

CITY OF SARATOGA SPRINGS, UTAH

FINANCIAL STATEMENTS

Year Ended June 30, 2008

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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 remaining fund information of the City of Saratoga Springs, Utah as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 remaining fund information of the City of Saratoga Springs, Utah as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the *general fund* for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis which follows this report is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of impact fees is presented for purposes of additional analysis and is not a required part of the financial statements. This schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Agui & Company, PC

December 15, 2008

Management's Discussion and Analysis

This section of the annual financial report of the City of Saratoga Springs, Utah (the City) presents management's discussion and analysis of the City's financial performance for the year ended June 30, 2008.

Financial Highlights

- The City's assets exceeded liabilities by \$156.6 million at the close of the most recent year. Net assets consist of \$141.1 million in capital assets net of related debt, \$13.6 million in restricted net assets, and \$1.9 million in unrestricted net assets. Unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$14.3 million. Most of this increase is attributable to donated capital assets from developers and collected impact fees restricted for capital improvements (storm drains, parks, roads, public safety, culinary water system, secondary water irrigation system, and sewer system).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10.8 million, an increase of \$1.5 million in comparison with the prior year. Most of this fund balance amount is reserved for capital improvements.
- The City's outstanding debt increased by \$3.2 million during the current fiscal year. New debt (water revenue bonds, interim warrant certificate, and obligations under capital leases) was issued to finance improvements to the culinary water system and to acquire equipment throughout the City.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, parks and recreation, and economic development. The business-type activities of the City include the water, sewer, and garbage utilities.

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

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

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

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund* and the *capital projects fund*, both of which are considered to be major funds. Data from the other governmental fund is also provided.

The City adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 13 through 17 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its three utilities. Separate information is provided for the *water utility fund* and the *sewer utility fund*, both of which are considered to be major funds of the City. Data from the other utility is also provided.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 36 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also contains supplementary information to satisfy state reporting requirements. This information is located after the notes to the basic financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$156.6 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (90.1%) reflects its investment in capital assets (e.g., land, water rights, buildings, equipment, infrastructure, water capacities, culinary water system, and secondary water irrigation system) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net assets at June 30, 2008 and 2007 (amounts expressed in millions):

**CITY OF SARATOGA SPRINGS' Net Assets
June 30, 2008 and 2007**

	Governmental Activities		Business-type Activities		Total		Change 2008-2007
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 13.6	\$ 13.6	\$ 4.6	\$ 4.1	\$ 18.2	\$ 17.7	\$ 0.5
Capital assets	81.6	73.5	94.7	86.3	176.3	159.8	16.5
Total assets	95.2	87.1	99.3	90.4	194.5	177.5	17.0
Other liabilities	2.6	4.2	4.1	3.0	6.7	7.2	(0.5)
Long-term liabilities outstanding	2.6	2.3	28.6	25.7	31.2	28.0	3.2
Total liabilities	5.2	6.5	32.7	28.7	37.9	35.2	2.7
Net assets:							
Invested in capital assets, net of related debt	79.0	71.2	62.1	57.0	141.1	128.2	12.9
Restricted	10.6	8.4	3.0	4.6	13.6	13.0	0.6
Unrestricted	0.4	1.0	1.5	0.1	1.9	1.1	0.8
Total net assets	<u>\$ 90.0</u>	<u>\$ 80.6</u>	<u>\$ 66.6</u>	<u>\$ 61.7</u>	<u>\$ 156.6</u>	<u>\$ 142.3</u>	<u>\$ 14.3</u>

An additional portion of the City's net assets (8.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (1.2% or \$1.9 million) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

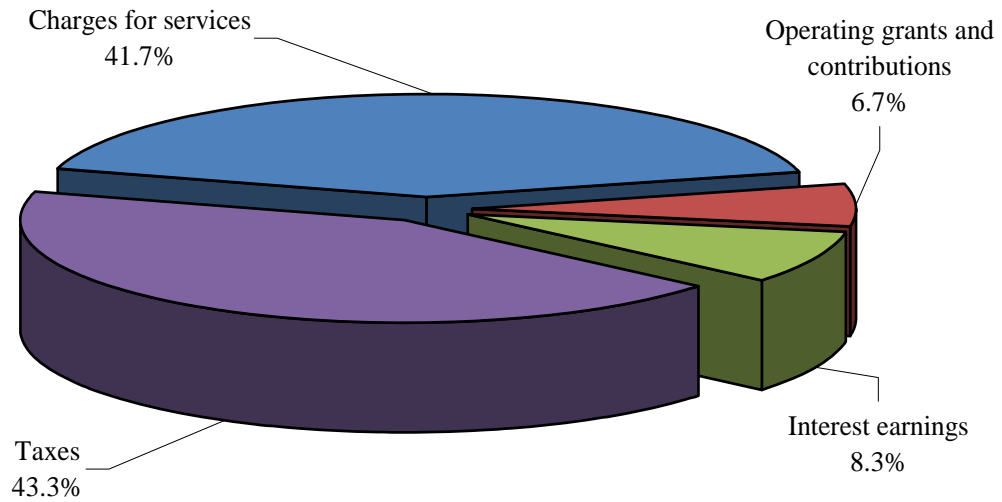
The following table summarizes the City's changes in net assets for the years ended June 30, 2008 and 2007 (amounts expressed in millions):

**CITY OF SARATOGA SPRINGS' Changes in Net Assets
Years Ended June 30, 2008 and 2007**

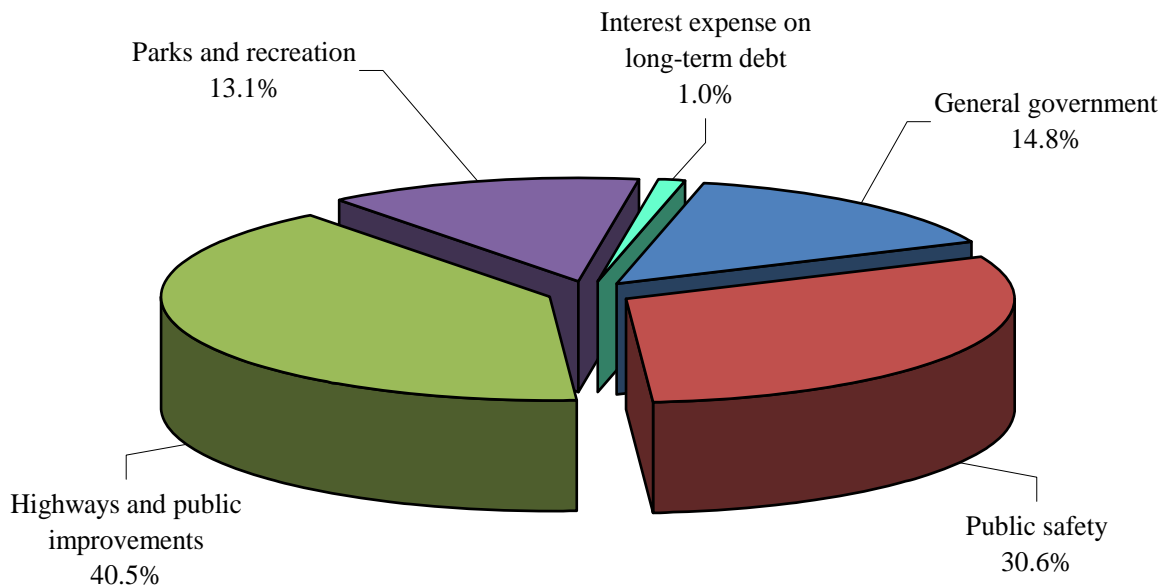
	Governmental		Business-type		Total		Change 2008-2007
	Activities		Activities		2008	2007	
	2008	2007	2008	2007			
Revenues:							
Program revenues:							
Charges for services	\$ 2.5	\$ 3.1	\$ 2.8	\$ 2.5	\$ 5.3	\$ 5.6	\$ (0.3)
Operating grants and contributions	0.4	0.3	-	-	0.4	0.3	0.1
Capital grants and contributions	13.6	26.0	8.3	16.2	21.9	42.2	(20.3)
General revenues:							
Property taxes	0.8	0.7	-	-	0.8	0.7	0.1
Sales and use taxes	1.2	0.9	-	-	1.2	0.9	0.3
Franchise fees	0.1	0.1	-	-	0.1	0.1	-
Energy taxes	0.5	0.3	-	-	0.5	0.3	0.2
Interest earnings	0.5	0.6	0.3	0.3	0.8	0.9	(0.1)
Total revenues	19.6	32.0	11.4	19.0	31.0	51.0	(20.0)
Expenses:							
Governmental activities:							
General government	1.6	1.6	-	-	1.6	1.6	-
Public safety	3.3	3.4	-	-	3.3	3.4	(0.1)
Highways and streets	4.4	3.0	-	-	4.4	3.0	1.4
Parks and recreation	1.4	0.8	-	-	1.4	0.8	0.6
Economic development	-	-	-	-	-	-	-
Interest on long-term debt	0.1	0.1	-	-	0.1	0.1	-
Business-type activities:							
Water utility	-	-	3.7	2.6	3.7	2.6	1.1
Sewer utility	-	-	1.6	1.2	1.6	1.2	0.4
Garbage utility	-	-	0.6	0.4	0.6	0.4	0.2
Total expenses	10.8	8.9	5.9	4.2	16.7	13.1	3.6
Changes in net assets before transfers	8.8	23.1	5.5	14.8	14.3	37.9	(23.6)
Transfers	0.6	-	(0.6)	-	-	-	-
Changes in net assets	9.4	23.1	4.9	14.8	14.3	37.9	(23.6)
Net assets, beginning	80.6	57.5	61.7	46.9	142.3	104.4	37.9
Net assets, ending	\$ 90.0	\$ 80.6	\$ 66.6	\$ 61.7	\$ 156.6	\$ 142.3	\$ 14.3

