,085	404,085	300,927						
Unreserved, undesignated									
Special revenue funds	18,193	41,488	44,320	48,571	58,141	100,783	163,926		
Captial Project Fund	(198,937)	216,396	2,142,776	913,673	9,764,797	9,302,490	(387,641)		
Nonspendable - prepaid expenses								22,459	7,628
Restricted									
Capital project funds								7,373,476	7,271,642
General fund									610,913
Assigned									
Capital project funds								1,713,820	1,406,121
Street lighting								249,453	305,725
Total all other governmental Funds	\$ 3,364,210	\$ 5,210,145	\$ 8,330,269	\$ 8,739,892	\$ 10,633,351	\$ 9,573,435	\$ 5,825,002	\$ 9,359,208	\$ 9,602,029

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

Schedule 4
CITY OF SARATOGA SPRINGS, UTAH
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Nine Fiscal Years
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues									
Taxes	\$ 838,864	\$ 1,119,415	\$ 1,643,200	\$ 2,040,986	\$ 2,553,945	\$ 4,073,541	\$ 4,804,683	\$ 5,240,234	\$ 5,789,134
Licenses and Permits	591,411	674,756	898,102	865,624	516,266	228,197	301,258	321,571	563,917
Intergovernmental	229,450	204,890	560,558	627,459	409,345	363,569	4,138,356	1,799,494	1,063,618
Fees/Charges for Services	1,170,345	1,378,521	1,950,083	5,928,566	3,559,163	2,267,583	2,501,208	2,506,678	5,589,526
Impact Fees	1,237,071	1,607,444	3,737,048	-	-	-	-	-	-
Developer Contributions	-	-	1,098,000	5,280	778,060	-	-	-	-
Interest Earnings	-	-	-	561,210	508,018	223,094	56,812	98,172	66,551
Other	69,721	127,864	456,166	5,115	40,719	29,966	203,803	2,041,161	534,896
Total Revenues	\$ 4,136,862	\$ 5,112,890	\$ 10,343,157	\$ 10,034,240	\$ 8,365,516	\$ 7,185,950	\$ 12,006,120	\$ 12,007,310	\$ 13,607,642
Expenditures									
General Government	856,265	2,131,993	946,167	1,718,133	1,614,753	1,137,079	1,211,931	1,256,561	1,919,556
Public Safety	744,859	1,252,097	3,495,737	3,765,665	3,169,752	2,915,047	5,122,624	4,613,424	4,582,135
Highways and Public Improvements	1,356,821	903,782	1,476,327	3,269,729	2,280,268	2,743,826	6,304,986	2,464,024	3,545,121
Parks and Recreation	375,991	323,626	1,477,515	1,393,201	578,584	830,865	1,627,197	2,264,012	2,665,475
Economic Development	-	-	-	880	920	-	-	-	-
Debt Service:									
Capital Lease Payments	15,452	46,346	99,895	236,627	404,811	351,807	324,228	1,405,289	365,282
Bond Issuance Costs and Trustee Fees	1,415	39,891	72,905	-	-	-	-	114,617	291,000
Total Expenditures	\$ 3,350,803	\$ 4,697,735	\$ 7,568,546	\$ 10,384,235	\$ 8,049,088	\$ 7,978,624	\$ 14,590,966	\$ 12,117,927	\$ 13,368,569
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 786,059	\$ 415,155	\$ 2,774,611	\$ (349,995)	\$ 316,428	\$ (792,674)	\$ (2,584,846)	\$ (110,617)	\$ 239,073
Other Financing Sources (Uses)									
Proceeds From Obligations Under Capital Leases	67,533	1,395,621	289,277	760,119	534,135	-	69,021	21,400	119,100
Issuance of Sales Tax Revenue Bonds	-	-	-	-	-	-	-	4,000,000	-
Bond Premium	-	-	-	-	-	-	-	134,193	-
Proceeds From Sales of Capital Assets	-	-	-	-	26,182	-	-	50,050	200,743
Transfers In	-	428,681	796,842	503,677	1,493,351	300,000	-	750,130	2,538,216
Transfers Out	(134,205)	(428,681)	(796,842)	(503,677)	(913,646)	-	(398,368)	(1,130,130)	(2,538,216)
Total Other Financing Sources (Uses)	\$ (66,672)	\$ 1,395,621	\$ 289,277	\$ 760,119	\$ 1,140,022	\$ 300,000	\$ (329,347)	\$ 3,825,643	\$ 319,843
Net Change in Fund Balances	\$ 719,387	\$ 1,810,776	\$ 3,063,888	\$ 410,124	\$ 1,456,450	\$ (492,674)	\$ (2,914,193)	\$ 3,715,026	\$ 558,916

