

COMPREHENSIVE  
ANNUAL FINANCIAL REPORT



CITY OF SARATOGA SPRINGS, UTAH  
FISCAL YEAR ENDED JUNE 30, 2013

# CITY OF SARATOGA SPRINGS, UTAH

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

(INCLUDING INTERNAL CONTROL, AND COMPLIANCE REPORTS  
AND SUPPLEMENTARY INFORMATION)

FOR FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY:  
FINANCE DEPARTMENT

**THE CITY OF SARATOGA SPRINGS**  
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## **INTRODUCTORY SECTION**



November 19, 2013

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, 2013.

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, 2013, 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. **Neptune Park (\$1,912,436).** Completed at the beginning of FY2013. This project was for the design and construction of a 10.87 acre regional public park, Neptune Park, located at approximately 452 West and 400 North in Saratoga Springs.
2. **Fox Hollow (\$1,348,127).** This project was for expenses related to completing unfinished public improvements in the Fox Hollow subdivision. The city settled a bond call lawsuit and subsequently completed all the items on the engineers punch list. Expenses in this account include legal fees for the lawsuit, consulting fees to develop punch lists and identify unfinished work, consulting fees for design and contract administration, and contractor fees for the actual construction work of the roads, sidewalks, utilities, and a booster station.
3. **Fire Station and Public Works Project (\$1,691,086).**
4. **Secondary Transmission Line (\$456,603).** This project included the design and construction of approximately 5,000 ft of a secondary waterline and upgrades to one the City's secondary water wells - Secondary Well #2.
5. **Well #4 (\$133,243).** The rehabilitation and reequip the City culinary well #4. Project expenses include consulting fees for design and contract administration services, contractor fees for the rehabilitation work, and the cost of purchasing and installing the well pump and motor.

## 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 beginning for the period beginning July, 1, 2012 and also 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.

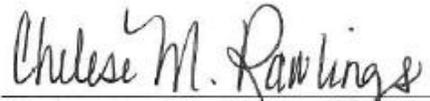
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the Administration and Finance Departments. We would like to express our appreciation to Litz & Company P.C., certified public accountants, for their professional 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,



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Mark Christensen – City Manager



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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, 2013

**Mayor Mia B. Love**

Email: [mlove@saratogaspringscity.com](mailto:mlove@saratogaspringscity.com)

Term: 01/2010 - 01/2014

**Council Member Jim Miller**

Email: [jmiller@saratogaspringscity.com](mailto:jmiller@saratogaspringscity.com)

Term: 01/2010 - 01/2014

**Council Member Rebecca Call**

Email: [rcall@saratogaspringscity.com](mailto:rcall@saratogaspringscity.com)

Term: 01/2012 - 01/2016

**Council Member Bud Poduska**

Email: [bpoduska@saratogaspringscity.com](mailto:bpoduska@saratogaspringscity.com)

Term: 01/2012 - 01/2016

**Council Member Michael McOmber**

Email: [mmcomber@saratogaspringscity.com](mailto:mmcomber@saratogaspringscity.com)

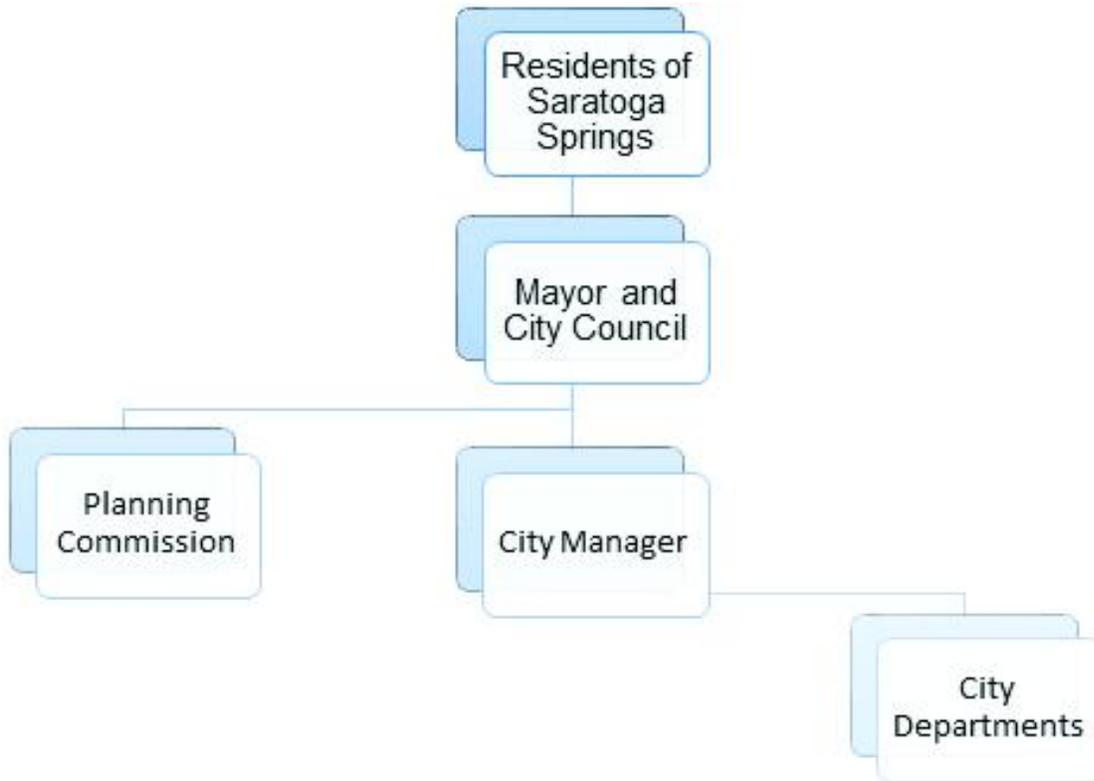
Term: 01/2010 - 01/2014

**Council Member Shellie Baertsch**

Email: [sbaertsch@saratogaspringscity.com](mailto:sbaertsch@saratogaspringscity.com)

Term: 01/2012 - 01/2016

**CITY OF SARATOGA SPRINGS, UTAH**  
**ORGANIZATIONAL CHART**  
**FY2013**





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Saratoga Springs  
Utah**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

## **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 the City of Saratoga Springs as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Saratoga Springs' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flow thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Saratoga Springs' basic financial statements. 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 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, on our consideration of the 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* in considering the City of Saratoga Springs' internal control over financial reporting and compliance.

**Roy, Utah  
November 4, 2013**

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

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, 2013. 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 position (the amount by which assets exceed liabilities) as of June 30, 2013, were \$176,278,113. Of this amount, \$24,038,071 (unrestricted net position) is available to meet ongoing financial obligations.
- The City's government-wide net positions increased by \$209,508. Of this amount, business-type activities increased by \$811,021, a rise of less than 1 percent, and the governmental activities decreased by \$601,514 a decrease of less than 1 percent when compared to last fiscal year.
- The City's governmental funds reported a combined ending fund balance of \$14,344,322, an increase of \$2,263,382 (18.7 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 an increase in restricted fund balance for capital projects in conjunction with increased revenues. Of the combined total fund balance, \$2,508,347 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, 2013, totaled \$2,508,347 and is 21.5 percent of the General Fund total revenues for the year and 17.5 percent of total governmental fund balance.
- The City's total debt had a net decrease of \$1,728,644 during fiscal year 2013. This represents a 6.2 percent decrease over the prior year, this results from required debt service payments and no new issuance of bonds coupled with additional capital leases in governmental activities.

**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.

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

**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 Position** 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 disbursed (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 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 29 and 31. 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 26-35 of this report.

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

- 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 32, 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.

**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 33-35 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.

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

**FINANCIAL ANALYSIS OF THE CITY AS A – WHOLE**

*Net assets* – The following table presents summary information for the Statement of net position for the years ended June 30, 2013 and 2012

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Total %</b>
	<b>Activities</b>		<b>Activities</b>				<b>Change</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	
Current and other assets	\$ 17.4	\$ 14.5	\$ 10.1	\$ 9.1	\$ 27.5	\$ 23.6	16.5%
Capital assets	76.2	79.3	101.1	102.9	177.3	182.2	-2.7%
Total Assets	<u>93.6</u>	<u>93.8</u>	<u>111.2</u>	<u>112.0</u>	<u>204.8</u>	<u>205.8</u>	<u>-0.5%</u>
Long-Term debt	4.1	4.8	20.2	23.6	24.3	28.4	-14.4%
Other liabilities	1.5	0.6	2.6	0.8	4.1	1.4	192.9%
Total liabilities	<u>5.6</u>	<u>5.4</u>	<u>22.8</u>	<u>24.4</u>	<u>28.4</u>	<u>29.8</u>	<u>-4.7%</u>
Net position							
Invested in capital assets,							
net of related debt	72.1	75.6	79.5	81.8	151.6	157.4	-3.7%
Restricted	0.6	7.9	0	5.1	0.6	13.0	-95.4%
Unrestricted	15.2	5.0	8.9	0.7	24.1	5.7	322.8%
Total net position	<u>\$ 87.9</u>	<u>\$ 88.5</u>	<u>\$ 88.4</u>	<u>\$ 87.6</u>	<u>\$ 176.3</u>	<u>\$ 176.1</u>	<u>0.1%</u>

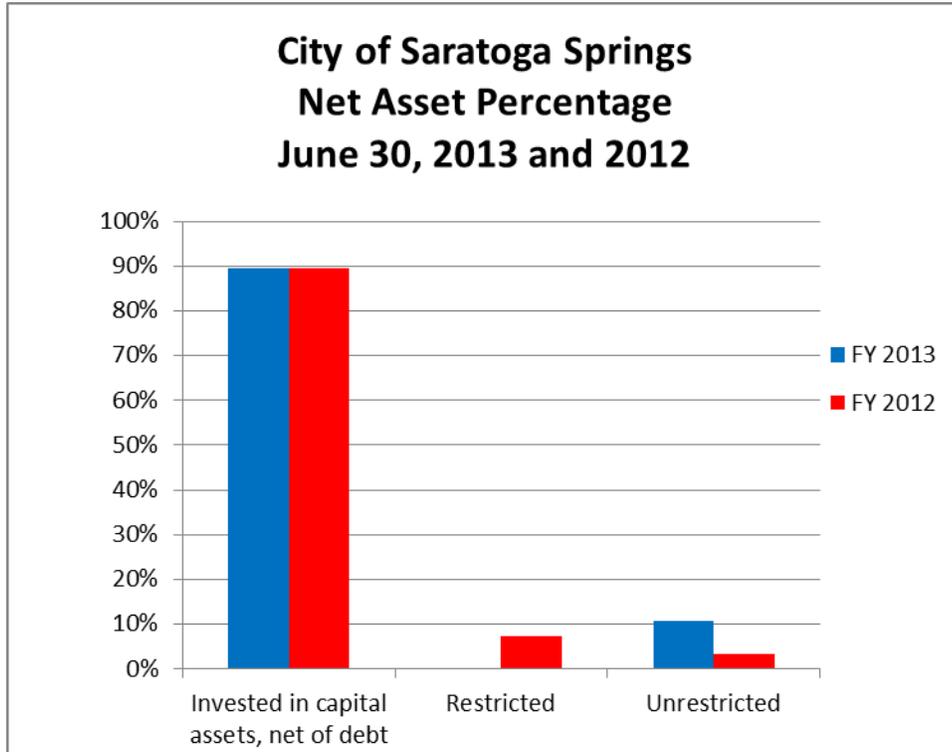
As noted earlier, net positions may serve over time as a useful indicator of a government's financial position. At June 30, 2013, the City's assets exceeded liabilities by approximately \$176.3 million (net assets) compared to \$176.1 million at June 30, 2012. This would indicate an improved financial position in comparison to last fiscal year. Roughly 86.0 percent at June 30, 2013, and 89.4 percent at June 30, 2012, 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 decrease in the City's investment in capital assets net of related debt of \$5.8 million was due to the net of routine acquisitions of capital assets, repayments of related debt, and depreciation expense.

Restricted net position of \$0.6 million at June 30, 2013, and \$13.0 million at June 30, 2012, represents sources that are subject to external restrictions on how they may be used.

The other sub-classification of net position is unrestricted. The balance of \$24.1 million at June 30, 2013 and \$5.7 million at June 30, 2012, which is unrestricted, indicates that this amount may be used to meet general, on-going financial obligations without limitations established 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.

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

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



**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

*Changes in Net Assets* – As taken from the Statement of Activities, the following table signifies the changes in net assets for fiscal years 2013 and 2012.

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Total % Change</b>
	<b>Activities</b>		<b>Activities</b>		<b>2013</b>	<b>2012</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	
<b>Revenues</b>							
<b>Program Revenues</b>							
Charges for Services	\$ 7.3	\$ 6.1	\$ 10.3	\$ 10.3	\$ 17.6	\$ 16.4	7.3%
Operating grants and contributions	0.2	1.1	-	-	0.2	1.1	-81.8%
Capital grants and contributions	0.6	2.7	-	1.2	0.6	3.9	-84.6%
<b>General Revenues</b>							
Property Tax	2.7	4.2	-	-	2.7	4.2	-35.7%
Other Taxes	3.3	3.0	-	-	3.3	3	10.0%
Investment earnings	0.1	0.1	0.1	0.1	0.2	0.2	0.0%
Other	0.1	0.3	-	-	0.1	0.3	100.0%
<b>Total Revenues</b>	<b>14.3</b>	<b>17.5</b>	<b>10.4</b>	<b>11.6</b>	<b>24.7</b>	<b>29.1</b>	<b>-15.1%</b>
<b>Expenses</b>							
General government	2.6	2.0	-	-	2.6	2	30.0%
Public safety	5.0	4.8	-	-	5	4.8	4.2%
Highways and public improvements	4.7	4.0	-	-	4.7	4	17.5%
Parks and recreation	2.4	1.9	-	-	2.4	1.9	26.3%
Interest on long-term debt	0.2	0.2	-	0.4	0.2	0.6	-66.7%
Water utility	-	-	5.1	4.2	5.1	4.2	21.4%
Sewer utility	-	-	2.8	2.4	2.8	2.4	16.7%
Garbage utility	-	-	0.7	0.8	0.7	0.8	-12.5%
Storm drain utility	-	-	0.8	0.7	0.8	0.7	14.3%
<b>Total Expenses</b>	<b>14.9</b>	<b>12.9</b>	<b>9.4</b>	<b>8.5</b>	<b>24.3</b>	<b>21.4</b>	<b>13.6%</b>
Change in net positions	(0.6)	4.6	1.0	3.0	0.4	7.6	-94.7%
Net position beginning	88.5	83.9	87.4	84.6	175.9	168.5	4.4%
Net position ending	\$ 87.9	\$ 88.5	\$ 88.4	\$ 87.6	\$ 176.3	\$ 176.1	0.1%

Net position increased from governmental activities in fiscal year 2013 approximately \$0.2 million and \$4.6 million in fiscal year 2012. The decrease is primarily due to decreased capital grants and contributions. Expenses for governmental activities were higher with a \$2.0 million increase. This is mainly due to increased personnel costs, moving court expenses for the state to an expenditure line, creation of the communications department and expansion of the library department, and increase in liability insurance.