The City's net assets increased by \$14.3 million during the current fiscal year. Most of this increase is attributable to donated capital assets from developers and collected impact fees restricted for capital improvements (storm drains, parks, roads, public safety, culinary water system, secondary water irrigation system, and sewer system).

**CITY OF SARATOGA SPRINGS
Revenues by Source - Governmental Activities
(Excluding capital grants and contributions)
Year Ended June 30, 2008**



**CITY OF SARATOGA SPRINGS
Expenses by Function - Governmental Activities
Year Ended June 30, 2008**



Governmental activities. Net assets for governmental activities increased by \$9.4 million. Most of this increase is attributable to donated capital assets from developers and collected impact fees restricted for capital improvements. Other changes are reflective of the growth in the City's population.

Business-type activities. Net assets for business-type activities increased by \$4.9 million. Most of this increase is attributable to donated capital assets from developers and collected impact fees restricted for capital improvements. Other changes are reflective of the growth in the City's population. Utility rates remained unchanged from the prior year.

Financial Analysis of the City's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10.8 million, an increase of \$1.5 million in comparison with the prior year. Most of this fund balance amount is restricted for capital improvements. The fund balance in the *general fund* was \$0.2 million at the end of the current fiscal year, or \$0.7 million less than the amount reported at the end of the prior fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The factors concerning the finances of the two major utility funds have already been addressed in the discussion in the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the budget was amended to reflect an anticipated reduction of expenditures of \$0.6 million; all functions were reduced to reflect a decline in overall growth of the City.

Actual revenues exceeded budgeted amounts by \$148,619; tax revenues collected were more than anticipated. Actual expenditures were less than budgeted amounts by \$206,049; expansion activities in public safety were not fully implemented by year end.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$176.3 million (net of accumulated depreciation). This investment in capital assets includes land, water rights, construction in progress, buildings, equipment, infrastructure, water capacities, water systems, and the sewer system. The total increase in the City's investment in capital assets for the current year was 10.3% (an 11.0% increase for governmental activities and a 9.7% increase for business-type activities).

CITY OF SARATOGA SPRINGS' Capital Assets
June 30, 2008 and 2007
(net of accumulated depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 15.6	\$ 14.8	\$ -	\$ -	\$ 15.6	\$ 14.8
Water rights	-	-	12.6	10.9	12.6	10.9
Construction in progress	-	-	-	10.3	-	10.3
Buildings	2.5	2.6	-	-	2.5	2.6
Equipment	1.8	1.6	0.2	0.2	2.0	1.8
Infrastructure	61.7	54.5	-	-	61.7	54.5
Water capacities	-	-	9.1	9.7	9.1	9.7
Culinary water system	-	-	51.2	36.8	51.2	36.8
Secondary water irrigation system	-	-	4.9	2.9	4.9	2.9
Sewer system	-	-	16.7	15.5	16.7	15.5
Total	\$ 81.6	\$ 73.5	\$ 94.7	\$ 86.3	\$ 176.3	\$ 159.8

During 2008, the City completed water system projects totaling \$13.1 million (of which \$10.3 million was in progress at June 30, 2007); improvements included wells, tanks and ponds, pumps and stations, and water lines. The projects were financed primarily with impact fees, the proceeds of water revenue bonds, and an interim warrant certificate.

Donated capital assets from developers totaled \$16.4 million during the year ended June 30, 2008.

Governmental activities:	
Curb and gutters and sidewalks	\$ 2.0
Storm drains	2.8
Street lighting	0.4
Street improvements	3.7
Street land	-
Park improvements	1.5
Park land	0.8
	11.2
Business-type activities:	
Culinary water system	2.0
Secondary irrigation water system	1.5
Sewer system	1.7
	5.2
Total	\$ 16.4

Additional information on the City's capital assets can be found in Note 4 in the notes to basic financial statements.

Long-term debt. At the end of the current year, the City had total debt outstanding of \$31.2 million, consisting of an interim warrant certificate, water revenue bonds, culinary water system settlement, and obligations under capital leases. During 2008, the City increased its interim warrant certificate by \$3.4 million and issued water revenue bonds of \$530,000.

CITY OF SARATOGA SPRINGS' Outstanding Debt

June 30, 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Interim warrant certificate	\$ -	\$ -	\$ 6.1	\$ 2.7	\$ 6.1	\$ 2.7
Water revenue bonds	-	-	5.1	4.7	5.1	4.7
Culinary water system settlement	-	-	17.3	18.2	17.3	18.2
Obligations under capital leases	2.6	2.3	0.1	0.1	2.7	2.4
Total	<u>\$ 2.6</u>	<u>\$ 2.3</u>	<u>\$ 28.6</u>	<u>\$ 25.7</u>	<u>\$ 31.2</u>	<u>\$ 28.0</u>

Additional information on the City's long-term obligations can be found in Note 6 to the basic financial statements.

Changes for Next Year

The City increased its property tax rate from .000933 for the year ended June 30, 2008 to a rate of .002019 for the year ended June 30, 2009. Tax collections in 2008 were \$0.7 million; the City anticipates collecting \$1.7 million in property taxes in 2009. Property taxes (as well as other taxes and fees) furnish revenues to finance the general services provided by the City.

The City has obtained approval to issue \$2.4 million of revenue bonds which will be used to finance improvements to the water utility system of the City.

The city extended its interim warrant certificate to May 2009 at which time long-term financing will be sought.

Request for Information

This financial report is designed to provide a general overview of the City of Saratoga Springs' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Saratoga Springs, 1307 North Commerce Drive, Suite 200, Saratoga Springs, Utah 84043.

CITY OF SARATOGA SPRINGS

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 11,267,876	\$ 3,995,572	\$ 15,263,448
Restricted investments	-	174,050	174,050
Receivables	2,243,930	363,530	2,607,460
Prepaid expenses	58,322	-	58,322
Bond issuance costs, net of accumulated amortization of \$14,092	-	103,313	103,313
Capital assets:			
Land and construction in progress	15,558,581	12,558,130	28,116,711
Other capital assets, net of accumulated depreciation	<u>66,051,624</u>	<u>82,094,724</u>	<u>148,146,348</u>
Total assets	95,180,333	99,289,319	194,469,652
Liabilities:			
Accounts payable and accrued expenses	786,933	121,123	908,056
Accrued interest	4,971	102,124	107,095
Deposits	139,606	163,813	303,419
Deferred revenue	1,698,370	3,667,249	5,365,619
Noncurrent liabilities:			
Due within one year	524,428	6,388,611	6,913,039
Due in more than one year	<u>2,069,853</u>	<u>22,236,884</u>	<u>24,306,737</u>
Total liabilities	5,224,161	32,679,804	37,903,965
Net assets:			
Invested in capital assets, net of related debt	79,015,924	62,062,064	141,077,988
Restricted for capital improvements	10,597,938	3,020,674	13,618,612
Unrestricted	<u>342,310</u>	<u>1,526,777</u>	<u>1,869,087</u>
Total net assets	<u>\$ 89,956,172</u>	<u>\$ 66,609,515</u>	<u>\$ 156,565,687</u>

