

COMPREHENSIVE
ANNUAL FINANCIAL REPORT



CITY OF SARATOGA SPRINGS, UTAH
FISCAL YEAR ENDED JUNE 30, 2014

CITY OF SARATOGA SPRINGS, UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

FOR FISCAL YEAR ENDED JUNE 30, 2014

PREPARED BY:
FINANCE DEPARTMENT

THE CITY OF SARATOGA SPRINGS
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INTRODUCTORY SECTION



October 22, 2014

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

These financial statements have been prepared by the City of Saratoga Springs Finance Department in accordance with accounting principles generally accepted in the United States (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). Utah State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report fulfills that requirement for the fiscal year ended June 30, 2014.

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

The basic financial statements contained in this report have been audited by Litz & Company P.C., a firm of licensed certified public accountants. With this type of audit, the independent auditors render an opinion, with reasonable assurance, as to whether the basic financial statements for the fiscal year ended June 30, 2014, are fairly presented and free of any material misstatement. Audit procedures included extensive testing and analysis of transactions, balances and systems. The unqualified ("clean") opinion on the basic financial statements signed by Litz & Company P.C. is located at the beginning of the financial section.

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

Profile of the City of Saratoga Springs, Utah

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

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

Budgetary Control

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

Local Economy and Trends

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

The City's population (2010 Census) of 17,781- residents is a suburban population that works along the Wasatch Front but desires a quiet suburban area in which to live. The City is among the top ten highest growth cities in Utah, and as a region the northern Utah County area has also experienced rapid development and growth in recent years. The physical infrastructure to continue rapid residential growth is in place and regular planning ensures that transportation expansions map to population growth rates.

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

Utah Lake shore.

Long-term Financial Planning

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

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

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

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

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

Relevant Financial Policies

The City of Saratoga Springs recognizes its duty to its citizens and other interested parties to vigilantly account for public funds and resources. The Policies and Objectives hereinafter are set forth to establish guidelines for fiscal accountability, full disclosure, and planning. These financial management policies provide a basic framework for the overall fiscal management of the City. These policies represent a foundation to address changing circumstances and conditions, and to assist in the decision making process. In addition, these policies represent guidelines for evaluating both current and future activities.

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

Major Initiatives

City Council Long-term Goals

- Build 1st class recreation facilities. Recreation brings communities together and makes us a

destination location.

- Create a successful environment for business “Class A”, dining and retail to foster an environment of work, live, and play.
- Develop a long range sustainable plan with quantifiable metrics to proportionally increase “infrastructure” staff roads etc. To proactively address growth demands
- Create a unique Lakefront for economic & residential development.
- Improve communication to foster engagement between the City, the residents, businesses, and schools.
- Improve staff satisfaction to develop and retain committed employees

Update on Major Projects

1. **Aspen Hills Trail (\$153,898)** This projected completed trails behind homes near 800 West.
2. **Pioneer Crossing Sewer (\$316,175).**
3. **Type II Fire Engine (\$246,400).**
4. **Israel Canyon Debris Basin and Flood Mitigation (\$2,640,199).** This project’s purpose was to install short and long term flood mitigation, including super silt fencing and a 40 AF debris basin.
5. **Harvest Hills Zone 2 Pond Expansion (\$384,934).**

Awards and Acknowledgements

The City of Saratoga Springs received the Distinguished Budget Presentation Award from the Government Finance Officer’s Association (GFOA) for the City’s adopted budget beginning for the periods beginning July 1, 2013, July 1, 2012, and July 1, 2011. In order to qualify for the award program, the City’s budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

The City of Saratoga Springs received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for years 2011 and 2012. In order to qualify for the award, the staff must prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure.