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

Net position increased \$0.8 million in fiscal year 2013 and increased \$3.0 million in 2012 for business-type activities. The revenues for business-type activities decreased in capital grants and contributions.

**Revenues** – For the year ended June 30, 2013, the City’s government-wide revenues are approximately \$24.7 million as compared to the prior year total revenues of \$29.1 million. Key elements of this change were as follows

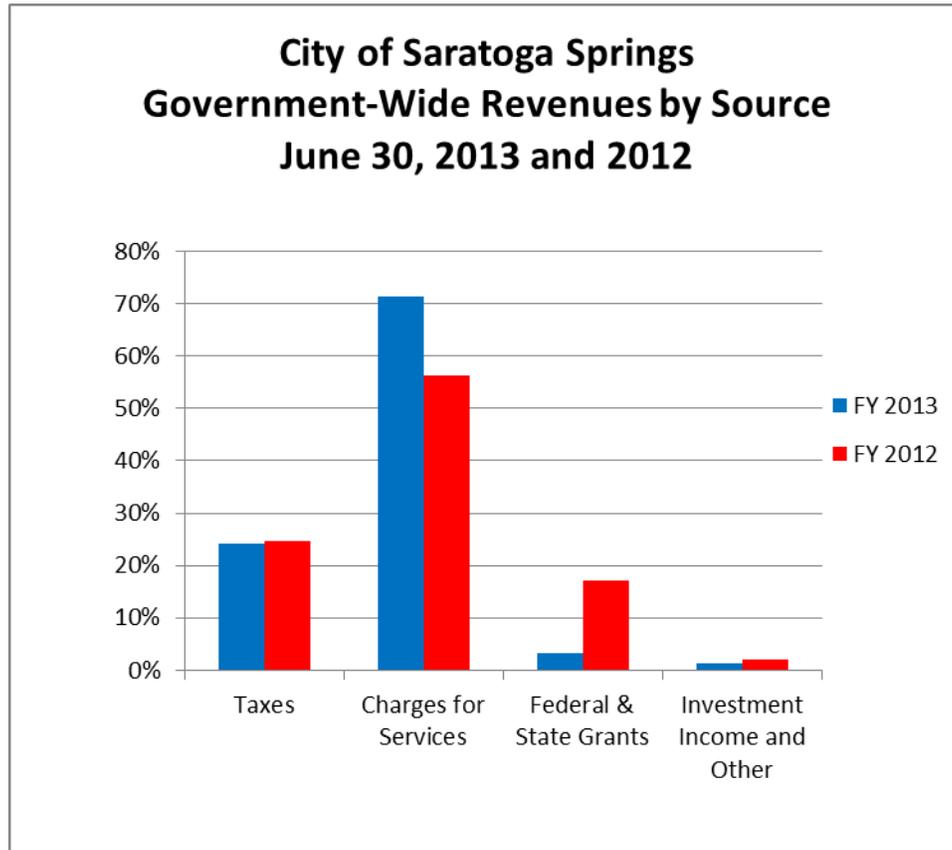
- Of the City’s total revenues, about 24.3 percent in fiscal year 2012 and 24.47 percent in fiscal year 2012 resulted from taxes (over half of which is from property taxes) as shown in the following table:

**City of Saratoga Springs**  
**(in millions of dollars)**

	<b>Government-wide</b>		<b>Total % Change</b>
	<b>Tax Revenues</b>		
	<b>2013</b>	<b>2012</b>	
Property tax	\$ 2.7	\$ 4.2	-36%
General sales and use tax	2.3	2.2	5%
Franchise fees	0.2	0.2	0%
Energy Tax	0.8	0.6	33%
Total	<u>\$ 6.0</u>	<u>\$ 7.2</u>	<u>-17%</u>

- Charges for services increased in fiscal year 2013 about \$1.2 million and increased from 56.4 percent of total revenues in fiscal year 2012 to 71.3 percent in fiscal year 2012. The increase is due to increased collections in general government service fees.
- Operating and capital contributions combined decreased by \$4.2 million in fiscal year 2013. 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, decreased by \$0.2 million in fiscal year 2013. A portion of this decrease is due to lower interest earning rates when compared with the previous fiscal year combined with less gain on sale of assets.

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**



**Expenses** – The City’s government-wide total expenses cover a range of services. For the year ended June 30, 2013, the City’s total expenses are \$24.3 million compared to the prior year of \$21.4 million. Of the \$2.9 million increase, general government expenses increased \$0.6 million, public safety increased \$0.2 million, highways and public improvements increased \$0.7 million, parks and recreation increased \$0.5 million, interest on long-term debt stayed the same and business-type activities increased by \$0.9 million.

**Governmental Activities:**

*Revenue Highlights:*

- Taxes encompass a sizable source of revenue for the City’s governmental activities: Roughly \$6.0 million or 42.0 percent in fiscal year 2012 and \$7.2 million or 41.1 percent in fiscal year 2013 of total revenues from governmental activities. The \$1.2 million decrease is majorly from general property tax.
- Charges for services increased to \$7.3 million or 51.0 percent of total revenues from governmental activities in fiscal year 2013 from \$6.1 million or 34.9 percent of total revenues in fiscal year 2012. The increase in fiscal year 2013 is a result from increased service fees due to increased number of users.
- Grant and contribution revenue denotes approximately \$0.8 million or 5.6 percent in fiscal year 2013 and \$3.8 million or 21.7 percent in fiscal year 2012 of total revenues from governmental activities. The \$3.0 million decrease was the effect of a decrease in operating and capital grant contributions due to the City.

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

*Expense Highlights:*

- General government expenses of around \$2.6 million in fiscal year 2013 and \$2.0 million in fiscal year 2012 represented 17.4 percent in fiscal year 2012 and 15.5 percent in fiscal year 2012 of total expenses from governmental activities. General government includes: Legislative, Administration, Utility billing, Treasury, Recorder, Attorney, Justice Court, Elections, and non-departmental. The \$0.6 million increase is due mainly due to increased personnel costs, moving court expenses for the state to an expenditure line, creation of the communications department and expansion of the library department, and increase in liability insurance.
- Public safety expenses were \$5.0 million or 33.6 percent in fiscal year 2013 and \$4.8 million or 37.2 percent in fiscal year 2012. The \$0.2 million increase is due to personnel, and capital outlay.
- Highways and public improvements were \$4.7 million or 31.5 percent in fiscal year 2013 and \$4.0 million or 31.0 percent in fiscal year 2012. The \$0.7 million increase is due to personnel, capital outlay, and general maintenance.
- Parks and recreation expenses were \$2.4 million or 16.1 percent in fiscal year 2013 and \$1.9 million or 14.7 percent in fiscal year 2012. The \$0.5 million increase is due to equipment purchases, capital projects, maintenance and supplies.

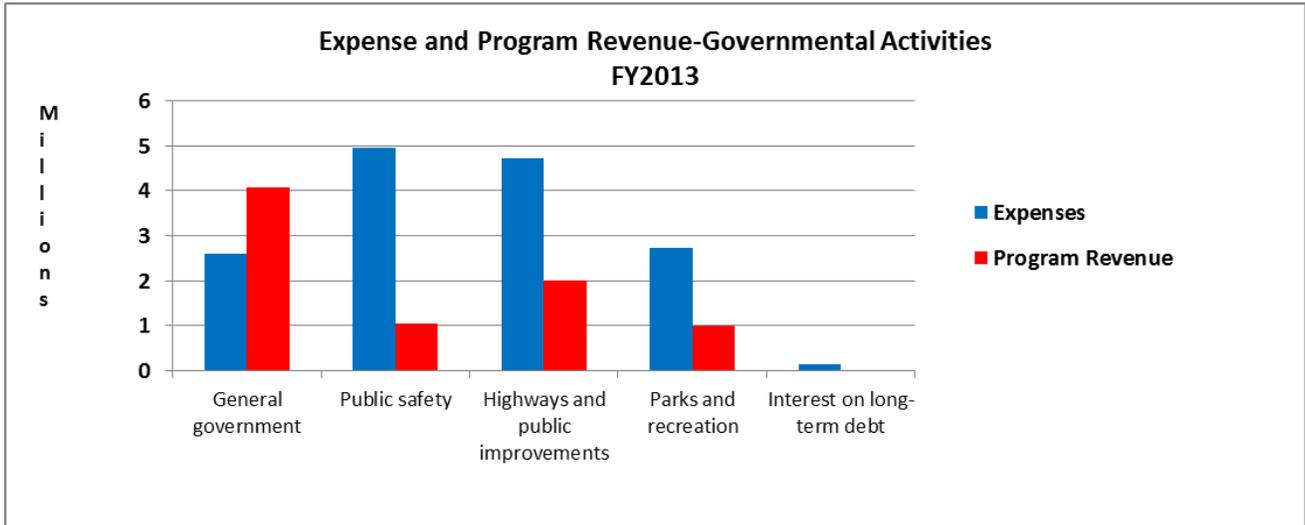
As a result, total net expenses that were funded by general revenues were \$6.8 million. Tax revenues of \$6.0 million were not sufficient to fund net expenses in fiscal year 2013.

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**  
**Costs of Governmental Activities**  
**(in millions of dollars)**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>		<b>Total % Change</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	
General government	\$ 2.6	\$ 2.0	\$ (1.5)	\$ (1.6)	-6.3%
Public safety	5.0	4.8	4.0	2.7	48.1%
Highways and public improvements	4.7	4.0	2.7	1.1	-145.5%
Parks and recreation	2.4	1.9	1.4	0.3	366.7%
Interest on long-tem debt	0.2	0.2	0.2	0.2	100.0%
<b>Total</b>	<b>\$ 14.9</b>	<b>\$ 12.9</b>	<b>\$ 6.8</b>	<b>\$ 2.7</b>	<b>151.9%</b>

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**



Based on Government-Wide Financial Statements. See page 27.

**Business-type Activities:**

The City’s business-type activities increased net assets by \$1.0 million. Key elements of this increase were as follows:

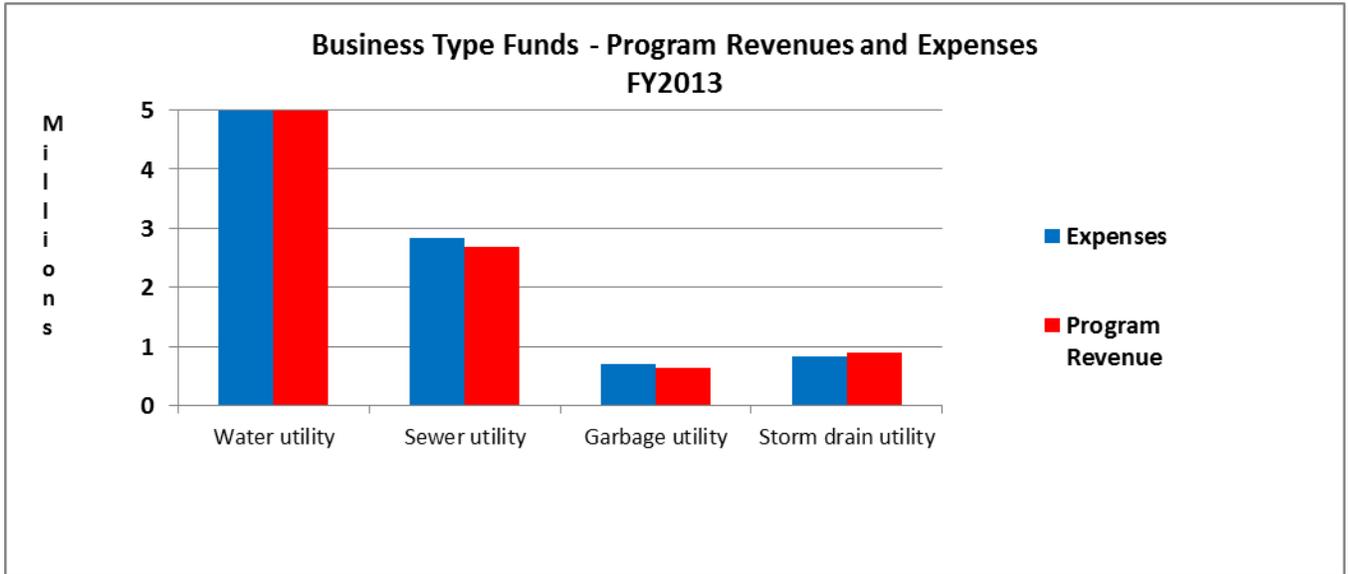
*Revenue Highlights:*

- Charges for services for business-type activities stayed approximately the same for fiscal year 2013.
- Operating and capital grants and contributions decreased about \$1.2 million in fiscal year 2013. The \$1.2 million decrease is due to not acquiring and drawing down on operating or capital grants.
- Investment earnings stayed approximately the same in fiscal year 2013.