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

Schedule 5
 CITY OF SARATOGA SPRINGS, UTAH
 Governmental Activities Tax Revenues by Source
 Last Nine Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Fees	Energy Taxes	Total
2004	\$ 318,663	\$ 317,432	\$ 202,769	\$ -	\$ 838,864
2005	472,781	359,176	268,661	-	1,100,618
2006	589,660	641,275	400,554	-	1,631,489
2007	737,174	868,029	131,526	314,617	2,051,346
2008	785,703	1,246,985	141,716	450,148	2,624,552
2009	2,304,884	1,495,027	193,385	480,352	4,473,648
2010	2,442,112	1,723,051	158,393	549,691	4,873,247
2011	2,395,277	1,881,168	227,207	632,865	5,136,517
2012	2,758,185	2,162,610	212,494	655,845	5,789,134

Change:
 2004-2012 765.5% 581.3% 4.8% 108.5% (1) 590.1%

Note: (1) Comparision in change from FY2007 and FY2012
 Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

Schedule 6
 CITY OF SARATOGA SPRINGS, UTAH
 Assessed Value of Taxable Property Excluding Fee-In-Lieu
 Last Ten Calendar Years
 (modified accrual basis of accounting)

Calendar Year	Residential Property	Commerical Property	Miscellaneous Property	Total Assessed Value	Total Taxable Assessed Value
2002	\$ 144,843,359	\$ 4,268,825	\$ 25,380,240	\$ 174,492,424	\$ 174,492,424
2003	173,796,404	12,230,142	27,840,258	213,866,804	213,866,804
2004	207,581,071	21,253,190	33,532,919	262,367,180	251,203,286
2005	317,685,146	37,482,579	24,410,377	379,578,102	368,386,322
2006	403,813,760	36,579,918	24,902,808	465,296,486	446,676,129
2007	703,649,723	45,666,410	46,532,533	795,848,666	770,569,048
2008	932,667,853	62,553,999	49,865,634	1,045,087,486	1,017,244,323
2009	761,281,348	108,869,886	54,449,296	924,600,530	895,096,173
2010	677,853,887	112,726,260	56,471,741	847,051,888	818,019,054
2011	613,123,034	104,439,630	39,673,599	757,236,263	744,534,001 (1)

Source: Utah State Tax Commission and Utah County Treasurer

Note: (1) 2011 fee-in-lieu data is not yet available and are included in "Miscellaneous Property".

Schedule 7
 CITY OF SARATOGA SPRINGS, UTAH
 Assessed Value of Taxable Property Including Fee-In-Lieu
 Last Ten Calendar Years
 (modified accrual basis of accounting)

Calendar Year	Residential Property	Commerical Property	Miscellaneous Property	Fee-In-Lieu Value	Total Assessed Value
2002	\$ 144,843,359	\$ 4,268,825	\$ 25,380,240	\$ -	\$ 174,492,424
2003	173,796,404	12,230,142	27,840,258	1,563,980	215,430,784
2004	207,581,071	21,253,190	33,532,919	1,633,642	264,000,822
2005	317,685,146	37,482,579	24,410,377	2,741,024	382,319,126
2006	403,813,760	36,579,918	24,902,808	752,668	466,049,154
2007	703,649,723	45,666,410	46,532,533	510,286	796,358,952
2008	932,667,853	62,553,999	49,865,634	347,430	1,045,434,916
2009	761,281,348	108,869,886	54,449,296	440,075	925,040,605
2010	677,853,887	112,726,260	56,471,741	503,524	847,555,412
2011	613,123,034	104,439,630	39,673,599	(1)	757,236,263

Source: Utah State Tax Commission

Note: (1) 2011 fee-in-lieu data is not yet available and are included in "Miscellaneous Property".