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

Respectfully submitted,



Mark Christensen – City Manager



Chelese M. Rawlings – Finance Manager

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

MAYOR AND CITY COUNCIL AS OF JUNE 30, 2014

Mayor Jim Miller

Email: jmiller@saratogaspringscity.com

Term: 01/2014 - 01/2018

Council Member Stephen Willden

Email: swillden@saratogaspringscity.com

Term: 01/2014 - 01/2018

Council Member Rebecca Call

Email: rcall@saratogaspringscity.com

Term: 01/2012 - 01/2016

Council Member Bud Poduska

Email: bpoduska@saratogaspringscity.com

Term: 01/2012 - 01/2016

Council Member Michael McOmber

Email: mmcomber@saratogaspringscity.com

Term: 01/2014 - 01/2018

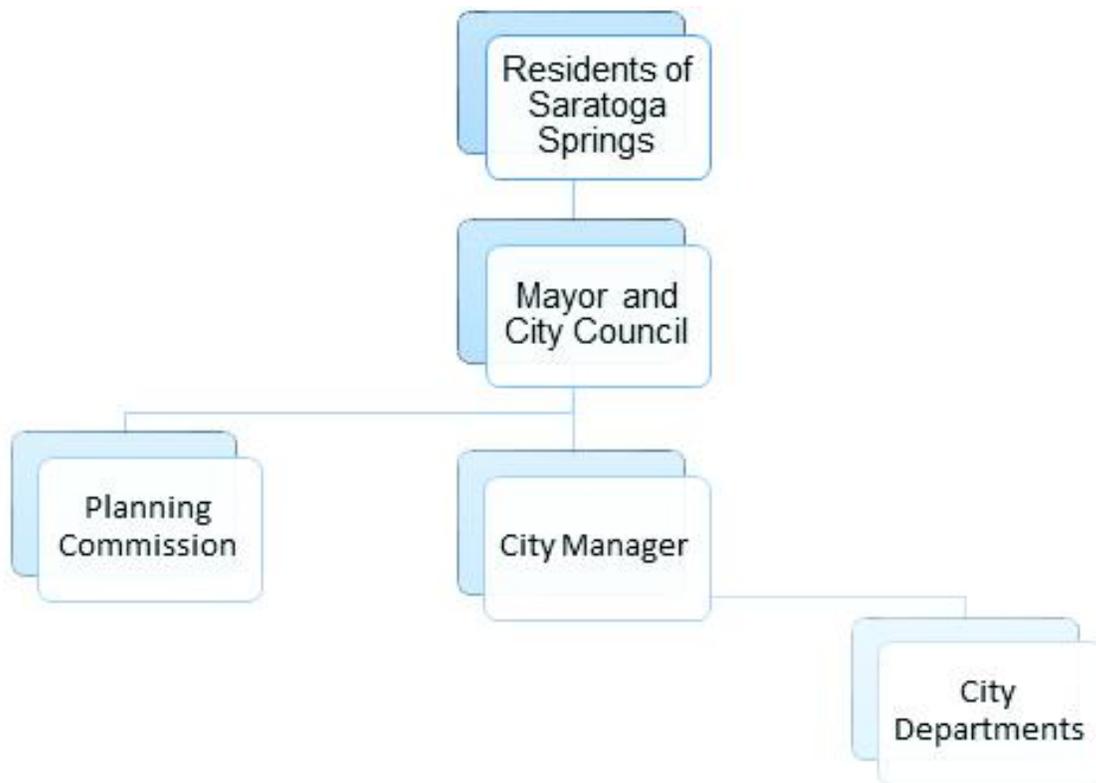
Council Member Shellie Baertsch

Email: sbaertsch@saratogaspringscity.com

Term: 01/2012 - 01/2016

CITY OF SARATOGA SPRINGS, UTAH

**ORGANIZATIONAL CHART
FY2014**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Saratoga Springs
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION

Independent Auditor's Report

Honorable Mayor and City Council City of Saratoga Springs, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Saratoga Springs (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, Utah, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 11 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, 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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "City of Company, PC".

Roy, Utah
October 22, 2014

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

The following narrative is presented to facilitate a better understanding of the City's financial position and results of operations for the year ended June 30, 2014. When read in conjunction with the letter of transmittal and the notes to the financial statements, the financial highlights, overview and analysis should assist the reader to gain a more complete knowledge of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The City's government-wide net position (the amount by which assets exceed liabilities) as of June 30, 2014, were \$181,795,737. Of this amount, \$23,443,384 (unrestricted net position) is available to meet ongoing financial obligations.
- The City's government-wide net position increased by \$5,517,623. Of this amount, business-type activities increased by \$3,381,548, a rise of 3.8 percent, and the governmental activities increased by \$2,136,075 an increase of 2.4 percent when compared to last fiscal year.
- The City's governmental funds reported a combined ending fund balance of \$14,276,336, a decrease of \$67,986 (0.5 Percent) compared to the beginning of this year's fund balance amount. The decrease in fund balance in comparison to last fiscal year is attributable to a decrease in unassigned fund balance. Of the combined total fund balance, \$2,068,425 is available for spending at the discretion of the City (unassigned fund balance).
- The General Fund is the primary operating fund of the City. The unassigned fund balance of the General Fund at June 30, 2014, totaled \$2,068,425 and is 19.5 percent of the General Fund total revenues for the year and 14.5 percent of total governmental fund balance.
- The City's total debt had a net decrease of \$1,864,323 during fiscal year 2014. This represents a 7.1 percent decrease over the prior year, this is a result from required debt service payments and no new issuance of bonds coupled with additional capital leases in governmental activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

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

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

There are two distinct types of activities reflected in the government-wide statements: governmental activities and business-type activities. Governmental activities are those supported primarily by taxes and intergovernmental revenues, while business-type activities are those in which all costs (or at least a significant portion of costs) are intended to be recovered through user fees and charges. The governmental activities for the City of Saratoga Springs included General Government (Legislative, Administrative, Utility Billing, Treasurer, Recorder, Attorney, Justice Court, Non-Departmental, Buildings and Grounds, Elections, and Planning and Zoning); Public Safety (Communications, Police, and Fire, Building Inspection); Public Works (Building Inspection, Streets, Engineering, and GIS); and Recreation (parks & open spaces, recreation, and library). The business-type activities include Water, Sewer, Storm Drain, and Garbage.

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

Governmental Funds – At the fund level, the focus is on changes in short-term spendable resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliations, between the two types of statements is necessary to understand how the numbers differ. Such reconciliations are provided for the reader on pages 27 and 29. The city has three governmental type funds. These are the general fund, the internal service fund and the capital projects funds. Two of these are considered major funds: The basic governmental fund financial statements can be found on pages 24-28 of this report.

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

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

- **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital improvements. These funds do not account for capital improvements financed by the proprietary funds.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The only proprietary fund type used by the City is enterprise funds. The basic proprietary fund financial statements can be found on pages 31-33 of this report.

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

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

FINANCIAL ANALYSIS OF THE CITY AS A – WHOLE

Net assets – The following table presents summary information for the Statement of net assets for the years ended June 30, 2014 and 2013.