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

CITY OF SARATOGA SPRINGS
Statement of Activities
Year Ended June 30, 2008

Activities / Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,611,513	\$ 1,340,052	\$ -	\$ -	\$ (271,461)		\$ (271,461)
Public safety	3,318,850	295,758	16,851	363,806	(2,642,435)		(2,642,435)
Highways and public improvements	4,401,040	-	383,259	10,274,815	6,257,034		6,257,034
Parks and recreation	1,421,153	874,933	-	2,947,744	2,401,524		2,401,524
Economic development	1,425	-	-	-	(1,425)		(1,425)
Interest expense on long-term debt	109,232	-	-	-	(109,232)		(109,232)
Total governmental activities	10,863,213	2,510,743	400,110	13,586,365	5,634,005		5,634,005
Business-type activities:							
Water utility	3,726,377	1,366,764	-	6,332,657	-	\$ 3,973,044	3,973,044
Sewer utility	1,551,185	890,102	-	1,985,438	-	1,324,355	1,324,355
Garbage utility	579,672	585,684	-	-	-	6,012	6,012
Total business-type activities	5,857,234	2,842,550	-	8,318,095	-	5,303,411	5,303,411
Total City	\$ 16,720,447	\$ 5,353,293	\$ 400,110	\$ 21,904,460	5,634,005	5,303,411	10,937,416
General revenue:							
Property taxes					785,703	-	785,703
Sales and use taxes					1,246,985	-	1,246,985
Franchise fees					141,716	-	141,716
Energy taxes					450,148	-	450,148
Interest earnings					508,018	215,517	723,535
Total general revenue					3,132,570	215,517	3,348,087
Transfers					579,705	(579,705)	-
Changes in net assets					9,346,280	4,939,223	14,285,503
Net assets, beginning					80,609,892	61,670,292	142,280,184
Net assets, ending					\$ 89,956,172	\$ 66,609,515	\$ 156,565,687

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

CITY OF SARATOGA SPRINGS
Balance Sheet
Governmental Funds
June 30, 2008

	<u>Major Funds</u>			Total Governmental Funds
	<u>General</u>	<u>Capital Projects</u>	<u>Street Lighting</u>	
Assets:				
Cash and investments	\$ 687,195	\$ 10,539,797	\$ 40,884	\$ 11,267,876
Receivables	2,225,912	-	18,018	2,243,930
Prepaid expenditures	58,322	-	-	58,322
Total assets	<u>\$ 2,971,429</u>	<u>\$ 10,539,797</u>	<u>\$ 58,902</u>	<u>\$ 13,570,128</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable and accrued expenditures	\$ 786,172	\$ -	\$ 761	\$ 786,933
Deferred revenue	1,809,724	-	-	1,809,724
Deposits	139,606	-	-	139,606
Total liabilities	2,735,502	-	761	2,736,263
Fund balances:				
Reserved for:				
Class C roads and liquor tax	35,413	-	-	35,413
Capital improvements	-	775,000	-	775,000
Unreserved:				
Designated for:				
Compensated absences	138,579	-	-	138,579
Undesignated, reported in:				
General fund	61,935	-	-	61,935
Capital projects fund	-	9,764,797	-	9,764,797
Special revenue fund	-	-	58,141	58,141
Total fund balances	<u>235,927</u>	<u>10,539,797</u>	<u>58,141</u>	<u>10,833,865</u>
Total liabilities and fund balances	<u>\$ 2,971,429</u>	<u>\$ 10,539,797</u>	<u>\$ 58,902</u>	<u>\$ 13,570,128</u>

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

CITY OF SARATOGA SPRINGS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balances for governmental funds		\$ 10,833,865
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 15,558,581	
Buildings, net of \$219,361 accumulated depreciation	2,501,955	
Equipment, net of \$770,590 accumulated depreciation	1,811,999	
Infrastructure, net of \$9,948,055 accumulated depreciation	<u>61,737,670</u>	81,610,205
Some of the City's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		
		111,354
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. Accrued interest for obligations under capital leases is:		
		(4,971)
Long-term liabilities that pertain to governmental funds, including obligations under capital leases, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.		
Obligations under capital leases	(2,455,702)	
Compensated absences	<u>(138,579)</u>	<u>(2,594,281)</u>
Total net assets - governmental activities		<u><u>\$ 89,956,172</u></u>

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

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	Major Funds			Total Governmental Funds
	General	Capital Projects	Street Lighting	
Revenues:				
Taxes	\$ 2,553,945	\$ -	\$ -	\$ 2,553,945
Licenses and permits	516,266	-	-	516,266
Intergovernmental	409,345	-	-	409,345
Fees	1,179,219	2,258,222	121,722	3,559,163
Developer contributions	-	778,060	-	778,060
Interest earnings	103,273	404,745	-	508,018
Other	40,719	-	-	40,719
Total revenues	<u>4,802,767</u>	<u>3,441,027</u>	<u>121,722</u>	<u>8,365,516</u>
Expenditures:				
Current:				
General government	1,614,753	-	-	1,614,753
Public safety	3,145,848	23,904	-	3,169,752
Highways and public improvements	1,886,802	281,314	112,152	2,280,268
Parks and recreation	498,647	79,937	-	578,584
Economic development	920	-	-	920
Debt service:				
Capital lease payments	404,811	-	-	404,811
Total expenditures	<u>7,551,781</u>	<u>385,155</u>	<u>112,152</u>	<u>8,049,088</u>
Excess (deficiency) of revenues over (under) expenditures	(2,749,014)	3,055,872	9,570	316,428
Other financing sources (uses):				
Proceeds from obligations under capital leases	534,135	-	-	534,135
Sale of capital assets	26,182	-	-	26,182
Transfers	1,493,351	(913,646)	-	579,705
Total other financing sources (uses)	<u>2,053,668</u>	<u>(913,646)</u>	<u>-</u>	<u>1,140,022</u>
Net change in fund balances	(695,346)	2,142,226	9,570	1,456,450
Fund balances - beginning	<u>931,273</u>	<u>8,397,571</u>	<u>48,571</u>	<u>9,377,415</u>
Fund balances - ending	<u>\$ 235,927</u>	<u>\$ 10,539,797</u>	<u>\$ 58,141</u>	<u>\$ 10,833,865</u>

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

CITY OF SARATOGA SPRINGS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2008

Net change in fund balances-total governmental funds \$ 1,456,450

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, capital assets with an initial, individual cost of more than \$5,000 are capitalized and depreciated over their useful lives. Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

Capital outlays	\$ 591,223	
Proceeds from sales of capital assets	(26,182)	
Loss on sale of capital assets	(634)	
Donations of capital assets (infrastructure) from developers	11,193,665	
Depreciation expense	<u>(3,637,807)</u>	8,120,265

Some capital asset additions are financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of obligations under capital leases are expenditures in the governmental funds.

Proceeds from obligations under capital leases	(534,135)	
Interest expense - obligations under capital leases	(775)	
Principal payments of obligations under capital leases	<u>296,354</u>	(238,556)

Delinquent property taxes are not available and, therefore, are reported as deferred revenue in the governmental funds. Property taxes are recorded as revenues in the statement of activities when they are levied. Delinquent (uncollected) property taxes increased during the year. 70,607

In the statement of activities, certain operating expenses - compensated absences for unpaid vacation and compensatory time - are recorded as the amounts are earned during the year. In the governmental funds, these obligations are recorded when they mature (basically when they are paid). The compensated absence obligation increased during the year. (62,486)

Change in net assets of governmental activities \$ 9,346,280

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

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,324,000	\$ 2,457,607	\$ 2,553,945	\$ 96,338
Licenses and permits	877,600	519,551	516,266	(3,285)
Intergovernmental	414,000	364,906	409,345	44,439
Fees	2,405,500	1,169,067	1,179,219	10,152
Interest	191,000	102,472	103,273	801
Other	-	40,545	40,719	174
Total revenues	<u>6,212,100</u>	<u>4,654,148</u>	<u>4,802,767</u>	<u>148,619</u>
Expenditures:				
Current:				
General government	1,756,253	1,660,837	1,614,753	46,084
Public safety	3,522,016	3,238,270	3,145,848	92,422
Highways and public improvements	2,149,514	1,944,536	1,886,802	57,734
Parks and recreation	578,870	540,353	498,647	41,706
Economic development	3,000	1,000	920	80
Debt service:				
Capital lease payments	392,044	372,834	404,811	(31,977)
Total expenditures	<u>8,401,697</u>	<u>7,757,830</u>	<u>7,551,781</u>	<u>206,049</u>
Excess of expenditures over revenues	(2,189,597)	(3,103,682)	(2,749,014)	354,668
Other financing sources (uses):				
Proceeds from obligations under capital leases	593,131	533,781	534,135	354
Sale of capital assets	-	-	26,182	26,182
Transfers	942,097	1,639,207	1,493,351	(145,856)
Total other financing sources (uses)	<u>1,535,228</u>	<u>2,172,988</u>	<u>2,053,668</u>	<u>(119,320)</u>
Net change in fund balances	(654,369)	(930,694)	(695,346)	235,348
Fund balances - beginning	<u>654,369</u>	<u>931,273</u>	<u>931,273</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 579</u>	<u>\$ 235,927</u>	<u>\$ 235,348</u>