*Expense Highlights:*

- Personnel expenses decreased minimally due to unfilled positions in the utility funds.
- Supplies and maintenance expenses increased by \$0.8 million. The increase is due to increased water meter expenses coupled with sewer, culinary and secondary capital projects.
- Professional services expenses decreased by under \$0.2 million.
- Treatment and sanitation expenses increased by about \$0.5 million. This is mainly due to a higher customer base in the garbage utility in conjunction with increased cost of sewage treatment.

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**



**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, 2013, the aggregate fund balance of the City’s governmental funds was \$14.3 million, an increase of about \$2.2 million in comparison with the fiscal year ended June 30, 2012. In fiscal year 2013, about \$2.5 million or 17.5 percent of this amount is unassigned fund balance compared to about \$2.5 million or 20.7 percent in fiscal year 2012. Unassigned fund balance categories are available for appropriation by the City Council at their discretion.

Restricted fund balance which have externally enforceable limitations on use are not available for new spending and are approximately \$11.5 million in fiscal year 2013 and \$7.9 million in fiscal year 2012.

The remainder of the fund balance of \$0.3 million is assigned. Of the assigned fund balance, \$0.3 million is assigned to street lighting. In fiscal year 2012 the assigned fund balance was about \$1.7 million and was allocated \$1.4 million to capital improvements and \$0.3 million to street lighting.

The General Fund is the principal operating fund of the City. Utah State code establishes a 5.0 percent minimum (\$544,066) and a 25.0 percent maximum (\$2,720,331) limit to the amount that may be accumulated as the fund balance in the General Fund. As of June 30, 2013 the unassigned fund balance of the General Fund was \$2,508,347 and was \$211,984 below the 25.0 percent limit. The unassigned fund balance increased by \$29,436 in fiscal year 2013. The main reason for increased fund balance is increased revenues in the general fund. The unassigned fund balance in fiscal year 2012 increased by \$696,095.

As of June 30, 2013, the restricted fund balance in the Capital Projects Fund was \$11.0 million. In fiscal year 2012 the restricted fund balance was \$7.3 million and the unreserved and assigned fund balances combined were \$1.4 million. The \$3.7 million increase in restricted fund balance and the \$1.4 million decrease in assigned fund balance resulted from minimal capital outlay spending and increased revenues.

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

As of June 30, 2013, the assigned fund balance in Street Lighting was \$0.3 million. In fiscal year 2012 the assigned fund balance was \$0.3 million. The slight decrease of fund balance resulted from increased capital outlay in fiscal year 2013 as compared to fiscal year 2012.

**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 \$88.4 million at June 30, 2013, as compared to \$87.6 million at the end of fiscal year 2012. Net assets at the end of fiscal year 2013 and 2012 for each of these funds were:

<b>City of Saratoga Springs</b>				
<b>Proprietary Funds</b>				
<b>Fund</b>	<b>Amount</b>		<b>Change</b>	
	<b>2013</b>	<b>2012</b>		
Water Utility	\$ 55,708,799	\$ 54,786,156	\$	922,643
Sewer Utility	18,074,838	18,218,559		(143,721)
Strom Drain Utility	14,273,394	14,316,998		(43,604)
Garbage Utility	342,635	266,932		75,703
Total	\$ 88,399,666	\$ 87,588,645	\$	811,021

The net increase in net position from the prior year was \$0.8 million as compared to an increase of \$3.0 million in fiscal year 2012. Operating revenues increased \$0.4 million as compared to a \$2.3 million increase change in fiscal year 2012.

The Water Utility operating revenues increased by \$0.1 million due to increased installation service fee most likely due to more users than the prior fiscal year. The Sewer Utility operating revenues increased by \$0.2 million in comparison to the previous fiscal year which had a minimal increase. The increase is due to both sewer service charges and customer installation resulting from more utility users. The Storm Drain Utility operating revenues increased minimally, which the small increase was a result of increased storm utility fees collected. The Garbage Utility operating revenues increased by less than \$0.1 million, this is a result of increased garbage utility fees being collected from increased users.

Water Utility net position invested in capital assets net of related debt decreased by \$1.3 million in fiscal year 2013 primarily due to increased accumulated depreciation, routine acquisition and disposition of capital assets, and depreciation expense. Unrestricted net position increased about \$5.6 million.

Sewer utility net position invested in capital assets net of related debt decreased by \$0.5 million, unrestricted net position increased by \$1.1 million. The decrease in net position invested in capital assets net of related debt was due to the net acquisition of capital assets, and depreciation expense.

Storm Drain Utility net position invested in capital assets net of related debt decreased \$0.4 million, unrestricted net position increased by under \$1.3 million resulting in a net decrease of total net position of less than \$0.1 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.

Garbage Utility’s unrestricted net assets increased by less than \$0.1 million. This is mostly due to increased fund balance due to more revenue received from increased users.

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

**GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget for expenditures of less than \$0.3 million (net increase) can be summarized as follows:

- Less than \$0.2 million increase in general government resulting from an appropriation for a new communications department, time keeping software, work order software, and remodel of city hall.
- Less than \$0.05 million increase in public safety from increased grant expenses and increasing vehicle lease payments.
- Less than \$0.05 million increase in Parks and recreation for equipment purchases, and civic events adjustment for revenues received.

Total actual expenditures came in \$0.7 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 \$0.2 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 was \$0.2 million more than actual expenditures in parks and recreation. The difference was coming in under budget in salaries and wages, employee benefits, vehicle lease payments, and parks maintenance and supplies

Actual revenues of \$11.6 million exceeded the final budgeted revenues of \$10.9 million by \$0.8 million.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets:** The City's investment in capital assets for is governmental and business-type activities totaled \$177.2 million (net of \$57.0 million accumulated depreciation) at June 30, 2013, as compared to \$182.3 million (net of \$48.7 million accumulated depreciation) at June 30, 2012. This investment in capital assets includes land, water rights, buildings, equipment, infrastructure, 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, 2013 include:

*Governmental Activities:*

- \$1.9 million Neptune park
- \$1.7 million Public works site and building
- \$1.3 million Fox Hollow

**CITY OF SARATOGA SPRINGS, UTAH**  
**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2013**

*Business-type Activities:*

- \$0.5 million Secondary transmission line
- \$0.1 million Well #4

Additional information on the City's capital assets can be found in Note 4 – Capital Assets on pages 44-45 of this report.

**Long-Term Debt:** Long-term debt for governmental activities decreased by under \$0.2 million in comparison with fiscal year 2012. Business-type activities debt also decreased in fiscal year 2013 by \$1.5 million when compared with fiscal year 2012. Please see note 13 for details concerning long-term debt on Pages 50-54.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The unemployment rate for Utah County was 5.3 percent compared with the State unemployment rate of 4.7 percent and a national rate of 7.3 percent.
- The fiscal year 2013 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.

**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 Position**  
**June 30, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,322,408	\$ 8,742,578	\$ 23,064,986
Cash - restricted	-	675,132	675,132
Accounts receivable - net	871,785	590,210	1,461,995
Due from other funds	296,275	-	296,275
Due from other governmental units	1,899,270	-	1,899,270
Prepaid expenses	6,277	-	6,277
Inventory	-	73,906	73,906
Capital assets not being depreciated:			
Land	18,402,042	-	18,402,042
Water rights	-	14,998,026	14,998,026
Construction work in process	915,416	437,687	1,353,103
Capital assets net of accumulated depreciation:			
Buildings and improvements	6,059,984	-	6,059,984
Equipment	3,790,527	833,565	4,624,092
Infrastructure	78,193,384	110,585,253	188,778,637
Accumulated depreciation	(31,200,176)	(25,771,404)	(56,971,580)
Net capital assets	<u>76,161,177</u>	<u>101,083,127</u>	<u>177,244,304</u>
 Total assets	 <u>\$ 93,557,192</u>	 <u>\$ 111,164,953</u>	 <u>\$ 204,722,145</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 689,173	\$ 611,150	\$ 1,300,323
Accrued liabilities	164,784	90,301	255,085
Due to other funds	-	296,275	296,275
Deposits payable	298,466	187,541	486,007
Noncurrent liabilities due within one year	387,933	1,426,642	1,814,575
Noncurrent liabilities due in more than one year	4,138,389	20,153,378	24,291,767
 Total liabilities	 <u>5,678,745</u>	 <u>22,765,287</u>	 <u>28,444,032</u>
<b>NET POSITION</b>			
Net investment in capital assets	72,106,589	79,532,232	151,638,821
Restricted for roads	600,591	-	600,591
Unrestricted	15,171,267	8,867,434	24,038,701
 Total net position	 <u>87,878,447</u>	 <u>88,399,666</u>	 <u>176,278,113</u>
 Total liabilities and net position	 <u>\$ 93,557,192</u>	 <u>\$ 111,164,953</u>	 <u>\$ 204,722,145</u>

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

**CITY OF SARATOGA SPRINGS**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,609,093	\$ 4,081,953	\$ -	\$ -	\$ 1,472,860	\$ -	\$ 1,472,860
Public safety	4,960,936	1,039,947	-	-	(3,920,989)	-	(3,920,989)
Highways and public works	4,722,390	1,268,709	60,824	672,095	(2,720,762)	-	(2,720,762)
Parks and recreation	2,438,028	886,054	111,564	-	(1,440,410)	-	(1,440,410)
Interest on long-term debt	146,800	-	-	-	(146,800)	-	(146,800)
Total governmental activities	14,877,247	7,276,663	172,388	672,095	(6,756,101)	-	(6,756,101)
Business-type activities:							
Water utility	5,102,548	6,154,942	-	-	-	1,052,394	1,052,394
Sewer utility	2,833,924	2,674,392	-	-	-	(159,532)	(159,532)
Storm drain utility	691,410	639,307	-	-	-	(52,103)	(52,103)
Garbage utility	822,106	895,505	-	-	-	73,399	73,399
Total business-type activities	9,449,988	10,364,146	-	-	-	914,158	914,158
Total primary government	\$ 24,327,235	\$ 17,640,809	\$ 172,388	\$ 672,095	\$ (6,756,101)	\$ 914,158	\$ (5,841,943)
General revenues:							
Property taxes					2,659,844	-	2,659,844
General sales and use tax					2,360,544	-	2,360,544
Franchise tax					199,838	-	199,838
Energy tax					793,113	-	793,113
Investment earnings					89,897	45,004	134,901
Gain (loss) on sale of assets					51,352	-	51,352
Total general revenues					6,154,588	45,004	6,199,592
Change in net position					(601,513)	959,162	357,649
Net position - beginning (as restated)					88,479,960	87,440,504	175,920,464
Net position - ending					\$ 87,878,447	\$ 88,399,666	\$ 176,278,113

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

**CITY OF SARATOGA SPRINGS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,459,777	\$ 11,586,587	\$ 276,044	\$ 14,322,408
Accounts receivable, net of allowance	853,589	-	18,196	871,785
Due from other funds	296,275	-	-	296,275
Due from other governmental units	1,899,270	-	-	1,899,270
Prepays	6,277	-	-	6,277
	<u>5,515,188</u>	<u>11,586,587</u>	<u>294,240</u>	<u>17,396,015</u>
Total assets	<u>\$ 5,515,188</u>	<u>\$ 11,586,587</u>	<u>\$ 294,240</u>	<u>\$ 17,396,015</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 61,453	\$ 616,460	\$ 11,260	\$ 689,173
Accrued liabilities	140,784	24,000	-	164,784
Deposits payable	298,466	-	-	298,466
	<u>500,703</u>	<u>640,460</u>	<u>11,260</u>	<u>1,152,423</u>
Total liabilities	<u>500,703</u>	<u>640,460</u>	<u>11,260</u>	<u>1,152,423</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	1,899,270	-	-	1,899,270
	<u>1,899,270</u>	<u>-</u>	<u>-</u>	<u>1,899,270</u>
<b>FUND BALANCES</b>				
Nonspendable - prepaid expenditures	6,277	-	-	6,277
Restricted for - roads	600,591	-	-	600,591
Committed for - capital projects	-	10,946,127	-	10,946,127
Assigned to - street lights	-	-	282,980	282,980
Unassigned fund balance	2,508,347	-	-	2,508,347
	<u>3,115,215</u>	<u>10,946,127</u>	<u>282,980</u>	<u>14,344,322</u>
Total fund balances	<u>3,115,215</u>	<u>10,946,127</u>	<u>282,980</u>	<u>14,344,322</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,515,188</u>	<u>\$ 11,586,587</u>	<u>\$ 294,240</u>	<u>\$ 17,396,015</u>

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

**CITY OF SARATOGA SPRINGS**  
**Balance Sheet Reconciliation to Statement of Net Position - Governmental Funds**  
**June 30, 2013**

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Total fund balances - governmental funds:	\$ 14,344,322
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	76,161,177
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,899,270
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(3,835,270)
Capital lease payable	(219,318)
Compensated absences payable	<u>(471,734)</u>
	(4,526,322)
Net position of government activities	<u><u>\$ 87,878,447</u></u>

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The notes to the financial statement 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, 2013**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects</b>	<b>Special Revenue</b>	
<b>Revenues:</b>				
Taxes	\$ 5,988,153	\$ -	\$ -	\$ 5,988,153
Licenses and permits	648,974	-	-	648,974
Intergovernmental revenue	757,047	87,436	-	844,483
Charges for services	3,764,243	2,241,019	162,053	6,167,315
Fines and forfeitures	378,465	-	-	378,465
Investment earnings	23,656	64,473	1,768	89,897
Other	81,909	-	-	81,909
Total revenues	<u>11,642,447</u>	<u>2,392,928</u>	<u>163,821</u>	<u>14,199,196</u>
<b>Expenditures:</b>				
Current:				
General government	2,144,179	25,720	124,566	2,294,465
Public safety	4,946,722	445,704	-	5,392,426
Highways and public works	1,160,651	1,361,032	-	2,521,683
Parks and recreation	766,068	187,261	-	953,329
Capital expenditures	-	533,463	-	533,463
Debt service:				
Principal retirement	145,000	-	-	145,000
Interest and fiscal charges	146,800	-	-	146,800
Total expenditures	<u>9,309,420</u>	<u>2,553,180</u>	<u>124,566</u>	<u>11,987,166</u>
Excess revenues over (under) expenditures	<u>2,333,027</u>	<u>(160,252)</u>	<u>39,255</u>	<u>2,212,030</u>
<b>Other financing sources (uses):</b>				
Sale of capital asset	51,352	-	-	51,352
Transfers in	-	2,428,616	-	2,428,616
Transfers out	<u>(2,366,616)</u>	<u>-</u>	<u>(62,000)</u>	<u>(2,428,616)</u>
Total other financing sources and uses	<u>(2,315,264)</u>	<u>2,428,616</u>	<u>(62,000)</u>	<u>51,352</u>
Net change in fund balances	17,763	2,268,364	(22,745)	2,263,382
Fund balances - beginning of year	<u>3,097,452</u>	<u>8,677,763</u>	<u>305,725</u>	<u>12,080,940</u>
Fund balances - end of year	<u>\$ 3,115,215</u>	<u>\$ 10,946,127</u>	<u>\$ 282,980</u>	<u>\$ 14,344,322</u>

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

**CITY OF SARATOGA SPRINGS**  
**Statement of Changes Reconciliation to Statement of Activities - Governmental Funds**  
**For the Year Ended June 30, 2013**

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

Net change in fund balances - total governmental funds \$ 2,263,382

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 capitalized expenditures exceeded depreciation in the current period.