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

	Governmental		Business-Type		Total		Total % Change
	Activities		Activities				
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Current and other assets	\$ 19.8	\$ 17.4	\$ 10.4	\$ 10.1	\$ 30.2	\$ 27.5	9.8%
Capital assets	78.2	76.2	103.5	101.1	181.7	177.3	2.5%
Total Assets	<u>98.0</u>	<u>93.6</u>	<u>113.9</u>	<u>111.2</u>	<u>211.9</u>	<u>204.8</u>	<u>3.5%</u>
Long-Term debt	4.0	4.1	18.3	20.2	22.3	24.3	-8.2%
Other liabilities	3.9	1.5	3.8	2.6	7.7	4.1	87.8%
Total liabilities	<u>7.9</u>	<u>5.6</u>	<u>22.1</u>	<u>22.8</u>	<u>30</u>	<u>28.4</u>	<u>5.6%</u>
Net assets							
Invested in capital assets, net of related debt	74.6	72.1	83.7	79.5	158.3	151.6	4.4%
Restricted	0.1	0.6	0	0.0	0.1	0.6	-83.3%
Unrestricted	15.3	15.2	8.1	8.9	23.4	24.1	-2.9%
Total net assets	<u>\$ 90.0</u>	<u>\$ 87.9</u>	<u>\$ 91.8</u>	<u>\$ 88.4</u>	<u>\$ 181.8</u>	<u>\$ 176.3</u>	<u>3.1%</u>

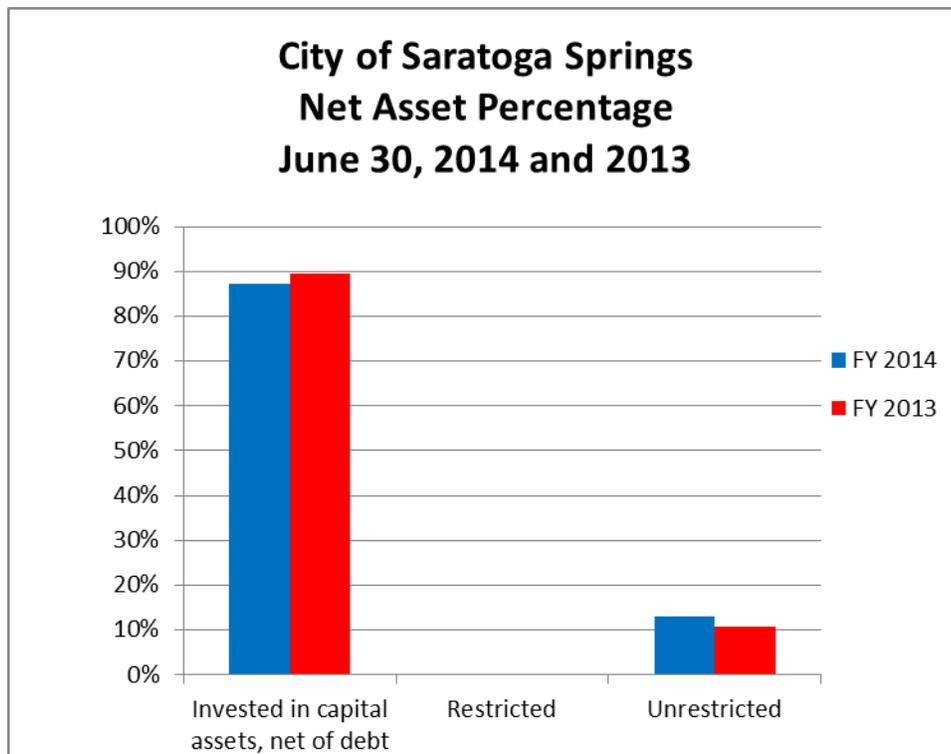
CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. At June 30, 2014, the City’s assets exceeded liabilities by approximately \$181.8 million (net assets) compared to \$176.3 million at June 30, 2013. This would indicate an improved financial position in comparison to last fiscal year. Roughly 87.1 percent at June 30, 2014, and 86.0 percent at June 30, 2013, of these amounts are represented by the investment in capital assets, net of debt still outstanding relating to the acquisition of those assets. Due to the nature of long-term assets (not easily convertible to liquid assets) they are not considered to be available for spending or appropriation. Further, even though the presentation here shows capital assets net of related debt, it should be understood that the repayment of this debt does not come from the capital assets themselves, but comes from other resources. The increase in the City’s investment in capital assets net of related debt of \$6.7 million was due to the net of routine acquisitions of capital assets, repayments of related debt, and depreciation expense.

Restricted net assets of \$0.1 million at June 30, 2014, and \$0.6 million at June 30, 2013, represent sources that are subject to external restrictions on how they may be used.

The other sub-classification of net assets is unrestricted. The balance of \$23.4 million at June 30, 2014 and \$24.1 million at June 30, 2013, which is unrestricted, indicates that this amount may be used to meet general, on-going financial obligations without limitations established by debt covenants or other legal requirements. The increase from last fiscal year is the result of an increase in charges for services for ongoing revenues.