Schedule 8
CITY OF SARATOGA SPRINGS, UTAH
TAXABLE SALES BY CATEGORY
Last Five Calendar Years

	Calendar Year				
	2007	2008	2009	2010	2011
Apparel stores		4,000	3,000	300,000	1,250,000
Building materials and farm tools		60,000	35,000	15,000	10,000
Eating establishments		1,000,000	2,750,000	3,973,501	4,000,000
Food stores			15,000	20,000	15,000
Manufacturing	450,000	3,500,000	2,540,000	4,686,158	1,000,000
Micellaneous retail stores	307,386	2,797,168	4,140,183	1,244,042	4,891,000
Services	20,000	600,000	652,000	15,000	535,346
Wholesale		4,000	10,000	3,025,272	9,000
All other outlets	1,525,656	173,000	(2,729)	(18,378)	818,792
Total	\$ 2,303,042	\$ 8,138,168	\$ 10,142,454	\$ 13,260,595	\$ 12,529,138
City direct sales tax rate	2.20%	2.20%	2.20%	2.20%	2.20%

Source: Utah State Tax Commission website: Wasatch Front Zip Code Taxable Sales by Major Industry

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

Schedule 9

CITY OF SARATOGA SPRINGS, UTAH

Direct and Overlapping Property Tax Rates

Last Nine Calendar Years

(rate per \$1,000 of assessed value)

Calendar Year	City Direct Rate	Overlapping Rates					Total Levy for Saratoga Springs Residents
		Utah County Levy	Local Assessment Levy	State Assessment/Collecting	Cent Ut Levy	Alpine School District	
2004	0.001559	0.001065	0.00018	0.000180	0.000353	0.008119	0.011456
2005	0.001358	0.001040	0.000178	0.000173	0.000400	0.008082	0.011231
2006	0.001331	0.001079	0.000044	0.000139	0.000357	0.006883	0.009833
2007	0.000933	0.000843	0.000036	0.000121	0.000302	0.006937	0.009172
2008	0.002019	0.000809	0.000175	0.000121	0.000286	0.007057	0.010467
2009	0.002436	0.000878	0.000183	0.000142	0.000400	0.007541	0.011580
2010	0.002744	0.001108	0.000024	0.000162	0.000421	0.008220	0.012679
2011	0.003120	0.001143	0.000027	0.000172	0.000436	0.008812	0.013710

Source: Utah County Assessors Office

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

Schedule 10

CITY OF SARATOGA SPRINGS, UTAH

Direct and Overlapping Sales Tax Rate

Last Nine Fiscal Years

Fiscal Year	City Direct Rate	Utah County	State of Utah	Total
2004	1.00	0.25	4.75	6.00
2005	1.00	0.25	4.75	6.00
2006	1.00	0.25	4.75	6.00
2007	1.00	0.25	4.75	6.00
2008	1.25	0.25	4.75	6.25
2009	1.25	0.25	4.70	6.20
2010	1.80	0.25	4.70	6.75
2011	1.80	0.25	4.70	6.75
2012	1.80	0.25	4.70	6.75

Source: Utah State Tax Commission

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

Schedule 11
CITY OF SARATOGA SPRINGS, UTAH
Principal Property Taxpayers
Current Year and Prior Year