Capitalized expenditures	1,805,863	
Depreciation expense	<u>(4,920,480)</u>	
		(3,114,617)

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

Change in unavailable revenue - property taxes	<u>25,186</u>	
		25,186

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued compensated absences	<u>(89,137)</u>	
		(89,137)

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 the statement of activities.

Principal repayments on bonds	145,000	
Payment on capital lease	<u>168,673</u>	
		313,673

Change in net position of governmental activities		<u><u>\$ (601,513)</u></u>
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**CITY OF SARATOGA SPRINGS**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Taxes:				
Property	\$ 2,389,400	\$ 2,526,573	\$ 2,634,658	\$ 108,085
Sales	2,271,150	2,271,150	2,360,544	89,394
Franchise	298,200	239,800	199,838	(39,962)
Energy	854,280	712,900	793,113	80,213
Licenses and permits	441,000	481,500	648,974	167,474
Intergovernmental revenue	832,809	782,202	757,047	(25,155)
Charges for services	3,011,592	3,400,858	3,764,243	363,385
Fines and forfeitures	357,000	357,000	378,465	21,465
Investment earnings	13,000	20,400	23,656	3,256
Other	118,740	71,255	81,909	10,654
	<u>10,587,171</u>	<u>10,863,638</u>	<u>11,642,447</u>	<u>778,809</u>
<b>Expenditures:</b>				
General government	2,073,183	2,239,636	2,144,179	(95,457)
Public safety	5,100,497	5,149,997	4,946,722	(203,275)
Highways and streets	1,348,068	1,348,068	1,160,651	(187,417)
Parks and recreation	927,535	982,136	766,068	(216,068)
Debt service:				
Principal retirement	145,000	145,000	145,000	-
Interest and fiscal charges	146,800	146,800	146,800	-
	<u>9,741,083</u>	<u>10,011,637</u>	<u>9,309,420</u>	<u>(702,217)</u>
Excess revenues over (under) expenditures	<u>846,088</u>	<u>852,001</u>	<u>2,333,027</u>	<u>1,481,026</u>
<b>Other financing sources (uses)</b>				
Sale of capital asset	-	-	51,352	51,352
Transfers out	(78,027)	(2,289,370)	(2,366,616)	(77,246)
Total other financing sources (uses)	<u>(78,027)</u>	<u>(2,289,370)</u>	<u>(2,315,264)</u>	<u>(77,246)</u>
Net change in fund balance	768,061	(1,437,369)	17,763	1,403,780
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>3,097,452</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,115,215</u>	<u>\$ -</u>

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

**CITY OF SARATOGA SPRINGS**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	Major Funds				Total
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 3,877,666	\$ 3,071,726	\$ 1,397,512	\$ 395,674	\$ 8,742,578
Cash - restricted	675,132	-	-	-	675,132
Accounts receivable - net	226,035	223,301	45,569	95,305	590,210
Inventory	73,906	-	-	-	73,906
Total current assets	4,852,739	3,295,027	1,443,081	490,979	10,081,826
<b>Noncurrent assets:</b>					
Capital assets:					
Water rights	14,998,026	-	-	-	14,998,026
Construction work in process	102,868	298,810	36,009	-	437,687
Water capacities	49,908,425	-	-	-	49,908,425
Culinary water system	17,241,199	-	-	-	17,241,199
Secondary water system	7,681,621	-	-	-	7,681,621
Sewer system	-	20,191,421	-	-	20,191,421
Storm drain system	-	-	15,562,587	-	15,562,587
Equipment	407,687	282,763	143,115	-	833,565
Less: Accumulated depreciation	(17,214,156)	(5,655,877)	(2,901,371)	-	(25,771,404)
Total capital assets	73,125,670	15,117,117	12,840,340	-	101,083,127
Total noncurrent assets	73,125,670	15,117,117	12,840,340	-	101,083,127
<b>Total assets</b>	<b>\$ 77,978,409</b>	<b>\$ 18,412,144</b>	<b>\$ 14,283,421</b>	<b>\$ 490,979</b>	<b>\$ 111,164,953</b>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 127,241	\$ 334,836	\$ 729	\$ 148,344	\$ 611,150
Due to other funds	296,275	-	-	-	296,275
Compensated absences	11,817	715	-	-	12,532
Customer deposits payable	187,541	-	-	-	187,541
Accrued interest payable	90,301	-	-	-	90,301
Bonds and contracts payable - current	1,403,000	-	-	-	1,403,000
Capital leases payable - current	1,641	171	9,298	-	11,110
Total current liabilities	2,117,816	335,722	10,027	148,344	2,611,909
<b>Noncurrent liabilities:</b>					
Compensated absences	15,009	1,584	-	-	16,593
Bonds and contracts payable	20,130,460	-	-	-	20,130,460
Capital leases payable	6,325	-	-	-	6,325
Total noncurrent liabilities	20,151,794	1,584	-	-	20,153,378
Total liabilities	22,269,610	337,306	10,027	148,344	22,765,287
<b>NET POSITION</b>					
Net investment in capital assets	51,584,244	15,116,946	12,831,042	-	79,532,232
Unrestricted	4,124,555	2,957,892	1,442,352	342,635	8,867,434
Net position	55,708,799	18,074,838	14,273,394	342,635	88,399,666
<b>Total liabilities and net position</b>	<b>\$ 77,978,409</b>	<b>\$ 18,412,144</b>	<b>\$ 14,283,421</b>	<b>\$ 490,979</b>	<b>\$ 111,164,953</b>

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

**CITY OF SARATOGA SPRINGS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	<b>Major Funds</b>				<b>Total</b>
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Storm Drain Utility</b>	<b>Garbage Utility</b>	
<b>Operating revenue:</b>					
Charges for services	\$ 2,539,626	\$ 2,020,218	\$ 385,521	\$ 895,505	\$ 5,840,870
Connection and other fees	1,654,381	162,050	-	-	1,816,431
Other	91,425	-	-	-	91,425
Total operating revenues	<u>4,285,432</u>	<u>2,182,268</u>	<u>385,521</u>	<u>895,505</u>	<u>7,748,726</u>
<b>Operating expenses:</b>					
Personnel services	434,498	118,496	-	-	552,994
Supplies and maintenance	742,312	475,916	12,713	-	1,230,941
Professional services	33,933	760	-	-	34,693
Administration	759,076	406,574	269,187	35,008	1,469,845
Power and pumping	319,516	55,923	-	-	375,439
Treatment and sanitation	301,414	1,077,442	-	784,338	2,163,194
Depreciation	2,242,027	694,613	409,510	-	3,346,150
Other	8,420	4,200	-	2,760	15,380
Total operating expenses	<u>4,841,196</u>	<u>2,833,924</u>	<u>691,410</u>	<u>822,106</u>	<u>9,188,636</u>
Operating income (loss)	<u>(555,764)</u>	<u>(651,656)</u>	<u>(305,889)</u>	<u>73,399</u>	<u>(1,439,910)</u>
<b>Nonoperating revenue (expense):</b>					
Investment earnings	18,390	15,812	8,498	2,304	45,004
Interest expense	(261,352)	-	-	-	(261,352)
Total nonoperating revenues (expenses)	<u>(242,962)</u>	<u>15,812</u>	<u>8,498</u>	<u>2,304</u>	<u>(216,348)</u>
Income (loss) before contributions and transfers	<u>(798,726)</u>	<u>(635,844)</u>	<u>(297,391)</u>	<u>75,703</u>	<u>(1,656,258)</u>
Impact fees	1,869,510	492,124	253,786	-	2,615,420
Change in net position	1,070,784	(143,720)	(43,605)	75,703	959,162
Net position - beginning (restated)	<u>54,638,015</u>	<u>18,218,558</u>	<u>14,316,999</u>	<u>266,932</u>	<u>87,440,504</u>
Net position - ending	<u>\$55,708,799</u>	<u>\$ 18,074,838</u>	<u>\$ 14,273,394</u>	<u>\$ 342,635</u>	<u>\$ 88,399,666</u>

**CITY OF SARATOGA SPRINGS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	<b>Major Funds</b>				<b>Total</b>
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Storm Drain Utility</b>	<b>Garbage Utility</b>	
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 4,293,440	\$ 2,011,890	\$ 380,569	\$ 882,652	\$ 7,568,551
Payments to suppliers	(1,349,157)	(1,611,801)	(13,693)	(711,965)	(3,686,616)
Payment to employees	(431,475)	(119,607)	-	-	(551,082)
Payments for interfund services used	(759,076)	(406,574)	(269,187)	(35,008)	(1,469,845)
Net cash provided (used) by operating activities	<u>1,753,732</u>	<u>(126,092)</u>	<u>97,689</u>	<u>135,679</u>	<u>1,861,008</u>
<b>Cash flows from capital and related financing activities</b>					
Purchases of capital assets	(1,354,523)	(203,555)	-	-	(1,558,078)
Proceeds of capital-type special assessments	1,869,510	492,124	253,786	-	2,615,420
Principal paid on capital lease and debt	(1,575,474)	-	(18,036)	-	(1,593,510)
Interest paid on capital lease and debt	(256,428)	-	-	-	(256,428)
Net cash provided (used) by capital and related financing activities	<u>(1,316,915)</u>	<u>288,569</u>	<u>235,750</u>	<u>-</u>	<u>(792,596)</u>
<b>Cash flows from investing activities</b>					
Interest and dividends received	18,390	15,812	8,498	2,304	45,004
Investment in restricted cash	150,504	174,039	5,161	1,260	330,964
Net cash provided (used) by investing activities	<u>168,894</u>	<u>189,851</u>	<u>13,659</u>	<u>3,564</u>	<u>375,968</u>
Net increase (decrease) in cash and cash equivalents	605,711	352,328	347,098	139,243	1,444,380
Cash and cash equivalents - beginning	<u>3,271,955</u>	<u>2,719,398</u>	<u>1,050,414</u>	<u>256,431</u>	<u>7,298,198</u>
Cash and cash equivalents (deficit) - ending	<u>\$ 3,877,666</u>	<u>\$ 3,071,726</u>	<u>\$ 1,397,512</u>	<u>\$ 395,674</u>	<u>\$ 8,742,578</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>					
Operating income	\$ (555,764)	\$ (651,656)	\$ (305,889)	\$ 73,399	\$ (1,439,910)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	2,242,027	694,613	409,510	-	3,346,150
(Increase)/decrease in accounts receivable	(19,278)	(10,274)	(4,952)	(12,853)	(47,357)
(Increase)/decrease in inventory	18,476	-	-	-	18,476
(Decrease)/increase in accounts payable	37,962	2,440	(980)	75,133	114,555
(Decrease)/increase in compensated absences	3,023	(1,111)	-	-	1,912
(Decrease)/increase in deposits payable	27,286	(160,104)	-	-	(132,818)
Total adjustments	<u>2,309,496</u>	<u>525,564</u>	<u>403,578</u>	<u>62,280</u>	<u>3,300,918</u>
Net cash provided (used) by operating activities	<u>\$ 1,753,732</u>	<u>\$ (126,092)</u>	<u>\$ 97,689</u>	<u>\$ 135,679</u>	<u>\$ 1,861,008</u>

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

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**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 charter: 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 (the statement of net position and the statement of activities) 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 Position presents the City's assets, deferred inflows, liabilities and deferred outflows, with the difference reported as net position. Net position is restricted when constraints placed upon it is either externally imposed or is 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.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**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.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies – Continued**

**C. Measurement Focus and Basis of Accounting – Continued**

**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 funded by property owner assessments.

**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.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies – Continued**

**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 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 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.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies – Continued**

**F. Capital Assets - Continued**

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

**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.

**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.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies – Continued**

**H. Equity Classifications - Continued**

**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 non-spendable, 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.

**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.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 2 - Deposits and Investments**

As of June 30, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 19,736,064	85 days *	not rated
Total	<u>\$ 19,736,064</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, 2013 were \$3,183,961 of which \$2,933,961 were uninsured and uncollateralized.