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



Changes in Net Assets – As taken from the Statement of Activities, the following table signifies the changes in net assets for fiscal years 2014 and 2013.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total %</u>
	<u>Activities</u>		<u>Activities</u>		<u>2014</u>	<u>2013</u>	<u>Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>			
Revenues							
Program Revenues							
Charges for Services	\$ 5.6	\$ 7.3	\$ 10.2	\$ 10.3	\$ 15.8	\$ 17.6	-10.2%
Operating grants and contributions	0.1	0.2	-	-	0.1	0.2	-50.0%
Capital grants and contributions	2.5	0.6	3.1	-	5.6	0.6	833.3%
General Revenues							
Property Tax	2.7	2.7	-	-	2.7	2.7	0.0%
Other Taxes	3.7	3.3	-	-	3.7	3.3	12.1%
Investment earnings	0.1	0.1	0.1	0.1	0.2	0.2	0.0%
Other	-	0.1	-	-	0	0.1	100.0%
Total Revenues	<u>14.7</u>	<u>14.3</u>	<u>13.4</u>	<u>10.4</u>	<u>28.1</u>	<u>24.7</u>	<u>13.8%</u>
Expenses							
General government	2.2	2.6	-	-	2.2	2.6	-15.4%
Public safety	5.0	5.0	-	-	5.0	5.0	0.0%
Highways and public improvements	2.7	4.7	-	-	2.7	4.7	-42.6%
Parks and recreation	2.6	2.4	-	-	2.6	2.4	8.3%
Interest on long-term debt	0.1	0.2	-	-	0.1	0.2	-50.0%
Water utility	-	-	5.0	5.1	5.0	5.1	-2.0%
Sewer utility	-	-	3.0	2.8	3.0	2.8	7.1%
Garbage utility	-	-	1.0	0.7	1.0	0.7	42.9%
Storm drain utility	-	-	0.9	0.8	0.9	0.8	12.5%
Total Expenses	<u>12.6</u>	<u>14.9</u>	<u>9.9</u>	<u>9.4</u>	<u>22.5</u>	<u>24.3</u>	<u>-7.4%</u>
Change in net position	2.1	(0.6)	3.4	1.0	5.5	0.4	1275.0%
Net position beginning	<u>87.9</u>	<u>88.5</u>	<u>88.4</u>	<u>87.4</u>	<u>176.3</u>	<u>175.9</u>	<u>0.2%</u>
Net position ending	<u>\$ 90.0</u>	<u>\$ 87.9</u>	<u>\$ 91.8</u>	<u>\$ 88.4</u>	<u>\$ 181.8</u>	<u>\$ 176.3</u>	<u>3.1%</u>

Net position increased from governmental activities in fiscal year 2014 approximately \$2.1 million and \$0.2 million in fiscal year 2013. The increase is primarily due to increased capital grants and contributions. Expenses for governmental activities were lower with a \$2.3 million decrease. This is mainly due to recording of the interfund reimbursements for services provided to the enterprise funds. This was a change in the accounting practice starting this fiscal year per GASB 34, paragraph 112b(2).

Net assets increased \$3.4 million in fiscal year 2014 and increased \$0.8 million in 2013 for business-type activities. The revenues for business-type activities increased in capital grants and contributions.

Revenues – For the year ended June 30, 2014, the City’s government-wide revenues are approximately \$28.1 million as compared to the prior year total revenues of \$24.7 million. Key elements of this change were as follows

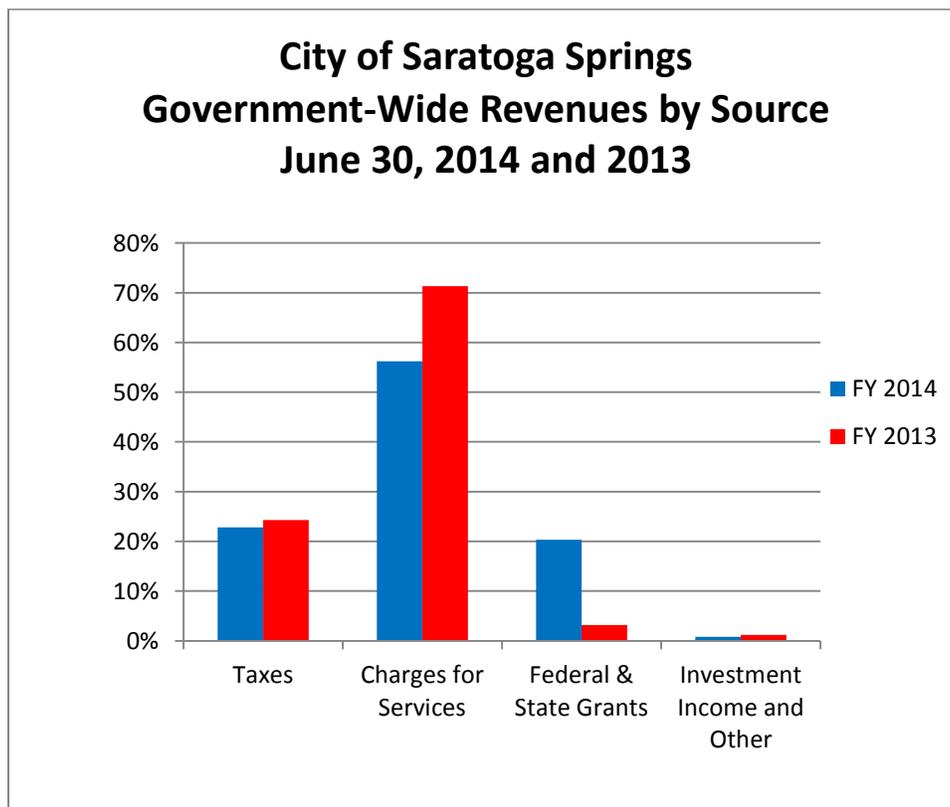
CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

- Of the City’s total revenues, about 22.8 percent in fiscal year 2014 and 24.3 percent in fiscal year 2013 resulted from taxes (over half of which is from property taxes) as shown in the following table:

City of Saratoga Springs
(in millions of dollars)

	Government-wide		Total % Change
	Tax Revenues		
	2014	2013	
Property tax	\$ 2.7	\$ 2.7	0%
General sales and use tax	2.6	2.3	13%
Franchise fees	0.2	0.2	0%
Energy Tax	0.9	0.8	13%
Total	<u>\$ 6.4</u>	<u>\$ 6.0</u>	<u>7%</u>

- Charges for services decreased in fiscal year 2014 about \$1.8 million and decreased to 56.2 percent of total revenues in in fiscal year 2014 to 56.4 percent in fiscal year 2013. The decrease is due to decreased collections in general government and business type activities service fees.
- Operating and capital contributions combined increased by \$4.9 million in fiscal year 2014. This was due to more capital and operating grant revenues received.
- Investment and other income, which is a combination of interest earnings and gain on the sale of capital assets, stayed approximately the same in fiscal year 2014.



CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

Expenses – The City’s government-wide total expenses cover a range of services. For the year ended June 30, 2014, the City’s total expenses are \$22.5 million compared to the prior year of \$24.3 million. Of the \$1.8 million decrease, general government expenses decreased \$0.4 million, public safety stayed the same, highways and public improvements decreased \$2.0 million, parks and recreation increased \$0.2 million, interest on long-term debt decrease by \$0.1 million, and business-type activities increased by \$0.5 million.

Governmental Activities:

Revenue Highlights:

- Taxes encompass a sizable source of revenue for the City’s governmental activities: Roughly \$6.4 million or 43.5 percent in fiscal year 2014 and \$6.0 million or 42.0 percent in fiscal year 2013 of total revenues from governmental activities. The \$0.4 million increase is majorly from other taxes.
- Charges for services decreased to \$5.6 million or 38.1 percent of total revenues from governmental activities in fiscal year 2014 from \$7.3 million or 51.0 percent of total revenues in fiscal year 2013. The decrease in fiscal year 2014 is a result from implementing the accounting practice of interfund reimbursements as mentioned above.
- Grant and contribution revenue denotes approximately \$2.6 million or 17.7 percent in fiscal year 2014 and \$0.8 million or 5.6 percent in fiscal year 2013 of total revenues from governmental activities. The \$1.8 million increase was the effect of an increase in operating and capital grant contributions due to the City.

Expense Highlights:

- General government expenses of around \$2.2 million in fiscal year 2014 and \$2.6 million in fiscal year 2013 represented 17.5 percent in fiscal year 2014 and 17.4 percent in fiscal year 2013 of total expenses from governmental activities. General government includes: Legislative, Administration, Utility billing, Treasury, Recorder, Attorney, Justice Court, Elections, and non-departmental. The \$0.4 million decrease is due mainly due to the implementation of the accounting practice of interfund reimbursements as a result of decreasing expenses for the services provided to the business-type activities.
- Public safety expenses were \$5.0 million or 39.7 percent in fiscal year 2014 and \$5.0 million or 33.6 percent in fiscal year 2013. The expenses stayed approximate the same.
- Highways and public improvements were \$2.7 million or 21.4 percent in fiscal year 2014 and \$4.7 million or 31.5 percent in fiscal year 2013. The \$2.0 million decrease is due the implementation of the accounting practice of interfund reimbursements against the expenses.
- Parks and recreation expenses were \$2.6 million or 20.6 percent in fiscal year 2014 and \$2.4 million or 16.1 percent in fiscal year 2013. The \$0.2 million increase is due to personnel, equipment purchases, capital projects, maintenance and supplies.

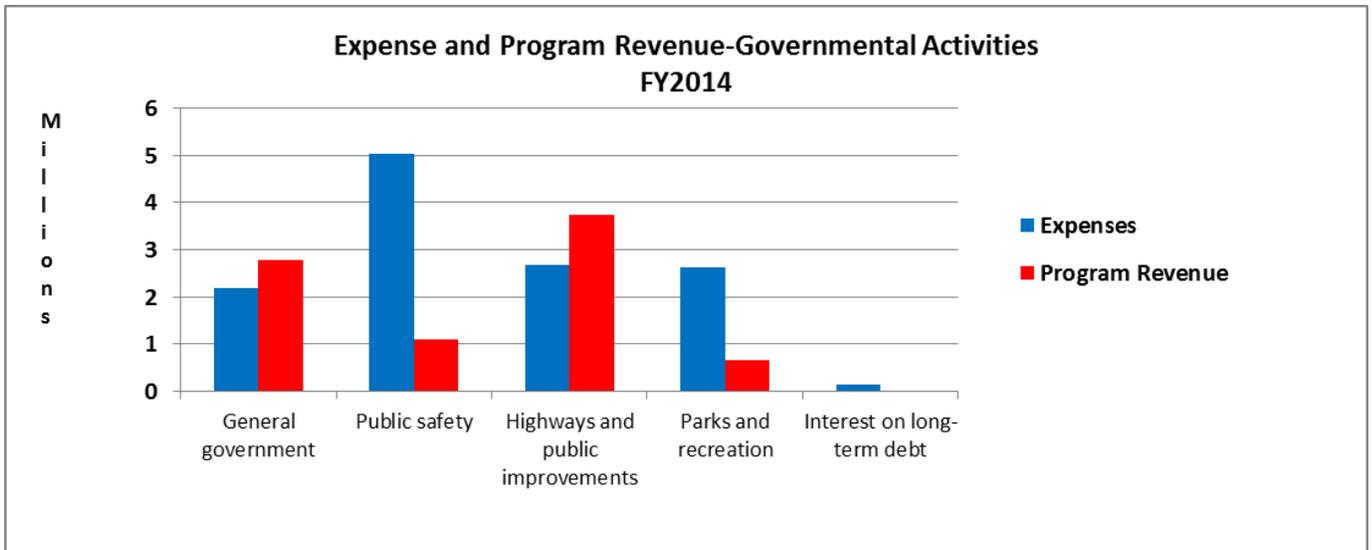
As a result, total net expenses that were funded by general revenues were \$4.4 million. Tax revenues of \$6.4 million were sufficient to fund net expenses in fiscal year 2014.