Taxpayer	2011			2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart			0.00%	\$ 14,185,632	1	1.73%
Scott McLachlan			0.00%	11,453,726	2	1.40%
Stations West			0.00%	6,186,446	3	0.76%
Questar Gas			0.00%	5,574,781	4	0.68%
Utah Pacific Holding			0.00%	4,890,800	5	0.60%
Pacificorp			0.00%	4,781,679	6	0.58%
Cougars Rock Investments			0.00%	3,768,786	7	0.46%
Towne Storage			0.00%	3,269,422	8	0.40%
S3 Properties (Walgreens)			0.00%	2,786,771	9	0.34%
Wardley			0.00%	2,743,000	10	0.34%
	<u>-</u>		<u>-</u>	<u>59,641,043</u>		<u>0</u>

Source: Utah County Treasurer and City Finance Department

Schedule 12
 CITY OF SARATOGA SPRINGS, UTAH
 City Tax Revenue Collected by Utah County
 Last Eight Calendar Years

Tax Year End 12/31	Total Taxes Levied	Treasurer's Relief (1)	Net Taxes Assessed	Current Collections	Delinquent, Personal Property, and Misc. Collections (2)	Total Collections	% of Current Collections to Net Taxes Assessed	% of Total Collections to Net Taxes Assessed (3)
2004	\$ 394,172	\$ 11,580	\$ 382,592	\$ 326,166	\$ 146,758	\$ 472,924	85.25%	123.61%
2005	503,991	24,242	479,749	423,621	146,626	570,247	88.30%	118.86%
2006	606,342	32,254	574,088	531,510	191,661	723,171	92.58%	125.97%
2007	719,417	10,406	709,011	579,792	159,660	739,452	81.77%	104.29%
2008	2,054,518	38,475	2,016,043	1,468,836	270,146	1,738,982	72.86%	86.26%
2009	2,181,526	7,717	2,173,809	1,763,228	543,549	2,306,777	81.11%	106.12%
2010	2,246,026	14,729	2,231,297	1,934,821	520,414	2,455,235	86.71%	110.04%
2011	2,322,946	19,180	2,303,766	2,079,374	575,767	2,655,141	90.26%	115.25%

Source: Utah County Treasurer

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time

- (1) "Treasurer's Relief" includes abatements. These "Treasurer's Relief" items are levied against the property, but are never collected and paid to the City.
- (2) "Delinquent, Personal Property, and Miscellaneous Collections" include interest, sales of real and personal property, and miscellaneous delinquent collections.
- (3) Due to collections of Delinquent, Personal Property, Miscellaneous, and interest from prior years, collections may exceed 100%.

Schedule 13
CITY OF SARATOGA SPRINGS, UTAH
Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Sales Tax Revenue Bonds	Capital Leases	Water Interim Warrant Certificate	Water Revenue Bonds	Special Assessment Bonds	Culinary Water System Contract Payable	Capital Leases			
2003	\$ -	\$ 4,009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,009	0.00%	\$ 1
2004	-	56,090	-	2,244,000 (2)	-	-	-	2,300,090	1.72%	360
2005	-	1,405,365 (3)	-	2,181,000	-	-	-	3,586,365	2.09%	451
2006	-	1,594,747	-	2,631,000 (4)	-	19,287,750 (5)	68,599	23,582,096	10.60%	2,472
2007	-	2,217,921 (6)	2,675,534 (7)	4,717,595 (8)	-	18,164,750	91,608	27,867,408	10.05%	2,479
2008	-	2,455,702	6,122,986	5,048,595	-	17,306,750	127,143	31,061,176	9.13%	2,382
2009	-	2,199,243	6,122,986	4,842,595	-	16,942,750	81,172	30,188,746	7.56%	2,041
2010	-	1,895,779	- (9)	5,458,595	4,669,539 (9)	16,460,750	100,914	28,585,577	6.99%	1,731
2011	4,000,000 (10)	549,948 (10)	-	5,193,000	4,601,000	15,971,500	68,123	30,383,571	6.86%	1,709
2012	3,860,000	382,431	-	4,918,000	3,114,374 (11)	15,003,460	37,974	27,316,239	N/A	1,526

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 16 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

(2) The City issued Water Revenue Bonds Series 2004 for \$2,244,000 in fiscal year 2004.