**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 \$333,702 at June 30, 2013.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 2 - Deposits and Investments - Continued**

**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, 2013 was \$675,132.

**Note 3 - Accounts Receivable – Unearned Revenue**

Accounts receivable are recorded net of the allowance for doubtful accounts of \$48,900 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.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 18,365,123	\$ 36,919	\$ -	\$ 18,402,042
Construction in process	4,888,399	701,309	(4,674,292)	915,416
Total	<u>23,253,522</u>	<u>738,228</u>	<u>(4,674,292)</u>	<u>19,317,458</u>
Capital assets, being depreciated:				
Buildings	4,358,344	1,701,640	-	6,059,984
Machinery and equipment	3,200,863	589,664	-	3,790,527
Infrastructure	74,742,761	3,450,623	-	78,193,384
Total	<u>82,301,968</u>	<u>5,741,927</u>	<u>-</u>	<u>88,043,895</u>
Less accumulated depreciation for:				
Buildings	(614,489)	(286,481)	-	(900,970)
Machinery and equipment	(2,101,416)	(268,781)	-	(2,370,197)
Infrastructure	(23,563,791)	(4,365,218)	-	(27,929,009)
Total	<u>(26,279,696)</u>	<u>(4,920,480)</u>	<u>-</u>	<u>(31,200,176)</u>
Capital assets, being depreciated, net	<u>56,022,272</u>	<u>821,447</u>	<u>-</u>	<u>56,843,719</u>
	<u>\$ 79,275,794</u>	<u>\$ 1,559,675</u>	<u>\$ (4,674,292)</u>	<u>\$ 76,161,177</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Water rights	\$ 14,792,622	\$ 205,404	\$ -	\$ 14,998,026
Construction in progress	466,190	23,346	(51,850)	437,686
Total	<u>15,258,812</u>	<u>228,750</u>	<u>(51,850)</u>	<u>15,435,712</u>
Capital assets, being depreciated:				
Water capacity	10,950,988	-	-	10,950,988
Culinary water system	55,611,841	586,886	-	56,198,727
Secondary water irrigation system	7,161,355	520,267	-	7,681,622
Sewer system	20,054,423	136,907	-	20,191,330
Storm drain system	15,562,587	-	-	15,562,587
Equipment	706,354	127,211	-	833,565
Total	<u>110,047,548</u>	<u>1,371,271</u>	<u>-</u>	<u>111,418,819</u>
Less accumulated depreciation for:				
Water capacity	(3,996,244)	(547,550)	-	(4,543,794)
Culinary water system	(9,838,363)	(1,453,900)	-	(11,292,263)
Secondary water irrigation system	(794,092)	(231,061)	-	(1,025,153)
Sewer system	(4,763,360)	(680,987)	-	(5,444,347)
Storm drain system	(2,393,947)	(389,065)	-	(2,783,012)
Equipment	(639,398)	(43,438)	-	(682,836)
Total accumulated depreciation	<u>(22,425,404)</u>	<u>(3,346,000)</u>	<u>-</u>	<u>(25,771,404)</u>
Capital assets, being depreciated, net	<u>87,622,144</u>	<u>(1,974,729)</u>	<u>-</u>	<u>85,647,415</u>
Business-type activities capital assets, net	<u>\$ 102,880,956</u>	<u>\$ (1,745,979)</u>	<u>\$ (51,850)</u>	<u>\$ 101,083,127</u>

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
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**Note 4 - Capital Assets – Continued**

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

**Governmental activities:**

General government	\$ 225,491
Public safety	182,887
Highways and public works	3,027,403
Parks and recreation	1,484,699
Total depreciation expense - governmental activities	<u>\$ 4,920,480</u>

**Business-type activities:**

Water utility	\$ 2,242,027
Sewer utility	694,463
Storm drain utility	409,510
Total depreciation expense - business-type activities	<u>\$ 3,346,000</u>

Combined depreciation expense	<u>\$ 8,266,480</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 \$174,7640 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.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 6 - Retirement Plans - Continued**

**A. Plan Description - Continued**

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.

**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, 2013, 2012 and 2011 were as follows:

A. Local Governmental System – Contributory

<u>2013</u>	<u>2012</u>	<u>2011</u>	
\$ 1,868	\$ 1,160	\$ -	Employer contributions
21,831	15,287	-	Salary subject to contributions

B. Local Governmental System – Noncontributory

<u>2013</u>	<u>2012</u>	<u>2011</u>	
\$ 370,808	\$ 277,930	\$ 235,277	Employer contributions
2,119,048	2,018,379	1,759,743	Salary subject to contributions

C. Utah Public Safety System – Public Safety

<u>2013</u>	<u>2012</u>	<u>2011</u>	
\$ 298,985	\$ 267,246	\$ 263,463	Employer contributions
1,123,354	1,135,530	932,945	Salary subject to contributions

D. Local Governmental System – Firefighters

<u>2013</u>	<u>2012</u>	<u>2011</u>	
\$ 43,907	\$ 52,418	\$ 57,078	Employer paid for employee contributions
15,144	7,010	-	Employer contributions
349,960	391,057	352,773	Salary subject to contributions

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
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**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>2013</u>	<u>2012</u>	<u>2011</u>
457 Plan			
Employee Contributions	\$ 43,907	\$ 46,430	\$ 51,399
Employer Contributions	-	226	-
401(k) Plan			
Employee Contributions	81,546	79,620	62,803
Employer Contributions	326,333	324,687	279,305
Traditional IRA Plan			
Employee Contributions	130	125	-
Roth IRA Plan			
Employee Contributions	9,225	9,715	8,910

**Note 8 - Interfund Transfers**

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2013 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ -	\$ 2,366,616
Special Revenue	-	62,000
Capital Projects	<u>2,428,616</u>	<u>-</u>
	<u>\$ 2,428,616</u>	<u>\$ 2,428,616</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 \$1,309,782 to the enterprise funds for personnel and administrative services and facility costs during the year.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**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. The 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. For the year ended June 30, 2013 the City received \$826,716 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, 2013 was \$1,000,000.

**Note 10 – Construction Commitments**

The City has active construction projects as of June 30, 2013. 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	\$ 711,337	\$ 1,256,126	May 2014

**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

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
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**Note 12 – Leases**

**Capital Leases**

The government has entered into lease agreements 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	\$ 881,747	\$ 19,701	\$ -	\$ 115,050
Accumulated depreciation	(620,951)	(19,701)	-	(106,832)
<b>Total</b>	<b>\$ 260,796</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,218</b>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

<b><u>Year Ending June 30</u></b>	Governmental Activities	Business Type Activities		
		Water Utility	Sewer Utility	Storm Drain Utility
2014	\$ 125,424	\$ 1,940	\$ -	\$ 9,419
2015	96,176	1,940	-	-
2016	45,169	1,940	-	-
2017	32,391	1,940	-	-
2018	9,846	1,132	-	-
Total minimum lease payments	309,007	8,891	-	9,419
Less: amount representing interest	(15,003)	(925)	-	(121)
<b>Present value of minimum lease payments</b>	<b>\$ 294,004</b>	<b>\$ 7,966</b>	<b>\$ -</b>	<b>\$ 9,298</b>

**Operating Leases**

The City leases vehicles under non-cancelable operating leases. Total Cost for such leases were \$11,864 for the year ended June 30, 2013.

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**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 13 – Long-term Debt**

**A. Special Assessment Bonds**

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% with a maturity date of April 1, 2029.

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>
2014	159,000	84,762	243,762
2015	160,000	83,582	243,582
2016	162,000	82,230	244,230
2017	164,000	80,582	244,582
2018	167,000	78,395	245,395
2019-2023	884,000	346,211	1,230,211
2024-2028	1,029,000	219,599	1,248,599
2029	171,000	30,305	201,305
	<u>\$2,896,000</u>	<u>\$ 1,005,666</u>	<u>\$ 3,901,666</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:

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

**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>
2014	\$ 90,000	\$ 60,364	\$ 150,364
2015	94,000	57,024	151,024
2016	97,000	53,568	150,568
2017	101,000	49,958	150,958
2018	105,000	46,233	151,233
2019-2023	588,000	169,918	757,918
2024-2026	410,000	47,039	457,039
	<u>\$ 1,485,000</u>	<u>\$ 484,104</u>	<u>\$ 1,969,104</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>
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	175,000	63,712	238,712
2019-2023	961,000	233,792	1,194,792
2024-2027	686,000	74,944	760,944
	<u>\$ 2,468,000</u>	<u>\$ 658,144</u>	<u>\$ 3,126,144</u>

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

**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% of the aggregate unpaid principal plus accrued interest at the rate immediately preceding the interest rate adjustment date.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Intertest</u>	<u>Total Debt Service</u>
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	59,000	21,840	80,840
2019-2023	334,000	63,584	397,584
2024	75,000	611	75,611
Total	\$ 681,000	\$ 186,539	\$ 867,539

**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 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.

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

**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>Interest</u>	<u>Total Debt Service</u>
2014	\$ 156,682	\$ 139,950	\$ 296,632
2015	161,682	135,450	297,132
2016	166,682	130,800	297,482
2017	171,682	126,000	297,682
2018	176,682	121,050	297,732
2019-2023	988,410	499,350	1,487,760
2024-2028	1,183,410	307,435	1,490,845
2029-2031	830,040	67,324	897,364
Total	<u>\$ 3,835,270</u>	<u>\$ 1,527,359</u>	<u>\$ 5,362,629</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>Interest</u>	<u>Total Debt Service</u>
2014	\$ 950,000	\$ -	\$ 950,000
2015	1,050,000	-	1,050,000
2016	1,050,000	-	1,050,000
2017	1,050,000	-	1,050,000
2018	1,050,000	-	1,050,000
2019-2023	5,250,000	-	5,250,000
2024-2027	3,546,960	-	3,546,960
	<u>\$ 13,946,960</u>	<u>\$ -</u>	<u>\$ 13,946,960</u>

**CITY OF SARATOGA SPRINGS**  
**Notes to the Financial Statements**  
**June 30, 2013**

**Note 13 – Long-term Debt – Continued**

**D. Changes in Long-term Debt**

During the year ended June 30, 2013, the following activity occurred in liabilities reported as long-term:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>June 30, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2013</b>	<b>One Year</b>
Governmental Activities:					
2011 Sales Tax Revenue Bonds	\$ 3,986,952	\$ -	\$ (151,682)	\$ 3,835,270	\$ 156,682
Obligations Under Capital Lease	382,431	-	(88,427)	294,004	68,488
Compensated Absences	382,597	167,913	(78,776)	471,734	162,823
Total	<u>\$ 4,751,980</u>	<u>\$ 167,913</u>	<u>\$ (318,885)</u>	<u>\$ 4,601,008</u>	<u>\$ 387,993</u>
Business Type Activities:					
2005 Water Revenue Refunding Bonds	\$ 1,572,000	\$ -	\$ (87,000)	\$ 1,485,000	\$ 90,000
2006 Water Revenue Bonds	2,617,000	-	(149,000)	2,468,000	154,000
2009 Water Revenue Bonds	729,000	-	(48,000)	681,000	50,000
2012 Special Assessment Bonds	3,114,374	-	(218,374)	2,896,000	159,000
Contract payable	15,003,460	-	(1,056,500)	13,946,960	950,000
Obligations Under Capital Lease	37,974	-	(20,710)	17,264	10,939
Compensated Absences	27,212	9,614	(7,702)	29,124	12,703
Total	<u>\$ 23,101,020</u>	<u>\$ 9,614</u>	<u>\$ (1,587,286)</u>	<u>\$ 21,523,348</u>	<u>\$ 1,426,642</u>

**Note 14 – Prior Period Adjustment**

An adjustment to net position was made to the statement of net positions for the proprietary funds due to new accounting pronouncements that have become effective for the current year. Previously amortizable bond issuance costs are now treated as expenditures in the period incurred. Net position has been adjusted as follows:

Net position - beginning balances – as previously stated	\$87,588,645
Remove unamortized bond issuance costs	<u>(148,141)</u>
Net position as adjusted	<u>\$87,440,504</u>

## **STATISTICAL SECTION**

**CITY OF SARATOGA SPRINGS**  
**STATISTICAL SECTION**  
**June 30, 2013**  
**(Unaudited)**

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The Statistical Section presents detailed comparative data to assist with understanding what the information in the financial statements, note disclosures, and required supplementary information express about the government's overall financial health.

**Financial Trends**

*Those schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

**Revenue Capacity**

*These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.*

**Debt Capacity**

*These schedules contain information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*

**Demographic and Economic Information**

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*

**Operating Information**

*These schedules contain service data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*

Sources: unless otherwise noted, the information in these schedules is derived from the financial statements for the relevant year. The city implemented GASB 24 in 2004; schedules presenting government-wide information include information beginning in that year.