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

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>		<u>Total % Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
General government	\$ 2.2	\$ 2.6	\$ (0.6)	\$ (1.5)	-60.0%
Public safety	5.0	5.0	3.9	4.0	-2.5%
Highways and public improvements	2.7	4.7	(1.0)	2.7	137.0%
Parks and recreation	2.6	2.4	2.0	1.4	42.9%
Interest on long-term debt	0.1	0.2	0.1	0.2	100.0%
Total	<u>\$ 12.6</u>	<u>\$ 14.9</u>	<u>\$ 4.4</u>	<u>\$ 6.8</u>	<u>-35.3%</u>



Based on Government-Wide Financial Statements. See page 25.

Business-type Activities:

The City's business-type activities increased net assets by \$3.4 million. Key elements of this increase were as follows:

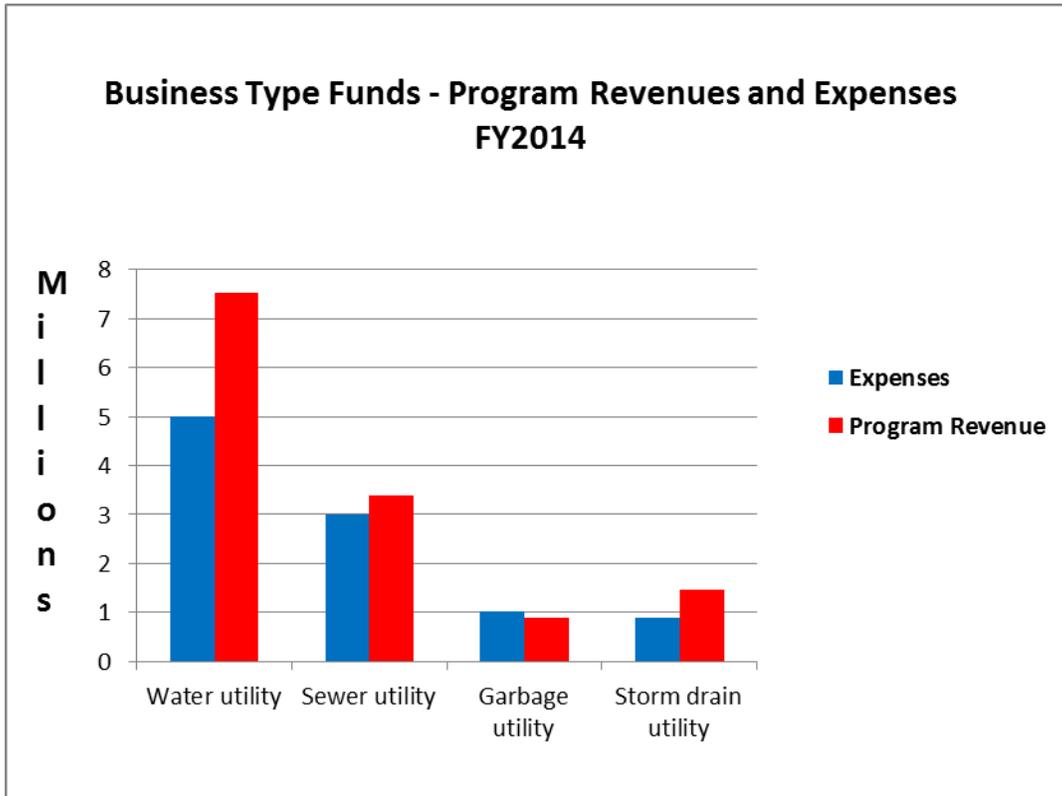
Revenue Highlights:

- Charges for services for business-type activities decrease by \$0.1 million for fiscal year 2014. This is mainly due to less impact fees being collected in the business type-funds
- Operating and capital grants and contributions increased about \$3.1 million in fiscal year 2014. The \$3.1 million increase is due to acquiring and drawing down on operating or capital grants.
- Investment earnings stayed approximately the same in fiscal year 2014.

Expense Highlights:

- Personnel expenses increased minimally due to filling current positions in the utility funds.
- Supplies and maintenance expenses increased by \$0.2 million. The increase is due to increased water meter expenses coupled with sewer, culinary and secondary capital projects.
- Professional services expenses decreased by under \$0.1 million.
- Treatment and sanitation expenses increased minimally.

**CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014**



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

As of June 30, 2014, the aggregate fund balance of the City's governmental funds was \$14.3 million, a slight decrease of less than \$0.1 million in comparison with the fiscal year ended June 30, 2013. In fiscal year 2014, about \$2.1 million or 14.7 percent of this amount is unassigned fund balance compared to about \$2.5 million or 17.5 percent in fiscal year 2013. Unassigned fund balance categories are available for appropriation by the City Council at their discretion.

Restricted fund balance which have externally enforceable limitations on use are not available for new spending and are approximately \$11.9 million in fiscal year 2014 and \$11.5 million in fiscal year 2013. The remainder of the fund balance of \$0.3 million is assigned. Of the assigned fund balance, \$0.03 million is assigned to street lighting. In fiscal year 2013 the assigned fund balance was about \$0.3 million with \$0.3 million attributed to street lighting.