(3) The City entered into a capital lease agreement for office building for \$1,343,410 in fiscal year 2005.

(4) The City issued Water Revenue Bonds Series 2006 for \$3,500,000 in fiscal year 2006, but had drawn only \$600,000 by June 30,2006.

(5) The City entered into a contract to pay \$21,000,000 for the purchase of an existing water system. There is no interest on the debt.

Principal payments are made for each new culinary water connection sold by the City.

(6) The City entered into capital lease agreements for a dump truck, a street sweeper, an ambulance, and police vehicles for \$625,000 in fiscal year 2007.

(7) The City issued an Interim Warrant Certificate for \$6,000,000 in fiscal year 2007, but had drawn only \$2,675,534 as of June 30,2007.

(8) The City drew the remaining \$2,900,000 of the Water Revenue Bonds Series 2006.

(9) The City issued Special Assessment Bonds Series 2009 for \$4,669,539 and retired the Interim Warrant Certificate in fiscal year 2010.

(10) The City issued Sales Tax Revenue Bonds Series 2011 for \$4,000,000 and retired the lease on the office building in fiscal year 2011.

(11) The City issued Special Assessment Bonds Series 2012 for \$3,114,374 and retired the Special Assessment Bonds Series 2009 in fiscal year 2012.

Schedule 14
CITY OF SARATOGA SPRINGS, UTAH
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Population (3)</u>	<u>Personal Income (5)</u>	<u>Per Capita Personal Income (1)(4)</u>	<u>Median Age (1)(3)</u>	<u>Unemployment Rate (1)(2)</u>
2002	4,822	99,526,080	20,640	23.6	5.8
2003	6,386	134,093,228	20,998	23.8	5.3
2004	7,946	171,808,412	21,622	24.1	4.8
2005	9,540	222,568,200	23,330	24.4	4.0
2006	11,241	277,225,542	24,662	24.8	2.9
2007	13,039	340,213,588	26,092	25.2	2.5
2008	14,788	399,497,820	27,015	25.6	3.4
2009	16,516	408,820,548	24,753	25.9	7.3
2010	17,781	442,853,586	24,906	26.1	7.9
2011	17,904	N/A	N/A	N/A	6.5

Sources:

- (2) Utah Department of Workforce Services
- (3) U.S. Census Bureau
- (4) U.S Bureau of Economic Analysis

Notes:

- (1) Applies to Utah County
- (5) Calculated from Utah County Per Capital Income and City Population

Schedule 15
 CITY OF SARATOGA SPRINGS, UTAH
 Population Statistics

Census:	Fiscal Year	City of Saratoga Springs	Percent Change from Prior Period	Utah County Population	Percent Change from Prior Period
	2000	1,003	- %	368,535	- %
	2002	4,822	380.76	397,190	7.78
	2003	6,386	32.43	406,158	2.26
	2004	7,946	24.43	416,220	2.48
	2005	9,540	20.06	430,697	3.48
	2006	11,241	17.83	448,296	4.09
	2007	13,039	16.00	469,574	4.75
	2008	14,788	13.41	487,615	3.84
	2009	16,516	11.69	504,801	3.52
	2010	17,781	7.66	519,837	2.98
	2011	18,299	2.91	530,789	2.11

Age distribution of 2010 population

Age	Number	Percent (1)
Under 5 years	2,009	11.30%
5 - 14	3,395	19.09%
15 - 24	3,668	20.63%
25 - 34	3,033	17.06%
35 - 44	1,941	10.92%
45 - 54	1,490	8.38%
55 - 64	1,093	6.15%
65 - 74	636	3.58%
75 - 84	374	2.10%
85 and over	142	0.80%
	17,781	100.00%

Median age: 26.1

Source: U.S. Census Bureau, State of Utah

Notes: (1) Percentages for Utah County

Schedule 16
CITY OF SARATOGA SPRINGS, UTAH
Five-Year Financial Summaries
Last Five Fiscal Years