**Schedule 1**  
**CITY OF SARATOGA SPRINGS**  
**Net Position by Component**  
**Last Ten 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>	<u>2013</u>
<b>Governmental activities:</b>										
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	\$ 72,106,589
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	600,591
Unrestricted	608,568	1,074,401	3,114,889	967,824	342,310	1,411,862	2,384,845	2,636,561	4,941,530	15,171,267
<b>Total governmental activities</b>										
<b>Net assets</b>	<b><u>\$ 30,053,336</u></b>	<b><u>\$ 36,544,735</u></b>	<b><u>\$ 57,653,853</u></b>	<b><u>\$ 80,609,892</u></b>	<b><u>\$ 89,956,172</u></b>	<b><u>\$ 91,812,686</u></b>	<b><u>\$ 80,683,296</u></b>	<b><u>\$ 83,540,161</u></b>	<b><u>\$ 88,479,960</u></b>	<b><u>\$ 87,878,447</u></b>
<b>Business-type activities:</b>										
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	\$ 79,541,530
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	93,512	(83,839)	(1,482,535)	53,505	1,526,777	3,178,868	2,166,007	2,429,896	1,733,791	8,625,624
<b>Total business-type activities</b>										
<b>Net assets</b>	<b><u>\$ 27,581,941</u></b>	<b><u>\$ 33,599,682</u></b>	<b><u>\$ 46,118,233</u></b>	<b><u>\$ 61,670,292</u></b>	<b><u>\$ 66,609,515</u></b>	<b><u>\$ 66,944,100</u></b>	<b><u>\$ 84,621,724</u></b>	<b><u>\$ 84,928,907</u></b>	<b><u>\$ 87,588,645</u></b>	<b><u>\$ 88,167,154</u></b>
<b>Primary government:</b>										
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	\$ 151,648,119
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	600,591
Unrestricted	702,080	990,562	1,632,354	1,021,329	1,869,087	4,590,730	4,550,852	5,066,457	6,675,321	23,796,891
<b>Total primary government</b>										
<b>Net assets</b>	<b><u>\$ 57,635,277</u></b>	<b><u>\$ 70,144,417</u></b>	<b><u>\$ 103,772,086</u></b>	<b><u>\$ 142,280,184</u></b>	<b><u>\$ 156,565,687</u></b>	<b><u>\$ 158,756,786</u></b>	<b><u>\$ 165,305,020</u></b>	<b><u>\$ 168,469,068</u></b>	<b><u>\$ 176,068,605</u></b>	<b><u>\$ 176,045,601</u></b>

Note: Table represents data available since implementation of GASB Statement 44.

**Schedule 2**  
**CITY OF SARATOGA SPRINGS**  
**Changes in Net Position**  
**Last Ten 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>	<u>2013</u>
<b>EXPENSES</b>										
<b>Governmental Activities:</b>										
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	\$ 2,609,093
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	4,966,496
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	4,722,390
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	2,438,028
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	141,240
<b>Total Governmental Activities</b>	<b><u>3,173,219</u></b>	<b><u>4,023,697</u></b>	<b><u>5,565,969</u></b>	<b><u>8,966,099</u></b>	<b><u>10,863,213</u></b>	<b><u>11,572,128</u></b>	<b><u>9,730,926</u></b>	<b><u>11,093,347</u></b>	<b><u>12,911,762</u></b>	<b><u>14,877,247</u></b>
<b>Business-type Activities:</b>										
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	5,102,548
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	3,066,436
Garbage Utility	202,049	267,612	401,114	458,001	579,672	625,307	649,154	633,551	702,476	822,106
Storm Drain Utility	-	-	-	-	-	-	467,758	470,700	756,772	691,410
<b>Total business-type Activities</b>	<b><u>2,036,827</u></b>	<b><u>2,843,312</u></b>	<b><u>4,141,954</u></b>	<b><u>4,246,115</u></b>	<b><u>5,857,234</u></b>	<b><u>5,699,169</u></b>	<b><u>6,823,965</u></b>	<b><u>7,433,460</u></b>	<b><u>8,543,443</u></b>	<b><u>9,682,500</u></b>
<b>Total Primary Government Expenses</b>	<b><u>\$ 5,210,046</u></b>	<b><u>\$ 6,867,009</u></b>	<b><u>\$ 9,707,923</u></b>	<b><u>\$13,212,214</u></b>	<b><u>\$16,720,447</u></b>	<b><u>\$ 17,271,297</u></b>	<b><u>\$ 16,554,891</u></b>	<b><u>\$18,526,807</u></b>	<b><u>\$ 21,455,205</u></b>	<b><u>\$ 24,559,747</u></b>
<b>REVENUES</b>										
<b>Governmental Activities:</b>										
Charges for Services										
General Government	\$ 2,912,398	\$ 1,944,629	\$ 2,757,952	\$ 2,616,829	\$ 1,340,052	\$ 643,604	\$ 893,642	\$ 734,865	\$ 2,473,625	\$ 4,081,953
Public Safety	-	-	17,827	419,557	295,758	414,455	500,334	715,131	1,894,515	1,039,947
Highways and Public Improvements	105,631	71,432	87,187	-	-	-	-	-	1,179,069	1,268,709
Parks and Recreation	-	-	45,575	55,750	874,933	103,641	128,501	150,558	888,193	886,054
Operating Grants and Contributions	179,829	249,690	436,226	322,409	400,110	387,031	713,486	1,719,874	1,118,658	172,388
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	672,095
<b>Total Governmental Activities</b>	<b><u>6,869,495</u></b>	<b><u>9,294,198</u></b>	<b><u>24,658,161</u></b>	<b><u>29,463,390</u></b>	<b><u>16,497,218</u></b>	<b><u>8,431,900</u></b>	<b><u>7,990,405</u></b>	<b><u>9,060,736</u></b>	<b><u>10,218,103</u></b>	<b><u>8,121,146</u></b>
<b>Business-type Activities:</b>										
Charges for Services	1,686,609	-	-	-	-	-	-	-	-	-
Water Utility	1,011,965	1,925,323	4,036,103	1,192,492	1,366,764	1,430,353	1,944,116	2,222,973	6,393,708	6,154,942
Sewer Utility	539,715	1,027,164	1,534,738	863,291	890,102	1,290,128	1,671,891	1,970,431	2,488,427	2,674,392
Garbage Utility	134,929	284,038	363,106	480,279	585,684	668,184	679,208	745,432	596,706	639,307
Storm Drain Utility	-	-	-	-	-	-	145,373	148,947	808,855	895,505
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	-
<b>Total Business-type Activities</b>	<b><u>10,617,669</u></b>	<b><u>8,834,257</u></b>	<b><u>16,566,260</u></b>	<b><u>18,745,560</u></b>	<b><u>11,160,645</u></b>	<b><u>6,266,324</u></b>	<b><u>10,164,912</u></b>	<b><u>7,311,163</u></b>	<b><u>11,525,838</u></b>	<b><u>10,364,146</u></b>
<b>Total Primary Government Revenues</b>	<b><u>\$ 17,487,164</u></b>	<b><u>\$ 18,128,455</u></b>	<b><u>\$ 41,224,421</u></b>	<b><u>\$48,208,950</u></b>	<b><u>\$27,657,863</u></b>	<b><u>\$ 14,698,224</u></b>	<b><u>\$ 18,155,317</u></b>	<b><u>\$16,371,899</u></b>	<b><u>\$ 21,743,941</u></b>	<b><u>\$ 18,485,292</u></b>
<b>Net (Expense)/Revenue:</b>										
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)	\$ (6,756,101)
Business-type Activities	8,580,842	5,990,945	12,424,306	14,499,445	5,303,411	567,155	3,340,947	(122,297)	2,982,395	681,646
<b>Total Primary Government Net Expense</b>	<b><u>\$ 12,277,118</u></b>	<b><u>\$ 11,261,446</u></b>	<b><u>\$ 31,516,498</u></b>	<b><u>\$34,996,736</u></b>	<b><u>\$10,937,416</u></b>	<b><u>\$ (2,573,073)</u></b>	<b><u>\$ 1,600,426</u></b>	<b><u>\$ (2,154,908)</u></b>	<b><u>\$ 288,736</u></b>	<b><u>\$ (6,074,455)</u></b>

Schedule 2 - Continued  
**CITY OF SARATOGA SPRINGS**  
**Changes in Net Position**  
**Last Ten 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>	<u>2013</u>
<b>EXPENSES</b>										
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental Activities:</b>										
Taxes										
Property Taxes	\$ 318,663	\$ 472,781	\$ 589,660	\$ 737,174	\$ 785,703	\$ 2,304,884	\$ 2,442,112	\$ 2,395,277	\$ 2,758,185	\$ 2,659,844
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	2,360,544
Franchise Fees	202,769	268,661	400,554	131,526	141,716	193,385	158,393	227,207	212,494	199,838
Energy Taxes	-	-	-	314,617	450,148	480,352	549,691	632,865	655,845	793,113
Interest Earnings	48,605	120,280	385,433	561,210	508,018	223,094	56,812	98,172	73,233	89,897
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	34,787	-	51,352
Other	(134,205)	-	-	-	579,705	300,000	(14,318,928)	(380,000)	309,789	-
<b>Total Governmental Activities</b>	<b><u>753,264</u></b>	<b><u>1,220,898</u></b>	<b><u>2,016,922</u></b>	<b><u>2,612,556</u></b>	<b><u>3,712,275</u></b>	<b><u>4,996,742</u></b>	<b><u>(9,388,869)</u></b>	<b><u>4,889,476</u></b>	<b><u>6,172,156</u></b>	<b><u>6,154,588</u></b>
<b>Business-Type Activities:</b>										
Interest Earnings	9,450	26,796	94,246	234,830	215,517	67,430	17,749	49,480	57,343	45,004
Other	134,205	-	-	-	(579,705)	(300,000)	14,318,928	380,000	6,569	-
<b>Total Business-Type Activities</b>	<b><u>143,655</u></b>	<b><u>26,796</u></b>	<b><u>94,246</u></b>	<b><u>234,830</u></b>	<b><u>(364,188)</u></b>	<b><u>(232,570)</u></b>	<b><u>14,336,677</u></b>	<b><u>429,480</u></b>	<b><u>63,912</u></b>	<b><u>45,004</u></b>
<b>Total Primary Government General Revenue</b>	<b><u>\$ 896,919</u></b>	<b><u>\$ 1,247,694</u></b>	<b><u>\$ 2,111,168</u></b>	<b><u>\$ 2,847,386</u></b>	<b><u>\$ 3,348,087</u></b>	<b><u>\$ 4,764,172</u></b>	<b><u>\$ 4,947,808</u></b>	<b><u>\$ 5,318,956</u></b>	<b><u>\$ 6,236,068</u></b>	<b><u>\$ 6,199,592</u></b>
<b>Change in Net Assets</b>										
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	\$ (601,513)
Business-Type Activities	8,724,497	6,017,741	12,518,552	14,734,275	4,939,223	334,585	17,677,624	307,183	3,039,738	726,650
<b>Total Primary Government</b>	<b><u>\$ 13,174,037</u></b>	<b><u>\$ 12,509,140</u></b>	<b><u>\$ 33,627,666</u></b>	<b><u>\$37,844,122</u></b>	<b><u>\$14,285,503</u></b>	<b><u>\$ 2,191,099</u></b>	<b><u>\$ 6,548,234</u></b>	<b><u>\$ 3,164,048</u></b>	<b><u>\$ 7,599,537</u></b>	<b><u>\$ 125,137</u></b>

Note: Table represents data available since implementation of GASB Statement 44.

**Schedule 3**  
**CITY OF SARATOGA SPRINGS**  
**Fund Balances of Governmental Funds**  
**Last Ten 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>	<u>2013</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	2,508,347
All other governmental funds:										
Reserved:										
Roads and impact fees	3,140,869	4,548,176	5,842,246	-	-	-	-	-	-	-
Roads and capital 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	-	-	-
Capital 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	6,277
Restricted:										
Capital project funds	-	-	-	-	-	-	-	7,373,476	7,271,642	-
General fund	-	-	-	-	-	-	-	-	610,913	600,591
Committed:										
Capital project funds	-	-	-	-	-	-	-	-	-	10,946,127
Assigned:										
Capital project funds	-	-	-	-	-	-	-	1,713,820	1,406,121	-
Street lighting	-	-	-	-	-	-	-	249,453	305,725	282,980
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	\$ 11,835,975

Note: Table represents data available since implementation of GASB Statement 44.

**Schedule 4**  
**CITY OF SARATOGA SPRINGS**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten 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>	<u>2013</u>
<b>Revenues:</b>										
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	\$ 5,988,153
Licenses and Permits	591,411	674,756	898,102	865,624	516,266	228,197	301,258	321,571	563,917	648,974
Intergovernmental	229,450	204,890	560,558	627,459	409,345	363,569	4,138,356	1,799,494	1,063,618	844,483
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	6,545,780
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	89,897
Other	69,721	127,864	456,166	5,115	40,719	29,966	203,803	2,041,161	534,896	81,909
<b>Total Revenues</b>	<b>\$ 4,136,862</b>	<b>\$ 5,112,890</b>	<b>\$ 10,343,157</b>	<b>\$ 10,034,240</b>	<b>\$ 8,365,516</b>	<b>\$ 7,185,950</b>	<b>\$ 12,006,120</b>	<b>\$ 12,007,310</b>	<b>\$ 13,607,642</b>	<b>\$ 14,199,196</b>
<b>Expenditures:</b>										
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	\$ 2,294,465
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	5,392,426
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	2,521,683
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	953,329
Economic Development	-	-	-	880	920	-	-	-	-	-
Debt Service:										
Capital Lease Payments	-	-	-	236,627	404,811	351,807	324,228	1,405,289	365,282	533,463
Principal retirement	15,452	46,346	99,895	-	-	-	-	-	140,000	145,000
Interest and fiscal charges	1,415	39,891	72,905	-	-	-	-	114,617	151,000	146,800
<b>Total Expenditures</b>	<b>\$ 3,350,803</b>	<b>\$ 4,697,735</b>	<b>\$ 7,568,546</b>	<b>\$ 10,384,235</b>	<b>\$ 8,049,088</b>	<b>\$ 7,978,624</b>	<b>\$ 14,590,966</b>	<b>\$ 12,117,927</b>	<b>\$ 13,368,569</b>	<b>\$ 11,987,166</b>
<b>Excess (Deficiency) of Revenues</b>										
<b>Over (Under) Expenditures</b>	<b>\$ 786,059</b>	<b>\$ 415,155</b>	<b>\$ 2,774,611</b>	<b>\$ (349,995)</b>	<b>\$ 316,428</b>	<b>\$ (792,674)</b>	<b>\$ (2,584,846)</b>	<b>\$ (110,617)</b>	<b>\$ 239,073</b>	<b>\$ 2,212,030</b>
<b>Other Financing Sources (Uses):</b>										
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	51,352
Transfers In	-	428,681	796,842	503,677	1,493,351	300,000	-	750,130	2,538,216	2,428,616
Transfers Out	(134,205)	(428,681)	(796,842)	(503,677)	(913,646)	-	(398,368)	(1,130,130)	(2,538,216)	(2,428,616)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (66,672)</b>	<b>\$ 1,395,621</b>	<b>\$ 289,277</b>	<b>\$ 760,119</b>	<b>\$ 1,140,022</b>	<b>\$ 300,000</b>	<b>\$ (329,347)</b>	<b>\$ 3,825,643</b>	<b>\$ 319,843</b>	<b>\$ 51,352</b>
<b>Net Change in Fund Balances</b>	<b>\$ 719,387</b>	<b>\$ 1,810,776</b>	<b>\$ 3,063,888</b>	<b>\$ 410,124</b>	<b>\$ 1,456,450</b>	<b>\$ (492,674)</b>	<b>\$ (2,914,193)</b>	<b>\$ 3,715,026</b>	<b>\$ 558,916</b>	<b>\$ 2,263,382</b>
Debt service as a percentage of noncapital	0%	1%	1%	2%	5%	4%	2%	13%	4%	6%

Note: Table represents data available since implementation of GASB Statement 44.