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

CITY OF SARATOGA SPRINGS
Statement of Fund Net Assets
Proprietary Funds (Enterprise Funds)
June 30, 2008

	Major Funds			Totals
	Water Utility	Sewer Utility	Garbage Utility	
Assets:				
Current assets:				
Cash and investments	\$ 3,647,886	\$ 347,686	\$ -	\$ 3,995,572
Receivables	164,032	114,981	84,517	363,530
Due from other funds	56,771	-	-	56,771
Total current assets	3,868,689	462,667	84,517	4,415,873
Noncurrent assets:				
Restricted cash and investments	174,050	-	-	174,050
Bond issuance costs, net	103,313	-	-	103,313
Capital assets:				
Water rights	12,558,130	-	-	12,558,130
Water capacities	10,950,988	-	-	10,950,988
Culinary water system	55,327,227	-	-	55,327,227
Secondary irrigation water system	5,117,846	-	-	5,117,846
Sewer system	-	18,844,496	-	18,844,496
Equipment	347,032	178,012	-	525,044
Accumulated depreciation	(6,424,202)	(2,246,675)	-	(8,670,877)
Net capital assets	77,877,021	16,775,833	-	94,652,854
Total noncurrent assets	78,154,384	16,775,833	-	94,930,217
Total assets	82,023,073	17,238,500	84,517	99,346,090
Liabilities:				
Current liabilities:				
Interim warrant certificate	6,122,986	-	-	6,122,986
Current portion of:				
Water revenue bonds	206,000	-	-	206,000
Culinary water system settlement	-	-	-	-
Obligations under capital leases	31,249	8,355	-	39,604
Accounts payable and accrued expenses	115,027	5,491	605	121,123
Compensated absences	12,231	7,790	-	20,021
Interest payable	102,124	-	-	102,124
Deposits	148,213	15,600	-	163,813
Deferred revenue	3,667,249	-	-	3,667,249
Due to other funds	-	-	56,771	56,771
Total current liabilities	10,405,079	37,236	57,376	10,499,691
Noncurrent liabilities:				
Water revenue bonds	4,842,595	-	-	4,842,595
Culinary water system settlement	17,306,750	-	-	17,306,750
Obligations under capital leases	71,021	16,518	-	87,539
Total long-term obligations	22,220,366	16,518	-	22,236,884
Total liabilities	32,625,445	53,754	57,376	32,736,575
Net assets:				
Invested in capital assets, net of related debt	45,311,104	16,750,960	-	62,062,064
Restricted for improvements	2,689,992	330,682	-	3,020,674
Unrestricted	1,396,532	103,104	27,141	1,526,777
Total net assets	\$ 49,397,628	\$ 17,184,746	\$ 27,141	\$ 66,609,515

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

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds (Enterprise Funds)
Year Ended June 30, 2008

	Major Funds			Totals
	Water Utility	Sewer Utility	Garbage Utility	
Operating revenues:				
Charges for services	\$ 1,240,830	\$ 759,902	\$ 585,684	\$ 2,586,416
Installation service fees	87,463	130,200	-	217,663
Other	38,471	-	-	38,471
Total operating revenues	<u>1,366,764</u>	<u>890,102</u>	<u>585,684</u>	<u>2,842,550</u>
Operating expenses:				
Personnel	590,345	207,197	19,744	817,286
Supplies and maintenance	523,321	53,358	33,282	609,961
Professional services	99,660	(2,067)	-	97,593
Administrative	42,598	1,054	1,026	44,678
Power and pumping	298,801	42,899	-	341,700
Treatment and sanitation	-	622,501	525,620	1,148,121
Depreciation	1,892,892	622,474	-	2,515,366
Other	85,014	3,769	-	88,783
Total operating expenses	<u>3,532,631</u>	<u>1,551,185</u>	<u>579,672</u>	<u>5,663,488</u>
Operating income (loss)	(2,165,867)	(661,083)	6,012	(2,820,938)
Nonoperating revenues (expenses):				
Interest revenue	200,091	15,426	-	215,517
Impact fees	2,804,853	503,780	-	3,308,633
Developer reimbursements	-	(204,798)	-	(204,798)
Interest expense and fiscal charges	(183,765)	-	-	(183,765)
Amortization of bond issuance costs	(9,981)	-	-	(9,981)
Total nonoperating revenues	<u>2,811,198</u>	<u>314,408</u>	<u>-</u>	<u>3,125,606</u>
Net income before transfers	645,331	(346,675)	6,012	304,668
Transfers	<u>(579,705)</u>	<u>-</u>	<u>-</u>	<u>(579,705)</u>
Net income before contributions	65,626	(346,675)	6,012	(275,037)
Developer contributions	<u>3,527,804</u>	<u>1,686,456</u>	<u>-</u>	<u>5,214,260</u>
Changes in net assets	3,593,430	1,339,781	6,012	4,939,223
Total net assets - beginning	<u>45,804,198</u>	<u>15,844,965</u>	<u>21,129</u>	<u>61,670,292</u>
Total net assets - ending	<u>\$ 49,397,628</u>	<u>\$ 17,184,746</u>	<u>\$ 27,141</u>	<u>\$ 66,609,515</u>

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

CITY OF SARATOGA SPRINGS
Statement of Fund Cash Flows
Proprietary Funds (Enterprise Funds)
Year Ended June 30, 2008

	<u>Major Funds</u>			<u>Totals</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	
Cash flows from operating activities:				
Receipts from customers	\$ 2,584,463	\$ 511,373	\$ 573,004	\$ 3,668,840
Payments to suppliers	(941,507)	(719,667)	(559,758)	(2,220,932)
Payments to / from other funds	(6,498)	-	6,498	-
Payments to employees	(584,637)	(205,117)	(19,744)	(809,498)
Net cash provided (used) by operating activities	1,051,821	(413,411)	-	638,410
Cash flows from noncapital financing activities:				
Transfers	(579,705)	-	-	(579,705)
Cash flows from capital and related financing activities:				
Proceeds from capital debt	3,977,452	-	-	3,977,452
Purchase of capital assets	(5,428,237)	(139,687)	-	(5,567,924)
Receipt of impact fees	2,804,853	503,780	-	3,308,633
Payments to developers	-	(204,798)	-	(204,798)
Principal paid on capital debt	(1,077,816)	(7,725)	-	(1,085,541)
Interest paid on capital debt	(203,804)	-	-	(203,804)
Net cash provided by capital and related financing activities	72,448	151,570	-	224,018
Cash flows from investing activities:				
Interest received	200,091	15,426	-	215,517
Net change in cash and cash equivalents	744,655	(246,415)	-	498,240
Cash and cash equivalents - beginning	<u>3,077,281</u>	<u>594,101</u>	<u>-</u>	<u>3,671,382</u>
Cash and cash equivalents - ending	<u>\$ 3,821,936</u>	<u>\$ 347,686</u>	<u>\$ -</u>	<u>\$ 4,169,622</u>
Displayed on the statement of fund net assets as:				
Cash and investments	\$ 3,647,886	\$ 347,686	\$ -	\$ 3,995,572
Restricted cash and investments	174,050	-	-	174,050
Total cash and investments	<u>\$ 3,821,936</u>	<u>\$ 347,686</u>	<u>\$ -</u>	<u>\$ 4,169,622</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (2,165,867)	\$ (661,083)	\$ 6,012	\$ (2,820,938)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,892,892	622,474	-	2,515,366
Changes in operating assets and liabilities:				
Receivables	(19,533)	(20,012)	(12,680)	(52,225)
Due to / from other funds	(6,498)	-	6,498	-
Accounts payable and accrued expenses	107,887	1,847	170	109,904
Compensated absences	5,708	2,080	-	7,788
Deferred revenue	1,178,687	-	-	1,178,687
Deposits	58,545	(358,717)	-	(300,172)
Total adjustments	<u>3,217,688</u>	<u>247,672</u>	<u>(6,012)</u>	<u>3,459,348</u>
Net cash provided (used) by operating activities	<u>\$ 1,051,821</u>	<u>\$ (413,411)</u>	<u>\$ -</u>	<u>\$ 638,410</u>
Noncash investing, capital, and financing activities:				
Donated capital assets from developers	\$ 3,527,804	\$ 1,686,456	\$ -	\$ 5,214,260
Equipment purchased through assumption of debt	46,598	17,478	-	64,076

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

CITY OF SARATOGA SPRINGS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Saratoga Springs, Utah (the City) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments generally follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict the GASB pronouncements. The City has elected to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, subject to the same limitations. The more significant accounting policies established by GAAP and used by the City are discussed below.