The General Fund is the principal operating fund of the City. Utah State code establishes a 5.0 percent minimum (\$612,873) and a 25.0 percent maximum (\$3,064,367) limit to the amount that may be accumulated as the fund balance in the General Fund. As of June 30, 2014 the unassigned fund balance of the General Fund was \$2,068,425 and was \$995,942 below the 25.0 percent limit. The unassigned fund balance decreased by \$439,922 in fiscal year 2014. The main reason for decreased fund balance is transfers to the capital projects fund to fund currently budgeted projects. The unassigned fund balance in fiscal year 2013 increased by \$29,436.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

As of June 30, 2014, the restricted fund balance in the Capital Projects Fund was \$11.9 million. In fiscal year 2013 the restricted fund balance was \$11.5 million and the unreserved and assigned fund balances combined were \$.3 million. The \$0.4 million increase in restricted fund balance resulted from minimal capital outlay spending and increased revenues.

As of June 30, 2014, the assigned fund balance in Street Lighting was \$0.3 million. In fiscal year 2013 the assigned fund balance was \$0.3 million. The slight increase of fund balance resulted from increased revenue in fiscal year 2014 as compared to fiscal year 2013.

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

Net assets of the City’s enterprise funds totaled about \$91.8 million at June 30, 2014, as compared to \$88.4 million at the end of fiscal year 2013. Net assets at the end of fiscal year 2014 and 2013 for each of these funds were:

City of Saratoga Springs				
Proprietary Funds				
Fund	Amount		Change	
	<u>2014</u>		<u>2013</u>	
Water Utility	\$ 58,246,367	\$	55,708,799	\$ 2,537,568
Sewer Utility	18,464,677		18,074,838	389,839
Storm Drain Utility	14,859,872		14,273,394	586,478
Garbage Utility	210,298		342,635	(132,337)
Total	<u>\$ 91,781,214</u>	<u>\$</u>	<u>88,399,666</u>	<u>\$ 3,381,548</u>

The net increase in net assets from the prior year was \$3.4 million as compared to an increase of \$0.8 million in fiscal year 2013. Operating revenues increased \$0.5 million as compared to a \$0.4 million increase change in fiscal year 2013.

The Water Utility operating revenues increased by \$0.4 million due to increased installation service fee most likely due to more users than the prior fiscal year. The Sewer Utility operating revenues increased by \$0.1 million in comparison to the previous fiscal year which had a minimal increase. The increase is due to both sewer service charges and customer installation resulting from more utility users. The Storm Drain Utility operating revenues increased minimally, which the small increase was a result of increased storm utility fees collected. The Garbage Utility operating revenues decreased minimally.

Water Utility net position invested in capital assets net of related debt increased by \$3.0 million in fiscal year 2014 primarily due to increased accumulated depreciation, routine acquisition and disposition of capital assets, and depreciation expense. Unrestricted net position decreased about \$0.5 million.

Sewer utility net position invested in capital assets net of related debt increased by \$0.7 million, unrestricted net position decreased by \$0.3 million. The increase in net position invested in capital assets net of related debt was due to the net acquisition of capital assets, and depreciation expense.

Storm Drain Utility net position invested in capital assets net of related debt increased \$0.4 million, unrestricted net position increased by \$0.1 million resulting in a net increase of total net position of less than \$0.6 million. The increase in net assets invested in capital assets net of related debt was due to the net acquisition of capital assets, and depreciation expense.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

Garbage Utility unrestricted net position decreased by more than \$0.1 million. This is mostly due to the current garbage contract that provides free recycling to residents.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

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

- More than \$1.9 million decrease in general government resulting from decreases in transfers out.
- More than \$0.6 million increase in public safety from personnel increased grant expenses and increasing vehicle lease payments.
- More than \$1.0 million increase in highways and streets
- Less than \$0.2 million increase in Parks and recreation for equipment purchases, and civic events adjustment for revenues received.

Total actual expenditures came in \$1.5 million below the final budget. All departments kept within their legal spending authority. The differences between actual and the final budget can be briefly summarized as follows:

- The final budget was \$0.4 million more than the actual expenditures in general government. This difference was attributed to spending coming in under budget in supplies, education and training, and contract services
- The final budget was \$0.1 million more than the actual expenditures in public safety. This difference was attributed to coming in under budget in professional contract services, and vehicle lease payments.
- The final budget was \$0.8 million more than the actual expenditures in highways and public improvements. This difference was attributed to coming in under budget in salaries and wages, employee benefits, general road maintenance, snow removal and vehicle lease payments.
- The final budget was \$0.2 million more than actual expenditures in parks and recreation. The difference was coming in under budget in salaries and wages, employee benefits, vehicle lease payments, and parks maintenance and supplies

Actual revenues of \$10.6 million were below the final budgeted revenues of \$11.1 million by \$0.5 million. This is mainly due to the change in accounting practice by doing interfund reimbursements against actual expenses rather than administrative revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for is governmental and business-type activities totaled 181.6 million (net of \$65.2 million accumulated depreciation) at June 30, 2014, as compared to \$177.2 million (net of \$57.0 million accumulated depreciation) at June 30, 2013. This investment in capital assets includes land, water rights, buildings, equipment, infrastructure, water capacities, culinary water system, secondary water irrigation system, sewer system, storm drain system, and construction in progress. Major capital asset additions during the year ended June 30, 2014 include:

Governmental Activities:

- \$0.6 million 400 North Widening
- \$0.3 million Purchase of Land
- \$0.2 million Type III Fire Engine

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2014

Business-type Activities:

- \$0.6 million Pond 6 expansion
- \$0.3 million Sewer Pump Truck
- \$0.2 million Purchase of Water Rights

Additional information on the City’s capital assets can be found in Note 4 – Capital Assets on pages 42-43 of this report.