**Schedule 5**  
**CITY OF SARATOGA SPRINGS**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales and Use Tax</b>	<b>Franchise Fees</b>	<b>Energy Taxes</b>	<b>Total</b>
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
<b>2013</b>	<b>\$ 2,659,844</b>	<b>\$ 2,360,544</b>	<b>\$ 199,838</b>	<b>\$ 793,113</b>	<b>\$ 6,013,339</b>
Change:				(1)	
2004-2013	734.7%	643.6%	-1.4%	152.1%	616.8%

Note: (1) Comparison in change from FY2007 and FY2013

Note: Table represents data available since implementation of GASB Statement 44.

**Schedule 6**  
**CITY OF SARATOGA SPRINGS**  
**Assessed Value of Taxable Property Excluding Fee-In-Lieu**  
**Last Ten Calendar Years**  
**(Modified Accrual Basis of Accounting)**

<b>Calendar Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Miscellaneous Property</b>	<b>Total Assessed Value</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
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	0.001559
2005	317,685,146	37,482,579	24,410,377	379,578,102	368,386,322	0.001358
2006	403,813,760	36,579,918	24,902,808	465,296,486	446,676,129	0.001331
2007	703,649,723	45,666,410	46,532,533	795,848,666	770,569,048	0.000933
2008	932,667,853	62,553,999	49,865,634	1,045,087,486	1,017,244,323	0.002019
2009	761,281,348	108,869,886	54,449,296	924,600,530	895,096,173	0.002436
2010	677,853,887	112,726,260	56,471,741	847,051,888	818,019,054	0.002744
2011	613,123,034	104,439,630	39,673,599	757,236,263	744,534,001	0.003120
<b>2012</b>	<b>\$ 554,081,621</b>	<b>\$ 88,261,615</b>	<b>\$ 134,695,645</b>	<b>\$ 777,038,881</b>	<b>\$ 763,106,508</b>	<b>0.003054</b>

Source: Utah State Tax Commission and Utah County Treasurer  
<http://propertytax.utah.gov/property-tax-rates/2012-10-22-20-17-01/year-end-values-by-entity>

**Schedule 7**  
**CITY OF SARATOGA SPRINGS**  
**Assessed Value of Taxable Property Including Fee-In-Lieu**  
**Last Ten Calendar Years**  
**(Modified Accrual Basis of Accounting)**

<b>Calendar Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Miscellaneous Property</b>	<b>Fee-In-Lieu Value</b>	<b>Total Assessed Value</b>
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	190,534	757,426,797
<b>2012</b>	<b>\$ 554,081,621</b>	<b>\$ 88,261,615</b>	<b>\$ 134,695,645</b>	<b>\$ 208,986</b>	<b>\$ 777,247,867</b>

Source: Utah State Tax Commission

**Schedule 8**  
**CITY OF SARATOGA SPRINGS**  
**Taxable Sales by Category**  
**Last Five Calendar Years**

	Calendar Year				
	2008	2009	2010	2011	2012
Apparel stores	\$ 4,000	\$ 3,000	\$ 300,000	\$ 1,250,000	\$ 1,500,000
Building materials and farm tools	60,000	35,000	15,000	10,000	7,000
Eating establishments	1,000,000	2,750,000	3,973,501	4,000,000	5,013,366
Food stores	-	15,000	20,000	15,000	15,000
Manufacturing	3,500,000	2,540,000	4,686,158	1,000,000	350,000
Miscellaneous retail stores	2,797,168	4,140,183	1,244,042	4,891,000	6,330,000
Services	600,000	652,000	15,000	535,346	2,442,489
Wholesale	4,000	10,000	3,025,272	9,000	2,000
All other outlets	173,000	(2,729)	(18,378)	818,792	1,189,939
<b>Total</b>	<b>\$ 8,138,168</b>	<b>\$ 10,142,454</b>	<b>\$ 13,260,595</b>	<b>\$ 12,529,138</b>	<b>\$ 16,849,794</b>
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.

<http://www.tax.utah.gov/billing/recordkeeping?id=303>

Schedule 9  
**CITY OF SARATOGA SPRINGS**  
**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 Utah 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
<b>2012</b>	<b>0.003054</b>	<b>0.001127</b>	<b>0.000029</b>	<b>0.000168</b>	<b>0.000455</b>	<b>0.008828</b>	<b>0.013661</b>

Source: Utah County Assessors Office.

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

<http://www.utahcounty.gov/dept/treas/tax rates.asp>

**Schedule 10**  
**CITY OF SARATOGA SPRINGS**  
**Direct and Overlapping Sales Tax Rate**  
**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Utah County</u>	<u>State of Utah</u>	<u>Total</u>
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
<b>2013</b>	<b>1.80</b>	<b>0.25</b>	<b>4.70</b>	<b>6.75</b>

Source: Utah State Tax Commission

Note: Table represents data available since implementation of GASB Statement 44.

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**Schedule 11**  
**CITY OF SARATOGA SPRINGS**  
**Principal Property Taxpayers**  
**Current and Two Years Ago**

<b>Taxpayer</b>	<b>2012</b>					
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Wal-Mart	\$ 14,679,600	1	1.89%	\$ 14,185,632	1	1.73%
Scott McLachlan	10,491,500	2	1.35%	11,453,726	2	1.40%
Questar Gas	6,007,164	3	0.77%	5,574,781	4	0.68%
Pacificorp	5,134,964	4	0.66%	4,781,679	6	0.58%
Stations West	4,590,900	5	0.59%	6,186,446	3	0.76%
Towne Storage	3,175,800	6	0.41%	3,269,422	8	0.40%
Saratoga Self-Storage	2,700,000	7	0.35%	-	-	N/A
Cougars Rock Investments	2,660,700	8	0.34%	3,768,786	7	0.46%
Aldara Apartment Associates	2,156,000	9	0.28%	-	-	N/A
S3 Properties (Walgreens)	2,040,600	10	0.26%	2,786,771	9	0.34%
Utah Pacific Holding	-	-	N/A	4,890,800	5	0.60%
Wardley	-	-	N/A	2,743,000	10	0.34%
	<b>\$ 53,637,228</b>			<b>\$ 59,641,043</b>		

Source: Utah County Treasurer and City Finance Department  
Note: No other information available at this time.

**Schedule 12**  
**CITY OF SARATOGA SPRINGS**  
**City Tax Revenue Collected by Utah County**  
**Last Nine Calendar Years**

<b>Tax Year End 12/31</b>	<b>Total Taxes Levied</b>	<b>Treasurer's Relief (1)</b>	<b>Net Taxes Assessed</b>	<b>Current Collections</b>	<b>Delinquent, Personal Property, and Misc. Collections (2)</b>	<b>Total Collections</b>	<b>% of Current Collections to Net Taxes Assessed</b>
2004	\$ 394,172	\$ 11,580	\$ 382,592	\$ 326,166	\$ 146,758	\$ 472,924	85.25%
2005	503,991	24,242	479,749	423,621	146,626	570,247	88.30%
2006	606,342	32,254	574,088	531,510	191,661	723,171	92.58%
2007	719,417	10,406	709,011	579,792	159,660	739,452	81.77%
2008	2,054,518	38,475	2,016,043	1,468,836	270,146	1,738,982	72.86%
2009	2,181,526	7,717	2,173,809	1,763,228	543,549	2,306,777	81.11%
2010	2,246,026	14,729	2,231,297	1,934,821	520,414	2,455,235	86.71%
2011	2,322,946	19,180	2,303,766	2,079,374	575,767	2,655,141	90.26%
<b>2012</b>	<b>\$ 2,330,527</b>	<b>\$ 15,364</b>	<b>\$ 2,315,163</b>	<b>\$ 2,134,668</b>	<b>\$ 678,428</b>	<b>\$ 2,813,096</b>	<b>92.20%</b>

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.

Schedule 13  
CITY OF SARATOGA SPRINGS  
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			
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	7.34%	1,526
<b>2013</b>	<b>\$ 3,835,270</b>	<b>\$ 294,004</b>	<b>\$ -</b>	<b>\$ 4,634,000</b>	<b>\$ 2,896,000</b>	<b>\$ 13,946,960</b>	<b>\$ 17,264</b>	<b>\$ 25,623,498</b>	<b>N/A</b>	<b>1,212</b>

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**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	<u>2003</u>	<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>
Debt limit	\$ 8,554,672	\$ 10,494,687	\$ 15,183,124	\$ 18,611,859	\$ 31,833,947	\$ 41,803,499	\$ 36,984,021	\$ 33,882,076	\$ 30,289,451	\$ 31,081,555
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 8,554,672</u>	<u>\$ 10,494,687</u>	<u>\$ 15,183,124</u>	<u>\$ 18,611,859</u>	<u>\$ 31,833,947</u>	<u>\$ 41,803,499</u>	<u>\$ 36,984,021</u>	<u>\$ 33,882,076</u>	<u>\$ 30,289,451</u>	<u>\$ 31,081,555</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Total assessed value	<u>\$ 777,038,881</u>
Debt limit - 4% of total assessed value	31,081,555
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 31,081,555</u>

Source: Utah County Treasurer

Notes: Under Utah State Law, the City of Saratoga Springs' outstanding debt should not exceed 4 percent of total assessed property value.

The general obligation debt subject to the limitation may be offset by resources set aside for the repayment of the principal that are externally restricted.

**Schedule 15**  
**CITY OF SARATOGA SPRINGS**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2013**  
**(amounts expressed in thousands)**

<u>Government Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated % Applicable (2)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Alpine School District	\$ 373,595	5%	\$ 20,485
Utah County	1,680	3%	55
CUWCD	<u>266,515</u>	3%	<u>8,750</u>
Subtotal, overlapping debt	641,790		29,290
Saratoga Springs City direct debt	<u>25,623</u>		<u>25,623</u>
Total direct and overlapping debt	<u><u>\$ 667,413</u></u>		<u><u>\$ 54,914</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Saratoga Springs. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) Includes only long-term general obligation debt being repaid through general property taxes.

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed value by each overlapping unit's total taxable assessed value.

Central Utah Water Conservancy District's (CUWCD) outstanding general obligation bonds are limited ad valorem tax bonds. By law CUWCD may levy a tax rate of up to .000400 to pay for operation and maintenance expenses and any outstanding ad valorem tax bonds.

CUWCD is located in multiple counties. Overlapping debt is based solely on the portion of value within City boundaries.

The State's general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of general obligation bonds.

Source:

Utah State Auditor

Utah State Tax Commission

Schedule 16  
CITY OF SARATOGA SPRINGS  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Water Revenue and Special Improvement District Bonds						Sales Tax Revenue Bonds					
	Water Charges and Other	Impact Fees (1)	Less: Operating Expenses	Add: Depreciation	Net Available Revenue	Debt Service	Sales Tax Revenues	Debt Service	Principal	Interest	Coverage	
						Principal	Interest	Coverage				
2004	\$ 715,739	\$ 67,200	\$ 1,159,127	\$ 514,169	\$ 137,981	N/A	N/A	N/A	\$ 317,432	N/A	N/A	N/A
2005	874,131	1,060,870	1,612,545	562,154	884,610	N/A	N/A	N/A	359,176	N/A	N/A	N/A
2006	1,106,085	1,273,823	2,515,980	1,684,991	1,548,919	N/A	N/A	N/A	589,660	N/A	N/A	N/A
2007	1,369,176	5,612,811	2,539,485	1,575,343	6,017,845	69,000	160,246	26.3	868,029	N/A	N/A	N/A
2008	1,566,855	1,946,853	3,532,631	1,892,892	1,873,969	199,000	187,341	4.9	1,246,985	N/A	N/A	N/A
2009	1,491,377	688,466	3,150,276	2,120,859	1,150,426	206,000	180,512	3.0	1,495,027	N/A	N/A	N/A
2010	1,957,038	4,375,575	3,451,286	2,144,841	5,026,168	250,000	204,462	11.1	1,723,051	N/A	N/A	N/A
2011	2,246,895	794,380	3,781,645	2,138,400	1,398,030	333,539	441,463	1.8	1,881,168	N/A	N/A	N/A
2012	4,205,638	1,251,779	4,241,147	2,144,295	3,360,565	436,000	428,506	3.9	2,162,610	140,000	148,500	7.5
<b>2013</b>	<b>\$ 4,303,822</b>	<b>\$ 1,869,510</b>	<b>\$ 4,841,196</b>	<b>\$ 2,242,027</b>	<b>\$ 3,574,163</b>	<b>\$ 284,000</b>	<b>\$ 174,434</b>	<b>7.8</b>	<b>\$ 2,360,544</b>	<b>\$ 145,000</b>	<b>\$ 146,800</b>	<b>8.1</b>

Source: City Finance Department

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

Water charges and other includes investment earnings. Operating expenses do not include interest.