Reporting Entity

The City of Saratoga Springs, Utah is located on the northwest shores of Utah Lake in Utah County in the State of Utah. The City was incorporated in December of 1997. Under the present form of government, administrative and legislative powers are vested in a governing body consisting of the Mayor and City Council. The City provides the following services: general administrative services, public safety, highways and streets, parks and recreation, and water, sewer, garbage utility services.

Government-wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, or 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the major governmental and proprietary (enterprise) funds of the City.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurements 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 the related cash flows. Property taxes are recognized

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met, i.e., when expenditures have been incurred.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for expenditures related to long-term debt and compensated absences, which are recorded only when payment is due.

Sales and use taxes, franchise taxes, energy taxes, interest earnings, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenue when they become available. All other revenues are considered to be measurable and available only when the City receives the cash.

The City reports the following major governmental funds:

The *general fund* is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* is maintained to account for resources accumulated for the acquisition and construction of capital assets (land, buildings, equipment, and infrastructure).

The City reports the following major proprietary (enterprise) funds:

The *water utility fund* accounts for the water distribution systems of the City (culinary water and secondary irrigation water).

The *sewer utility fund* accounts for the sewage collection system of the City.

As a general rule, the effect of interfund activity has been eliminated from the governmental fund financial statements. Exceptions to this general rule are payments to the *general fund* by the enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Cash, Investments, and Cash Equivalents – Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. Investments are reported at fair value. The Utah Public Treasurers' Investment Fund (PTIF) operates in accordance with state laws and regulations. The reported value of the City's cash in the PTIF is the same as the fair value of its shares in the PTIF.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet these criteria.

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to / from other funds." All accounts and taxes receivable are shown net of an allowance for uncollectibles.

In Utah, county governments assess, levy, collect and disburse two principal types of tax: 1) personal property tax which is assessed on business assets other than real estate, and 2) tax on real estate and improvements. Business personal property and real estate taxes are levied and attach as an enforceable lien on property as of January 1 and are payable by November 30. The real property taxes levied for the following year, which are due in November, are reported as a receivable of property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City Council is authorized by state statute to levy a tax against all real property located within its boundaries. The Council must set a tax rate by June 22 each year. The County Treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

An annual uniform fee based on the age of motor vehicles is levied in lieu of an ad valorem tax on motor vehicles and is due each time a vehicle is registered. Revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The City recognizes motor vehicle fees as property tax revenue when collected.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, water rights, buildings, equipment, infrastructure assets (e.g. roads, street lighting, parks, sidewalks, storm drains, and similar items), water capacities, water distribution systems, and the sewer collection system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During 2008, the City capitalized \$122,986 of interest paid on debt incurred to finance the construction of water distribution system projects. Interest is not capitalized on construction of governmental activity capital assets.

Capital assets acquired through capital lease arrangements are amortized over the lives of the assets using the straight-line method. Water capacities (acquired rights to connect future customers to the water system) are classified as intangible assets and are amortized over the life of the related settlement agreement using the straight-line method depreciation. Amortization expense is included with depreciation expense on the government-wide and proprietary fund financial statements.

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets, except land, water rights, and construction in progress, are depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure:	
Curbing, gutters, and sidewalks	25
Park improvements	15
Street lighting and signs	10
Roads and streets	20
Storm drain system	40
Water capacities	20
Culinary water distribution system	40
Secondary water irrigation system	40
Sewer collection system	30
Equipment	5-20

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net assets. Compensated absences include unpaid amounts earned by employees for vacation and compensatory time. There is no obligation for unpaid accumulated sick leave since the City does not pay these amounts when employees separate from service with the City.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restriction imposed by creditors, grantors or laws or regulations of other governments.

Budgetary Basis of Accounting – Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles.

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the City Council in May, the City budget officer submits a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is posted in various locations in the City at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City budget officer has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to reappropriation. Therefore, no encumbrances are presented in the financial statements.

The City amended its original budget for the year ended June 30, 2008 to reflect a decline in overall growth and the reduction of related fees.

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2008, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 641,489
Carrying amount of investments	<u>14,796,009</u>
Total cash and investments	<u>\$ 15,437,498</u>
Governmental fund cash and investments	\$ 11,267,876
Proprietary fund cash and investments	3,995,572
Proprietary fund restricted investments	<u>174,050</u>
Total cash and investments	<u>\$ 15,437,498</u>

The City complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect.

At June 30, 2008, the carrying balance of deposits with financial institutions was \$641,489 and the bank balance at that date was \$671,482, of which \$100,000 was covered by federal depository insurance. The uninsured amount is not collateralized.

At June 30, 2008, the City's investment balance totaled \$14,796,009. The City's investments are with two funds: \$14,624,959 with the PTIF and \$174,050 in a mutual fund that invests in US Treasury obligations held at a financial institution. These investments are unrated and have an average maturity of less than one year.

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The City has no investment policy that would further limit its interest rate risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service, Inc. or by Standard and Poor's Corporation. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the City's total portfolio with a single issuer. The City places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's policy for managing this risk is to comply with the Act and related rules. The City places no other limits on the amount of investments to be held by counterparties.

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES AND DEFERRED REVENUE

Receivables as of June 30, 2008 for the City's funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds		Enterprise Funds		
	General Fund	Street Lighting	Water Utility	Sewer Utility	Garbage Utility
Taxes receivable:					
Property taxes levied for current and prior years	\$ 136,933	\$ -	\$ -	\$ -	\$ -
Property taxes levied for future year	1,691,391	-	-	-	-
Sales and use taxes	242,605	-	-	-	-
Franchise fees	26,278	-	-	-	-
Energy taxes	26,524	-	-	-	-
State receivable, Class C Road Fund	89,314	-	-	-	-
Accounts receivable	12,868	18,018	167,032	116,981	86,517
Allowance for uncollectible accounts	-	-	(3,000)	(2,000)	(2,000)
Net accounts receivable	<u>\$ 2,225,912</u>	<u>\$ 18,018</u>	<u>\$ 164,032</u>	<u>\$ 114,981</u>	<u>\$ 84,517</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2008, most of the deferred revenue was for property taxes levied for the fiscal year ending June 30, 2009.

Enterprise funds report *deferred revenue* in connection with fees collected in anticipation of establishing a water special improvement district in the *water utility fund*. These fees will be recorded as revenues once the assessments of the special improvement district are established.

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance at June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2008</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 14,765,739	\$ 792,842	\$ -	\$ 15,558,581
Total capital assets not being depreciated	14,765,739	792,842	-	15,558,581
Capital assets being depreciated:				
Buildings	2,721,316	-	-	2,721,316
Equipment	2,022,308	591,223	(30,942)	2,582,589
Infrastructure	61,284,902	10,400,823	-	71,685,725
Total capital assets being depreciated	66,028,526	10,992,046	(30,942)	76,989,630
Accumulated depreciation for:				
Buildings	(143,969)	(75,392)	-	(219,361)
Equipment	(439,796)	(334,920)	4,126	(770,590)
Infrastructure	(6,720,560)	(3,227,495)	-	(9,948,055)
Total accumulated depreciation	(7,304,325)	(3,637,807)	4,126	(10,938,006)
Total capital assets being depreciated, net	58,724,201	7,354,239	(26,816)	66,051,624
Total governmental activity capital assets, net	<u>\$ 73,489,940</u>	<u>\$ 8,147,081</u>	<u>\$ (26,816)</u>	<u>\$ 81,610,205</u>

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (CONTINUED)