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
ASSETS					
Cash and investments	\$ 15,263,448	\$ 14,983,850	\$ 9,074,510	\$ 14,789,577	\$ 17,181,142
Receivables, (net of allowance for uncollectibles)	2,607,460	3,222,442	6,758,872	3,762,661	3,541,742
Prepaid and inventories	58,322	309,239	164,663	114,842	100,010
Deferred charges	103,313	97,442	244,439	344,260	259,288
Restricted cash and investments	174,050	279,122	317,528	2,594,003	2,585,041
Capital assets not being depreciated					
Land	15,558,581	15,558,581	15,558,581	16,896,158	18,365,122
Water rights	12,558,130	12,558,130	13,984,449	14,659,649	14,792,562
Construction in progress				1,683,819	5,354,590
Capital assets net of accumulated depreciation:					
Buildings and system	11,646,896	11,023,954	11,974,082	11,347,134	10,846,740
Improvements other than buildings	72,712,323	72,585,270	84,426,718	82,018,917	80,452,456
Machinery and equipment	2,049,459	1,789,842	1,468,471	1,359,136	1,166,402
Infrastructure	61,737,670	63,732,226	53,990,809	53,383,566	51,178,970
Total assets	<u>194,469,652</u>	<u>196,140,098</u>	<u>197,963,122</u>	<u>202,953,722</u>	<u>205,824,065</u>
LIABILITIES					
Accounts payable	908,056	1,168,440	1,417,652	1,450,047	805,665
Accrued interest payable	107,095	117,814	236,523	150,469	107,250
Deposits	303,419	312,055	341,363	224,573	527,446
Unearned revenue	5,365,619	5,413,094	1,852,685	1,847,769	
Noncurrent liabilities:					
Due or payable within one year	6,913,039	6,828,044	1,980,251	2,088,429	2,360,927
Due or payable after one year	24,306,737	23,543,865	26,829,628	28,723,367	25,954,172
Total liabilities	<u>37,903,965</u>	<u>37,383,312</u>	<u>32,658,102</u>	<u>34,484,654</u>	<u>29,755,460</u>
NET ASSETS					
Invested in capital assets, net of related debt	141,077,988	143,429,924	153,179,061	153,035,206	156,423,314
Restricted for debt service				731,363	310,945
Restricted for capital improvements	13,618,612	10,736,132	7,575,107	9,636,042	12,659,025
Unrestricted	1,869,087	4,590,730	4,550,852	5,066,457	6,675,321
Total net assets	<u>156,565,687</u>	<u>158,756,786</u>	<u>165,305,020</u>	<u>168,469,068</u>	<u>176,068,605</u>
Total Liabilities and net assets	<u>\$ 194,469,652</u>	<u>\$ 196,140,098</u>	<u>\$ 197,963,122</u>	<u>\$ 202,953,722</u>	<u>\$ 205,824,065</u>

Source: Information extracted from the City's general purpose financial statements for the included years.

INTERNAL CONTROL AND COMPLIANCE REPORTS

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

**Honorable Mayor and City Council
City of Saratoga Springs, Utah**

We have audited the 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, as of and for the year ended June 30, 2012, which collectively comprise the City of Saratoga Springs basic financial statements and have issued our report thereon dated October 26, 2012. 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.

Internal Control over Financial Reporting

Management of the City of Saratoga Springs is responsible for the establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Saratoga Springs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Saratoga Springs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Saratoga Springs' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, findings 2012-01 to 2012-02. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Saratoga Springs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Saratoga Springs in a separate letter dated October 26, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parts.


LITZ & COMPANY, PC
October 26, 2012

CITY OF SARATOGA SPRINGS
Schedule of Findings and Questioned Costs
June 30, 2012

2012-1

Condition and Criteria: Proper internal controls requires the separation of duties and functions between those who have custody of the assets, cashiers, and those who record transactions in the books and records, the accountants. During our audit work, we noted that the City Treasurer, who maintains the utility customer database and has access to make changes to the utility accounts, is also performing cashier functions during the day to cover for lunch breaks and time off taken by the cashiers.