(1) A portion of the impact fees are paid to others as per contracts. The impact fees have been reduced by those payments.

Impact fees are specifically included as available for debt payment.

**Schedule 17**  
**CITY OF SARATOGA SPRINGS**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<b>Fiscal Year</b>	<b>Population (3)</b>	<b>Personal Income (5)</b>	<b>Per Capita Personal Income (1)(4)</b>	<b>Median Age (1)(3)</b>	<b>Unemployment Rate (1)(2)</b>
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	372,295,776	21,209	22.6	6.5
<b>2012</b>	<b>21,137</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>5.5</b>

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

<http://quickfacts.census.gov/qfd/states/49/4967825.html>

**Schedule 18**  
**CITY OF SARATOGA SPRINGS**  
**PRINCIPAL EMPLOYERS**  
**Current Year**

<b>Census:</b>		<b>Yearly Minimum Employees</b>	<b>Yearly Maximum Employees</b>	<b>% of Total City Employment (1)</b>
<u>Employer</u>	<u>Type of Business</u>			
Wal-Mart Stores Inc	Retail/Grocery	350	500	36%
Alpine School District	Education	250	350	26%
Smith's Food & Drug #107	Grocery	100	120	9%
City of Saratoga Springs	Government	90	120	9%
Vivint/ARM Security	Home Security	40	60	4%
Lakeview Academy	Education	40	60	4%
Little Caesars	Restaurant	20	40	3%
JP Morgan Chase Bank	Financial Institution	20	40	3%
Del Taco #1088	Restaurant	20	40	3%
Walgreens	Retail	20	40	3%
		<u>950</u>	<u>1,370</u>	<u>100%</u>

Note:

(1) based on the maximum number of employees within the range.

Data range will increase to ten years over time

**Schedule 19**  
**CITY OF SARATOGA SPRINGS**  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

		<b>Full-time Equivalent Employees as of December 31</b>									
		<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>	<u>2013</u>
<b>Function:</b>											
General government											
Administration		5.0	5.3	5.5	6.4	10.8	6.8	7.1	7.7	7.3	7.5
Attorney		0.0	0.0	0.0	1.0	0.0	0.5	0.5	0.5	1.5	1.5
Planning		2.0	3.0	3.0	5.6	4.8	3.0	1.0	2.0	2.0	3.0
Courts		0.0	0.0	0.0	0.0	0.0	1.0	1.0	2.0	2.4	2.4
Public Safety											
Police (1)		0.0	0.0	0.5	4.6	22.9	22.3	25.3	33.9	36.0	36.0
Fire		1.0	5.3	7.0	16.6	16.8	19.1	18.3	21.0	22.5	22.5
Building inspection		3.0	4.4	6.5	7.0	7.0	5.0	4.0	4.0	3.0	4.0
Public Works											
Public Works		0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	2.4	2.4
Engineering		1.0	2.0	3.0	5.0	8.1	4.5	7.4	7.0	6.7	7.7
Highways and streets		1.2	1.4	6.1	5.5	4.1	3.0	3.0	2.0	2.0	2.0
Water		1.7	2.3	1.3	2.8	6.6	5.7	4.7	5.7	5.0	5.0
Sewer		1.1	1.4	2.5	0.8	1.3	1.3	0.3	2.3	3.0	3.0
Parks and recreation		0.0	0.0	0.8	1.8	3.8	3.7	3.7	5.5	7.8	8.8
Total		16.0	25.1	36.2	57.1	87.2	76.9	77.3	94.6	101.6	105.8

Source: City Finance Department

Notes: The City of Saratoga Springs is a growing, developing municipality.

(1) The City contracted to provide police services to the City of Bluffdale starting with the 2010-2011 fiscal year.

**Schedule 20**  
**CITY OF SARATOGA SPRINGS**  
**OPERATION INDICATORS BY FUNCTION**  
**Current Year**

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	<b>2013</b>
<b>Fire Protection</b>	
Number of full-time employees	4
Number of part-time employees	45
Fire Calls for Service	306
Medical Calls for service	497
<b>Police Protection</b>	
Number of officers	24
Police calls for service	7,615
<b>Municipal Water Services</b>	
Number of connections	5,756
Gallons billed/day	159,467
<b>Municipal Sewer Services</b>	
Number of connections	5,756
<b>Municipal Refuse Services</b>	
Number of first cans	4,710
Number of second cans	1,466
Number of recycle cans	2,269
<b>Business Licenses</b>	
Number of licenses issued	418
<b>Building and Construction</b>	
Number of building permits issued	547
Number of Residential units - single family	321
Number of Residential units - mulit-family	127
<b>Parks and Recreation</b>	
Number of football participants	158
Number of basketball participants	814
Number of soccer participants	1,200
Number of tball participants	308

Source: City Departments

Notes: Years available will increase to ten years over time

**Schedule 21**  
**CITY OF SARATOGA SPRINGS**  
**CAPTIAL ASSETS BY FUNCTION**  
**Current Year**

---

	<b>2013</b>
<b>Streets</b>	
Number of lane miles	77
Number of street lights	1,446
<b>Fire Protection</b>	
Number of stations	2
Number of fire hydrants	1,168
Number of fire pumping vehicles	2
<b>Police Protection</b>	
Number of Stations	2
<b>Education</b>	
Number of high schools	1
Number of junior high Schools	2
Number of elementary schools	6
<b>Municipal Water Facilities</b>	
Miles of water mains	195
<b>Municipal Sewer Facilities</b>	
Miles of sewer mains	91
<b>Parks and Recreation</b>	
Number of Parks	21
Number of Community Centers	-
Park and open space acreage	211

Source: City Departments

Notes: Years available will increase to ten years over time

**Schedule 22**  
**CITY OF SARATOGA SPRINGS, UTAH**  
**Five-Year Financial Summaries**  
**Last Five Fiscal Years**

	<b>Fiscal Year Ended June 30</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>ASSETS</b>					
Cash and investments	\$ 14,983,850	\$ 9,074,510	\$ 14,789,577	\$ 17,181,142	\$ 23,064,986
Receivables, (net of allowance for uncollectibles)	3,222,442	6,758,872	3,762,661	3,541,742	1,461,995
Prepaid and inventories	309,239	164,663	114,842	100,010	80,183
Deferred charges	97,442	244,439	344,260	259,288	-
Restricted cash and investments	279,122	317,528	2,594,003	2,585,041	675,132
Due from other funds	-	-	-	-	296,275
Due from other governmental units	-	-	-	-	1,899,270
Capital assets not being depreciated:					
Land	15,558,581	15,558,581	16,896,158	18,365,122	18,402,042
Water rights	12,558,130	13,984,449	14,659,649	14,792,562	14,998,026
Construction in progress	-	-	1,683,819	5,354,590	1,353,103
Capital assets net of accumulated depreciation:					
Buildings and system	11,023,954	11,974,082	11,347,134	10,846,740	5,159,014
Improvements other than buildings	72,585,270	84,426,718	82,018,917	80,452,456	-
Machinery and equipment	1,789,842	1,468,471	1,359,136	1,166,402	1,571,059
Infrastructure	63,732,226	53,990,809	53,383,566	51,178,970	135,761,060
Total assets	<u>\$ 196,140,098</u>	<u>\$ 197,963,122</u>	<u>\$ 202,953,722</u>	<u>\$ 205,824,065</u>	<u>\$ 204,722,145</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,168,440	\$ 1,417,652	\$ 1,450,047	\$ 805,665	\$ 1,566,133
Accrued interest payable	117,814	236,523	150,469	107,250	243,617
Due to other funds	-	-	-	-	296,275
Deposits	312,055	341,363	224,573	527,446	486,007
Unearned revenue	5,413,094	1,852,685	1,847,769	-	-
Noncurrent liabilities:					
Due or payable within one year	6,828,044	1,980,251	2,088,429	2,360,927	1,786,123
Due or payable after one year	23,543,865	26,829,628	28,723,367	25,954,172	24,298,389
Total liabilities	<u>37,383,312</u>	<u>32,658,102</u>	<u>34,484,654</u>	<u>29,755,460</u>	<u>28,676,544</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	143,429,924	153,179,061	153,035,206	156,423,314	151,648,119
Restricted for debt service	-	-	731,363	310,945	-
Restricted for capital improvements	10,736,132	7,575,107	9,636,042	12,659,025	-
Restricted for roads	-	-	-	-	600,591
Unrestricted	4,590,730	4,550,852	5,066,457	6,675,321	23,796,891
Total net assets	<u>158,756,786</u>	<u>165,305,020</u>	<u>168,469,068</u>	<u>176,068,605</u>	<u>176,045,601</u>
Total Liabilities and net assets	<u>\$ 196,140,098</u>	<u>\$ 197,963,122</u>	<u>\$ 202,953,722</u>	<u>\$ 205,824,065</u>	<u>\$ 204,722,145</u>

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

**Independent Auditor's 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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Saratoga Springs' basic financial statements and have issued our report thereon dated November 4, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Saratoga Springs' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Saratoga Springs' internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 and correct, 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. We consider the deficiencies described in the accompanying schedule of findings and questions costs to be material weaknesses. 2013-1.

A significant deficiency is a deficiency, or a 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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies 2013-1.

**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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 **Company, P.C.**

**Roy, Utah  
November 4, 2013**

**CITY OF SARATOGA SPRINGS**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2013**

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**2013-1 – Material Adjustments**

**Condition:** During the audit process it was noted that numerous account balances did not agree with the supporting documentation or were not adjusted during the year to account for transactional activity in the accounts. These differences resulted in material adjusting entries being made to the financial statements.

**Criteria:** The financial statements should be supported by and reconciled to supporting documentation for each of the balance sheet accounts. Prior year accruals for receivables and payable should be adjusted as items are received or paid to ensure the proper amount of revenues and expenses are recorded in the current financial statements.

**Cause:** Due to changes to accounting personnel and the limited amount of training provided to the new personnel, various manual and automated systems and processes were not fully understood by the current accounting personnel.

**Effect:** The interim and year-end financial statements were in need of adjustments to be in accordance with generally accepted accounting standards and properly reflect revenues and expenses of the current year. This also caused material audit adjustments to be made for the statements to be in conformity with accounting standards.

**Recommendation:** We would recommend that all balance sheet accounts be reviewed monthly and reconciled to supporting documentation. The following are specific areas where attention should be given.

**Bank Reconciliations** - All bank accounts should be reconciled on a monthly basis. This would include any reserve accounts or pass-through accounts.

**Accounts Receivable and Accounts Payable** – Prior year accruals for receivables and payables should be reversed as the receivables are collected and the payables are paid. Any adjustments to these accounts during the year should likewise be reviewed from month to month to ensure the accuracy of the remaining receivables and payables. Attention should also be given to delinquent utility accounts to ensure proper collection efforts are taken as needed.

**Fixed Assets** - Current year additions and deletions should be entered into the fixed asset software on a monthly basis. The asset tracking software can then be used to support the amounts recorded on the financial statements to ensure accuracy of the statements and properly record depreciation expenses during the year.

**Long-Term Debt** - Debt balances should be reconciled to amortization schedules to ensure that principle payments have accurately reduced the debt balances and are not shown as an expense.

**Expense Classifications** - Expenses should be reviewed for accuracy and reasonableness. Classifications between operations and other financing sources and uses should be reviewed as well.

***Views of Responsible Officials and Planned Corrective Action:***

The City has accepted the above recommendation. The City will adhere to the above noted items in the recommendation.

**CITY OF SARATOGA SPRINGS**  
**Schedule of Prior Year Findings and Questioned Costs**  
**June 30, 2013**

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**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.

***Auditor's Recommendation:*** We recommend that the City Treasurer be either assigned to the cashiering 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 cashiering function. Either of these alternatives would restore the separation of duties and allow for the proper oversight of the cashiering function by the accounting department.

***Current Status:*** Resolved.

**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.

***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.

***Current Status:*** Resolved.

**Independent Auditor’s Report of Compliance and on  
Internal Controls over Compliance in Accordance  
with the State of Utah Legal Compliance Report**

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

**REPORT ON COMPLIANCE**

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, 2013. The general compliance requirements applicable to the City are identified as follows:

- |                      |  |
|----------------------|--|
| Cash Management      | URS Compliance                           |
| Budgetary Compliance | Transfers from Utility Enterprise Funds  |
| Fund Balance         | Government Records Access Management Act |
| Justice Courts       | Conflicts of Interest                    |
| Impact Fees          |  |

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

B&C Road Funds (Department of Transportation)

**Management’s Responsibility**

Compliance with the requirements referred to above is the responsibility of the City’s management.

**Auditor’s Responsibility**

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 and the *State of Utah Legal Compliance Audit Guide* 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 City’s major programs occurred. 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.

**Opinion**

In our opinion, the City of Saratoga Springs 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, 2013.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State of Utah Legal Compliance Guide and are described in the accompany schedule of findings and recommendation as item 2013-2.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance 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 and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

We did note a matter involving internal control over compliance which we are submitting for your consideration. This matter is described in the accompanying letter to management.

### **Purpose of Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 *Company, P.C.*

**Roy, Utah**  
**November 4, 2013**

**CITY OF SARATOGA SPRINGS**  
**State Schedule of Findings and Questioned Costs**  
**June 30, 2013**

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**JUSTICE COURTS**

**Finding:** During justice court compliance testing it was noted that one dismissed case did not contain the required written authorization by the judge.

Utah Code requires dismissed offenses to have documented proof attached to the citation, stored in the case file or electronic system, or filed with the daily accounting records. All other dismissed offenses not specified in the Uniform Fine/Bail Forfeiture Schedule and CJA Rule 4-704 must be dismissed by written judicial order.

**Recommendation:** For independent verification purposes, we would recommend the judge provide signature (written) authorization approving dismissed offenses.

**Questioned Costs:** \$ -0-

**Response:**

The judge will provide written authorization approving dismissed offenses in the future.