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Business-type activities				
Capital assets not being depreciated:				
Water rights	\$ 10,889,582	\$ 1,668,548	\$ -	\$ 12,558,130
Construction in progress	10,262,945	2,883,259	(13,146,204)	-
Total capital assets not being depreciated	21,152,527	4,551,807	(13,146,204)	12,558,130
Capital assets being depreciated:				
Water capacities	10,950,988	-	-	10,950,988
Culinary water system	39,886,824	15,440,403	-	55,327,227
Secondary water irrigation system	3,007,810	2,110,036	-	5,117,846
Sewer system	17,018,353	1,826,143	-	18,844,496
Equipment	460,969	64,075	-	525,044
Total capital assets being depreciated	71,324,944	19,440,657	-	90,765,601
Accumulated depreciation for:				
Water capacities	(1,258,498)	(547,549)	-	(1,806,047)
Culinary water system	(3,033,293)	(1,193,064)	-	(4,226,357)
Secondary water irrigation system	(101,836)	(101,572)	-	(203,408)
Sewer system	(1,549,766)	(597,715)	-	(2,147,481)
Equipment	(212,118)	(75,466)	-	(287,584)
Total accumulated depreciation	(6,155,511)	(2,515,366)	-	(8,670,877)
Total capital assets being depreciated, net	65,169,433	16,925,291	-	82,094,724
Total business-type activity capital assets, net	<u>\$ 86,321,960</u>	<u>\$ 21,477,098</u>	<u>\$(13,146,204)</u>	<u>\$ 94,652,854</u>

Depreciation expense was charged to functions of the City as follows:

Governmental activities:	
General	\$ 88,029
Public safety	180,769
Highways and public improvements	2,472,360
Parks and recreation	896,649
Total depreciation expense - governmental activities	<u>\$ 3,637,807</u>
Business-type activities:	
Water utility	\$ 1,892,892
Sewer utility	622,474
Total depreciation expense - business-type activities	<u>\$ 2,515,366</u>

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. INTERFUND ACCOUNTS

Interfund account balances at June 30, 2008 consisted of \$56,771 due by the *garbage utility fund* to the *water utility fund*. Also during the year ended June 30, 2008, the *water utility fund* transferred \$579,705 to the *general fund*. During the year ended June 30, 2008, the *capital projects fund* transferred \$913,646 to the *general fund* for general resources held by the *capital projects fund* used for capital outlays in the *general fund*.

NOTE 6. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2008 was as follows:

	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Due Within One Year
Governmental activities:					
Obligations under capital leases	\$ 2,217,921	\$ 534,135	\$ (296,354)	\$ 2,455,702	\$ 385,849
Compensated absences	76,093	157,835	(95,349)	138,579	138,579
Total governmental activity long-term liabilities	<u>\$ 2,294,014</u>	<u>\$ 691,970</u>	<u>\$ (391,703)</u>	<u>\$ 2,594,281</u>	<u>\$ 524,428</u>
Business-type activities:					
Interim warrant certificate	\$ 2,675,534	\$ 3,447,452	\$ -	\$ 6,122,986	\$ 6,122,986
Water revenue bonds	4,717,595	530,000	(199,000)	5,048,595	206,000
Culinary water system settlement	18,164,750	-	(858,000)	17,306,750	-
Obligations under capital leases	91,608	64,076	(28,541)	127,143	39,604
Compensated absences	12,233	17,996	(10,208)	20,021	20,021
Total business-type activity long-term liabilities	<u>\$ 25,661,720</u>	<u>\$ 4,059,524</u>	<u>\$ (1,095,749)</u>	<u>\$ 28,625,495</u>	<u>\$ 6,388,611</u>

Obligations Under Capital Leases – The City has entered into several lease agreements as lessee for financing the acquisition of the City office building and equipment. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Lease payments are paid from the fund where the assets are primarily used.

Assets acquired through capital leases at June 30, 2008 were as follows:

	Governmental Activities	Business-type Activities	
		Water Utility	Sewer Utility
Building	\$ 1,121,024	\$ -	\$ -
Equipment	1,360,470	102,710	41,831
Accumulated depreciation	(510,802)	(39,805)	(17,296)
Total	<u>\$ 1,970,692</u>	<u>\$ 62,905</u>	<u>\$ 24,535</u>

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities	
		Water Utility	Sewer Utility
2009	\$ 385,849	\$ 34,987	\$ 9,343
2010	385,788	34,813	9,268
2011	360,048	13,823	3,948
2012	346,230	8,883	3,948
2013	248,123	3,393	417
2014-2018	756,792	15,375	-
2019-2023	520,966	-	-
2024-2027	133,458	-	-
Total minimum lease payments	3,137,254	111,274	26,924
Amount representing interest	(681,552)	(9,004)	(2,051)
Present value of future minimum lease payments	<u>\$ 2,455,702</u>	<u>\$ 102,270</u>	<u>\$ 24,873</u>

Interim Warrant Certificate – On August 21, 2006, the City issued a \$6,000,000 interim warrant certificate to temporarily finance certain water system improvements within the City. The certificate’s interest rate is equal to 65% of prime rate minus 2.15% (or 1.86% at June 30, 2008) and matures November 2008. As of June 30, 2008, the City had drawn \$6,000,000 on the certificate. Subsequent to June 30, 2008, the maturity date was extended to May 2009. The City anticipates refinancing this liability with long-term debt.

Water Revenue Bonds – The City issued bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. During 2005, \$2,031,000 of Series 2005 water revenue bonds were issued; these bonds mature January 1, 2026. During 2006, \$3,500,000 of Series 2006 water revenue bonds were issued; \$3,258,595 has been drawn on these bonds as of June 30, 2008; these bonds mature January 1, 2027. Revenue bonds outstanding at June 30, 2008 were as follows:

Bond	Purpose	Interest Rates	Amount
2005 Water Revenue Bond	Culinary water system	3.84%	\$ 1,890,000
2006 Water Revenue Bond	Culinary water system	3.20%	<u>3,158,595</u>
			<u>\$ 5,048,595</u>

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

Revenue bond debt service requirements to maturity are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2009	\$ 206,000
2010	203,000
2011	221,000
2012	229,000
2013	236,000
2014-2018	1,308,000
2019-2023	1,549,000
2024-2028	<u>1,096,595</u>
Total	<u>\$ 5,048,595</u>

Culinary Water System Settlement – Prior to the City being established in December 1997, a water company had built a water system in the area covered by the City. Subsequent to the City being formed, the City entered into a settlement agreement to purchase the water system and the rights to unused capacities. The City’s obligation of \$21,000,000 is to be serviced by paying two-thirds (or \$2,000) 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, the remaining unpaid balance becomes due at that date. Based on a projection of 525 connections annually, the obligation is expected to be retired as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2009	\$ 1,050,000
2010	1,050,000
2011	1,050,000
2012	1,050,000
2013	1,050,000
2014-2018	5,250,000
2019-2023	5,250,000
2024-2025	<u>1,556,750</u>
Total	<u>\$ 17,306,750</u>

The City made payments of \$858,000 towards this obligation during the year ended June 30, 2008. Payments made on this obligation for 2008 and prior years are summarized as follows:

Beginning obligation	\$ 21,000,000
Payments in 2008	(858,000)
Payments in prior years	<u>(2,835,250)</u>
Obligation at June 30, 2008	<u>\$ 17,306,750</u>

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. 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. It is the policy of the City to purchase commercial insurance for some of these risks. Various policies are purchased through various insurance agencies to cover life, health, workers compensation, and other employee-related policies. The City also participates in the Utah Local Governments Trust (a public entity risk pool). All claims are submitted to the Trust which acts as a commercial insurer. The Trust is obligated to pay all claims covered by its plan. The plan covers liability, theft, damages, and other losses. A minimal deductible applies to these policies which the City pays in the event of any loss. Losses have not exceeded coverage during the last three years.

NOTE 8. RETIREMENT PLAN

Defined Benefit Plans

Plan Description. The City of Saratoga Springs contributes to the Local Governmental Noncontributory Retirement System, Public Safety Retirement System, and the Firefighters Retirement System, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

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 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 Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members are required to contribute a percent of their covered salary (all paid by the employer) to the respective systems to which they belong: 11.62% to the Noncontributory System, 25.49% to the Public Safety System, and 9.30% to the Firefighters System. The contribution requirements of the Systems are approved by the Board as authorized by Chapter 49.

City contributions for the years ended June 30, 2008, 2007, and 2006 were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Local Government			
Noncontributory System	\$ 267,758	\$ 181,764	\$ 122,605
Public Safety System	127,855	12,348	-
Firefighters System	13,195	10,279	7,786

CITY OF SARATOGA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. RETIREMENT PLAN (CONTINUED)

The contributions were equal to the required contributions for each year.