Cause and Effect: Due to the lack of separation of duties, the City Treasurer could take funds from the cashing function and cover up the theft in the utility customer data base without being detected in a timely fashion.

Auditor's Recommendation: We recommend that the City Treasurer be either assigned to the cashing function full time and give up the accounting function for the utility system or have her access to make credit adjustments to the utility billing system eliminated. Any credit adjustments to the utility billing system would need to be performed by the City finance director who has no access to the cashing function. Either of these alternatives would restore the separation of duties and allow for the proper oversight of the cashing function by the accounting department.

Grantee Response: The City has accepted the recommendation of the Auditor and implemented the change where the Finance Manager takes on the responsibility to solely do credit adjustments, and take that access away from the City Treasurer.

2012-2

Condition and Criteria: Proper internal controls requires the separation of duties and functions between those who have custody of the assets, the credit cards, and those who record and reconcile the transactions – the accounts payable clerk. The City allows the accounts payable clerk to maintain the credit cards in her possession and is also responsible to reconcile the credit card statement and make the appropriate entries into the accounting system to record credit card charges.

Cause and Effect: The accounts payable clerk could make inappropriate charges on the credit card and make entries into the accounting system that would hide the transactions without being detected.

Auditor's Recommendation: The City has a couple of options to rectify the problem. The City could remove the credit cards from the possession of the accounts payable clerk and have others assigned to monitor their use with the accounts payable clerk performing the monthly reconciliation on the credit card statements back to the authorized use of the card by those charged with its care.

Alternatively, the credit cards could be maintained by the accounts payable clerk with reconciliation of the monthly credit card statement being performed by the City's finance director. Either of these changes would eliminate the ability of one person to make charges on the card and reconcile the account to the monthly statements.

Grantee Response: The City has accepted the recommendation of the Auditor to take possession of the credit cards away from the accounts payable clerk and given the possession to the Finance Manager.

CITY OF SARATOGA SPRINGS
Status of Prior Year Audit Findings
June 30, 2012

Finding relating to the financial statement which are required to be reported in accordance with generally accepted government auditing standards.

No findings were noted.

**Honorable Mayor and City Council
City of Saratoga Springs, Utah**

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, for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. As part of our audit, we have audited the City of Saratoga Springs' compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

Public Debt	Other General Issues
Cash Management	Uniform Building Code Standards
Purchasing Requirements	Truth in Taxation & Property Tax Limitations
Budgetary Compliance	Impact Fees
Liquor Law Enforcement	URS Compliance
Justice Court	Fund Balance
B&C Road Funds	

The City received the following major assistance programs from the State of Utah:

B&C Road Funds (Department of Transportation)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Saratoga Springs City's financial statements.)

Liquor Law Enforcement (State Tax Commission)

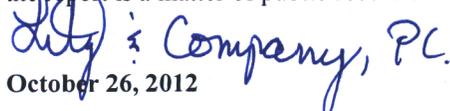
Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with these requirements.

In our opinion, the City of Saratoga Springs, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which are outlined in the accompanying Schedule of State Findings and Questioned Costs.

The City's written response to the findings identified in our audit is described in the Schedule of State Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Saratoga Springs and the Office of the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.


October 26, 2012

SARATOGA SPRINGS CITY
Schedule of State Findings and Questioned Costs
June 30, 2012

FUND BALANCE

Finding: Utah Code places maximum limits of 18% on the unrestricted fund balance of the General Fund. The City's General Fund balance exceeded the maximum limit by \$573,220.

Recommendation: The City should maintain fund balances within the legal limitations prescribed by state statutes.

Questioned Costs: \$ - 0 -

Response: Pursuant to the City's financial policies, the City will transfer all excess fund balance to the Capital Projects Fund.