Defined Contribution Plans

The City also offers its employees two defined contribution plans established in accordance with Internal Revenue Code Sections 401(k) and 457. These plans permit qualifying employees to defer a portion of their salary until future years. Employer contributions for the years ended June 30, 2008, 2007, and 2006 to the 401(k) plan were \$160,326, \$62,689, and \$37,646, respectively. Employee contributions for the years ended June 30, 2008, 2007, and 2006 to the 401(k) plan were \$52,560, \$34,551, and \$33,457, respectively. Employer contributions for the years ended June 30, 2008, 2007, and 2006 to the 457 plan were \$70,924, \$0, and \$0, respectively. Employee contributions for the years ended June 30, 2008, 2007, and 2006 to the 457 plan were \$52,702, \$13,880, and \$5,514, respectively. Plan assets are held by and administered by the Systems.

NOTE 9. CONTINGENT LIABILITIES AND COMPLIANCE

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 to 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, 2008 was \$602,860, of which \$188,300 was paid during the year ended June 30, 2008.

The City is involved in a pending lawsuit. The litigation is in its early stages in that the only pleadings filed so far have been a complaint and answer. The amount of potential liability is neither estimable nor probable as of June 30, 2008.

CITY OF SARATOGA SPRINGS
Schedule of Impact Fees
Annual Report
June 30, 2008

Fiscal Yr	Source Project	Amount Collected	Running Balance	Actual Spent	Remaining Balance by Year	Budgeted Amounts	Unencumbered Balance
1998	Summary - All Impact Fee Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	Summary - All Impact Fee Funds	153,083	153,083	66,629	-	-	-
2000	Summary - All Impact Fee Funds	551,506	704,589	30,052	-	-	-
2001	Summary - All Impact Fee Funds	1,214,669	1,919,258	(348)	-	-	-
2002	Summary - All Impact Fee Funds	1,550,671	3,469,929	831,155	-	-	-
2003	Summary - All Impact Fee Funds	1,466,135	4,936,064	519,156	-	-	-
2004	Summary - All Impact Fee Funds	1,531,947	6,468,012	882,990	-	-	-
2005	Summary - All Impact Fee Funds	3,195,060	9,663,072	1,175,687	506,309	-	-
2006	Summary - All Impact Fee Funds	8,766,337	18,429,409	5,829,808	3,172,832	-	-
2007	Summary - All Impact Fee Funds	7,714,787	26,144,196	6,485,581	7,632,980	-	-
2008	Summary - All Impact Fee Funds	6,010,806	32,155,002	2,823,557	13,510,735	-	-
2009	Summary - All Impact Fee Funds	-	32,155,002	-	13,510,735	9,607,936	-
TOTAL REVENUES:		\$ 32,155,002	\$ 32,155,002	\$ 18,644,267	\$ 13,510,735	\$ 9,607,936	\$ 3,902,799

Fiscal Yr	Expenditures	Actual Amount Spent
1998	Summary - All Impact Fee Funds	\$ -
1999	Summary - All Impact Fee Funds	66,629
2000	Summary - All Impact Fee Funds	30,052
2001	Summary - All Impact Fee Funds	(348)
2002	Summary - All Impact Fee Funds	831,155
2003	Summary - All Impact Fee Funds	519,156
2004	Summary - All Impact Fee Funds	882,990
2005	Summary - All Impact Fee Funds	1,175,687
2006	Summary - All Impact Fee Funds	5,829,808
2007	Summary - All Impact Fee Funds	6,485,581
2008	Summary - All Impact Fee Funds	2,823,557
TOTAL EXPENDITURES:		\$ 18,644,267

AVAILABLE TO BUDGET: \$ 13,510,735

Fund	Projects Budgeted	Amount Budgeted
31	Storm Drain	\$ 734,000
32	Parks	3,302,473
33	Roads	4,075,963
34	Public Safety	-
53	Sewer	458,500
56	Culinary Water	987,000
57	Secondary Water	50,000
TOTAL APPROPRIATED BUDGET:		\$ 9,607,936
UNENCUMBERED FUND BALANCE:		\$ 3,902,799

CITY OF SARATOGA SPRINGS
Schedule of Impact Fees
Annual Report
June 30, 2008

Fiscal Yr	Source Project	Amount Collected	Running Balance	Actual Spent	Remaining Balance by Year	Budgeted Amounts	Unencumbered Balance
1999	Storm Drain Impact Fee (fund #31)	\$ 40,655	\$ 40,655	\$ -	\$ -	\$ -	\$ -
2000	Storm Drain Impact Fee (fund #31)	82,687	123,342	-	-	-	-
2001	Storm Drain Impact Fee (fund #31)	205,996	329,338	-	-	-	-
2002	Storm Drain Impact Fee (fund #31)	270,382	599,720	53,290	-	-	-
2003	Storm Drain Impact Fee (fund #31)	266,202	865,922	91,558	-	-	-
2004	Storm Drain Impact Fee (fund #31)	291,315	1,157,237	104,307	-	-	-
2005	Storm Drain Impact Fee (fund #31)	333,653	1,490,890	112,993	-	-	-
2006	Storm Drain Impact Fee (fund #31)	478,354	1,969,244	262,008	223,484	-	-
2007	Storm Drain Impact Fee (fund #31)	431,140	2,400,384	877,352	654,624	-	-
2008	Storm Drain Impact Fee (fund #31)	325,618	2,726,002	244,252	980,242	-	-
2009	Storm Drain Impact Fee (fund #31)	-	2,726,002	-	980,242	734,000	-
TOTALS:		\$ 2,726,002	\$ 2,726,002	\$ 1,745,760	\$ 980,242	\$ 734,000	\$ 246,242
1999	Parks Impact Fee (fund #32)	\$ 45,483	\$ 45,483	\$ -	\$ -	\$ -	\$ -
2000	Parks Impact Fee (fund #32)	203,217	248,700	-	-	-	-
2001	Parks Impact Fee (fund #32)	306,967	555,667	-	-	-	-
2002	Parks Impact Fee (fund #32)	434,967	990,634	515,636	-	-	-
2003	Parks Impact Fee (fund #32)	321,351	1,311,985	299,265	-	-	-
2004	Parks Impact Fee (fund #32)	371,469	1,683,454	293,553	-	-	-
2005	Parks Impact Fee (fund #32)	526,658	2,210,112	183,670	-	-	-
2006	Parks Impact Fee (fund #32)	2,573,218	4,783,330	1,255,696	1,050,835	-	-
2007	Parks Impact Fee (fund #32)	1,309,286	6,092,617	1,104,739	2,360,121	-	-
2008	Parks Impact Fee (fund #32)	1,547,171	7,639,788	79,937	3,907,292	-	-
2009	Parks Impact Fee (fund #32)	-	7,639,788	-	3,907,292	3,302,473	-
TOTALS:		\$ 7,639,788	\$ 7,639,788	\$ 3,732,495	\$ 3,907,292	\$ 3,302,473	\$ 604,819
1999	Roads Impact Fee (fund #33)	\$ 31,020	\$ 31,020	\$ -	\$ -	\$ -	\$ -
2000	Roads Impact Fee (fund #33)	136,234	167,253	-	-	-	-
2001	Roads Impact Fee (fund #33)	339,396	506,649	-	-	-	-
2002	Roads Impact Fee (fund #33)	427,163	933,812	69,998	-	-	-
2003	Roads Impact Fee (fund #33)	425,026	1,358,838	102,869	-	-	-
2004	Roads Impact Fee (fund #33)	445,219	1,804,057	410,099	-	-	-
2005	Roads Impact Fee (fund #33)	591,525	2,395,582	62,755	506,309	-	-
2006	Roads Impact Fee (fund #33)	1,392,204	3,787,786	269,894	1,898,513	-	-
2007	Roads Impact Fee (fund #33)	1,634,737	5,422,523	936,599	3,533,249	-	-
2008	Roads Impact Fee (fund #33)	1,187,136	6,609,659	37,060	4,720,385	-	-
2009	Roads Impact Fee (fund #33)	-	6,609,659	-	4,720,385	4,075,963	-
TOTALS:		\$ 6,609,659	\$ 6,609,659	\$ 1,889,273	\$ 4,720,385	\$ 4,075,963	\$ 644,422
1999	Public Safety Impact Fee (fund #34)	\$ 14,570	\$ 14,570	\$ -	\$ -	\$ -	\$ -
2000	Public Safety Impact Fee (fund #34)	48,370	62,940	-	-	-	-
2001	Public Safety Impact Fee (fund #34)	120,502	183,442	-	-	-	-
2002	Public Safety Impact Fee (fund #34)	140,714	324,156	127,804	-	-	-
2003	Public Safety Impact Fee (fund #34)	137,843	461,999	24,757	-	-	-
2004	Public Safety Impact Fee (fund #34)	149,555	611,554	8,833	-	-	-
2005	Public Safety Impact Fee (fund #34)	214,110	825,664	73,141	-	-	-
2006	Public Safety Impact Fee (fund #34)	622,542	1,448,206	1,257,621	-	-	-
2007	Public Safety Impact Fee (fund #34)	585,886	2,034,092	-	518,018	-	-
2008	Public Safety Impact Fee (fund #34)	380,293	2,414,385	23,917	898,311	-	-
2009	Public Safety Impact Fee (fund #34)	-	2,414,385	-	898,311	-	-
TOTALS:		\$ 2,414,385	\$ 2,414,385	\$ 1,516,073	\$ 898,311	\$ -	\$ 898,311

CITY OF SARATOGA SPRINGS
Schedule of Impact Fees
Annual Report
June 30, 2008

Fiscal Yr	Source Project	Amount Collected	Running Balance	Actual Spent	Remaining Balance by Year	Budgeted Amounts	Unencumbered Balance
1999	Sewer Impact Fees (fund #52,53)	\$ 2,393	\$ 2,393	\$ 5,600	\$ -	\$ -	\$ -
2000	Sewer Impact Fees (fund #52,53)	59,078	61,471	12,249	-	-	-
2001	Sewer Impact Fees (fund #52,53)	149,661	211,132	11,901	-	-	-
2002	Sewer Impact Fees (fund #52,53)	172,333	383,465	64,427	-	-	-
2003	Sewer Impact Fees (fund #52,53)	195,853	579,318	708	-	-	-
2004	Sewer Impact Fees (fund #52,53)	206,855	786,173	22,500	-	-	-
2005	Sewer Impact Fees (fund #52,53)	460,243	1,246,416	151,794	-	-	-
2006	Sewer Impact Fees (fund #52,53)	810,302	2,056,718	821,361	-	-	-
2007	Sewer Impact Fees (fund #52,53)	840,876	2,897,594	1,595,621	-	-	-
2008	Sewer Impact Fees (fund #52,53)	467,525	3,365,119	344,484	334,475	-	-
2009	Sewer Impact Fees (fund #52,53)	-	3,365,119	-	334,475	458,500	-
TOTALS:		\$ 3,365,119	\$ 3,365,119	\$ 3,030,644	\$ 334,475	\$ 458,500	\$ (124,025)
1999	Water Impact Fees (fund #56)	\$ 8,861	\$ 8,861	\$ 61,029	\$ -	\$ -	\$ -
2000	Water Impact Fees (fund #56)	9,696	18,558	17,803	-	-	-
2001	Water Impact Fees (fund #56)	40,760	59,317	(12,249)	-	-	-
2002	Water Impact Fees (fund #56)	46,495	105,812	-	-	-	-
2003	Water Impact Fees (fund #56)	53,019	158,831	-	-	-	-
2004	Water Impact Fees (fund #56)	42,298	201,129	43,698	-	-	-
2005	Water Impact Fees (fund #56)	716,503	917,632	293,027	-	-	-
2006	Water Impact Fees (fund #56)	2,112,790	3,030,422	1,823,863	-	-	-
2007	Water Impact Fees (fund #56)	2,052,021	5,082,443	1,337,434	111,616	-	-
2008	Water Impact Fees (fund #56)	1,406,747	6,489,190	1,406,222	1,518,363	-	-
2009	Water Impact Fees (fund #56)	-	6,489,190	-	1,518,363	987,000	-
TOTALS:		\$ 6,489,190	\$ 6,489,190	\$ 4,970,827	\$ 1,518,363	\$ 987,000	\$ 531,363
1999	Secondary Water Impact Fee (fund #57)	\$ 10,102	\$ 10,102	\$ -	\$ -	\$ -	\$ -
2000	Secondary Water Impact Fee (fund #57)	12,224	22,326	-	-	-	-
2001	Secondary Water Impact Fee (fund #57)	51,387	73,713	-	-	-	-
2002	Secondary Water Impact Fee (fund #57)	58,617	132,330	-	-	-	-
2003	Secondary Water Impact Fee (fund #57)	66,842	199,172	-	-	-	-
2004	Secondary Water Impact Fee (fund #57)	25,236	224,408	-	-	-	-
2005	Secondary Water Impact Fee (fund #57)	352,368	576,776	298,307	-	-	-
2006	Secondary Water Impact Fee (fund #57)	776,927	1,353,703	139,365	-	-	-
2007	Secondary Water Impact Fee (fund #57)	860,842	2,214,545	633,837	455,351	-	-
2008	Secondary Water Impact Fee (fund #57)	696,316	2,910,861	687,685	1,151,667	-	-
2009	Secondary Water Impact Fee (fund #57)	-	2,910,861	-	1,151,667	50,000	-
TOTALS:		\$ 2,910,861	\$ 2,910,861	\$ 1,759,194	\$ 1,151,667	\$ 50,000	\$ 1,101,667

**REPORTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS,
AND THE STATE OF UTAH
LEGAL COMPLIANCE AUDIT GUIDE**

Year Ended June 30, 2008



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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 the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Saratoga Springs (the City) as of and for the year ended June 30, 2008, which collectively comprise the City of Saratoga Springs' basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects a city's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the city's financial statements that is more than inconsequential will not be prevented or detected by the city's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

Certain accounts were reconciled and adjusted subsequent to the end of the year. Accordingly, interim reports and information may have been incomplete. We recommend reconciling all accounting records monthly.

The City has not conducted an inventory of capital assets or supplies recently. The City should perform an annual inventory of capital assets and supplies and reconcile the inventories with the capital asset schedule and accounting records. We also recommend the City maintain a list of those equipment items that cost less than \$1,000 that can more easily be misplaced or lost.

Certain utility customer accounts are past due; many of these accounts have been terminated. Although not significant to the overall financial statements, we recommend the allowance for uncollectible accounts provide for these past due accounts; otherwise, these accounts should be adjusted. Past due accounts should be monitored and adjustments should be authorized.

Management's response – We will provide monthly statements that reconcile accounting records as required. We will conduct an annual inventory of capital assets and supplies to confirm the accuracy of the capital asset schedule and supplies account balance. We will review accounts receivable and increase the allowance or adjust customer accounts accordingly.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by a city's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significance deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing* Standards and are described in our letter to management.

We also noted certain matters that we reported to management of the City in a separate letter dated December 15, 2008.

The City's response to the findings identified in our audit is described above. We did not audit the City's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor and City Council, federal and state oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.



December 15, 2008



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Independent Auditor’s Report on Legal Compliance in
Accordance with the *State of Utah Legal Compliance Audit Guide*

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 remaining fund information of the City of Saratoga Springs, Utah (the City) for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008.

The City received nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City’s financial statements.)

Our audit included test work on the City's compliance with the following general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide*:

- | | |
|--------------------------|--|
| Public Debt | B and C Road Funds |
| Cash Management | Other General Compliance Requirements |
| Purchasing Requirements | Uniform Building Code Standards |
| Budgetary Compliance | Impact Fees and Other Development Fees |
| Property Tax Limitations | Asset Forfeiture |
| Liquor Law Enforcement | Utah Retirement System Compliance |

The City did not receive any major state grants during the year ended June 30, 2008.

Management of the City is responsible for the City’s compliance with all compliance requirements identified above. 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 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are described in the accompanying letter to management. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Saratoga Springs complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2008.

December 15, 2008



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Letter to Management

Honorable Mayor and City Council
City of Saratoga Springs, Utah

In planning and performing our audit of the financial statements of the City of Saratoga Springs for the year ended June 30, 2008, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 15, 2008 on the financial statements of the City of Saratoga Springs. Also, significant deficiencies and material weaknesses, if any, are included in our reports dated December 15, 2008 required by *Government Auditing Standards* and the *State of Utah Legal Compliance Audit Guide*.

Review cash accounts and ensure balances are covered by depository insurance or are properly collateralized.

Adopt formal procurement and conflict of interest policies and procedures.

Notify all utility customers in writing of any transfers from the *water utility fund* to the *general fund* as required by State law.

Modify procedures to ensure accurate reporting of employment status to Utah Retirement Systems and adopt resolutions for the City's retirement contribution made to firefighters and in lieu of insurance.

Views of responsible officials - We appreciate the comments and recommendations. We will review these matters and make changes as needed.

The status of these comments will be reviewed as part of your next audit. We recommend management establish monitoring policies and procedures to provide the City with reasonable assurance that the City complies with its internal control objectives and various state and federal program requirements. Monitoring includes ongoing evaluations, recommendations for improvement, timely response to necessary changes, and periodic reports to management and the Mayor and City Council.

A handwritten signature in black ink that reads "Squire & Company, PC". The signature is written in a cursive style.

December 15, 2008