Long-Term Debt: Long-term debt for governmental activities decreased by under \$0.2 million in comparison with fiscal year 2013. Business-type activities debt also decreased in fiscal year 2014 by \$1.7 million when compared with fiscal year 2013. Please see note 13 for details concerning long-term debt on Pages 48-52

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

- The unemployment rate for Utah County was 3.6 percent compared with the State unemployment rate of 3.5 percent and a national rate of 6.1 percent.
- The fiscal year 2014 City budget does not include a property tax increase. The City Council adopted the certified tax rate for the General Fund. In accordance with Utah Statutes, the certified tax rate is intended to generate the same amount of property tax revenue as was received the prior year plus revenue for “new growth” occurring in the City. All other revenue sources have been estimated on a conservative basis using a multi-year trend analysis and assuming no significant changes in the local economy. The City’s approach to budgeting includes preparation of a five-year capital plan. The long-term nature of the City’s financial planning system allows decision makers to better understand the true effect of policy decisions. One of the most powerful aspects of the multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider necessary steps to alter the long-term forecasted position of the City.

REQUESTS FOR INFORMATION

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

City of Saratoga Springs
Attn: Finance Department
1307 N. Commerce Drive, Suite 200
Saratoga Springs, Utah 84045-5302

BASIC FINANCIAL STATEMENTS

CITY OF SARATOGA SPRINGS
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,339,815	\$ 8,837,302	\$ 24,177,117
Cash - restricted	-	646,003	646,003
Accounts receivable - net	1,023,393	620,976	1,644,369
Due from other funds	1,396,275	265,151	1,661,426
Due from other governmental units	2,010,708	-	2,010,708
Prepaid expenses	737	-	737
Inventory	-	55,429	55,429
Capital assets not being depreciated:			
Land	18,720,913	-	18,720,913
Water rights	-	15,231,188	15,231,188
Construction work in process	3,316,245	1,622,786	4,939,031
Capital assets net of accumulated depreciation:			
Buildings and improvements	6,059,984	-	6,059,984
Equipment	4,572,492	1,351,268	5,923,760
Infrastructure	81,579,924	114,423,628	196,003,552
Accumulated depreciation	(36,086,112)	(29,179,368)	(65,265,480)
Net capital assets	<u>78,163,446</u>	<u>103,449,502</u>	<u>181,612,948</u>
 Total assets	 <u>\$ 97,934,374</u>	 <u>\$ 113,874,363</u>	 <u>\$ 211,808,737</u>
LIABILITIES			
Accounts payable	\$ 905,594	\$ 647,254	\$ 1,552,848
Accrued liabilities	178,517	97,369	275,886
Due to other funds	265,151	1,396,275	1,661,426
Deposits payable	2,134,622	129,500	2,264,122
Noncurrent liabilities due within one year	463,405	1,531,186	1,994,591
Noncurrent liabilities due in more than one year	3,972,562	18,291,565	22,264,127
Total liabilities	<u>7,919,851</u>	<u>22,093,149</u>	<u>30,013,000</u>
NET POSITION			
Net investment in capital assets	74,598,446	83,658,220	158,256,666
Restricted for roads	95,687	-	95,687
Unrestricted	15,320,390	8,122,994	23,443,384
Total net position	<u>90,014,523</u>	<u>91,781,214</u>	<u>181,795,737</u>
 Total liabilities and net position	 <u>\$ 97,934,374</u>	 <u>\$ 113,874,363</u>	 <u>\$ 211,808,737</u>

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

CITY OF SARATOGA SPRINGS
Statement of Activities
For the Year Ended June 30, 2014

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,171,825	\$ 2,778,204	\$ -	\$ -	\$ 606,379	\$ -	\$ 606,379
Public safety	5,018,488	1,101,415	-	-	(3,917,073)	-	(3,917,073)
Highways and public works	2,666,666	1,105,971	123,870	2,502,760	1,065,935	-	1,065,935
Parks and recreation	2,635,964	652,831	-	-	(1,983,133)	-	(1,983,133)
Interest on long-term debt	142,332	-	-	-	(142,332)	-	(142,332)
Total governmental activities	<u>12,635,275</u>	<u>5,638,421</u>	<u>123,870</u>	<u>2,502,760</u>	<u>(4,370,224)</u>	<u>-</u>	<u>(4,370,224)</u>
Business-type activities:							
Water utility	5,001,698	5,976,789	-	1,530,820	-	2,505,911	2,505,911
Sewer utility	3,005,658	2,720,120	-	660,987	-	375,449	375,449
Storm drain utility	880,773	579,827	-	878,907	-	577,961	577,961
Garbage utility	1,028,024	893,984	-	-	-	(134,040)	(134,040)
Total business-type activities	<u>9,916,153</u>	<u>10,170,720</u>	<u>-</u>	<u>3,070,714</u>	<u>-</u>	<u>3,325,281</u>	<u>3,325,281</u>
Total primary government	<u>\$ 22,551,428</u>	<u>\$ 15,809,141</u>	<u>\$ 123,870</u>	<u>\$ 5,573,474</u>	<u>\$ (4,370,224)</u>	<u>\$ 3,325,281</u>	<u>\$ (1,044,943)</u>
General revenues:							
Property taxes					2,686,613	-	2,686,613
General sales and use tax					2,653,278	-	2,653,278
Franchise tax					221,085	-	221,085
Energy tax					870,992	-	870,992
Investment earnings					74,332	56,267	130,599
Total general revenues					<u>6,506,300</u>	<u>56,267</u>	<u>6,562,567</u>
Change in net position					2,136,076	3,381,548	5,517,624
Net position - beginning					87,878,447	88,399,666	176,278,113
Net position - ending					<u>\$ 90,014,523</u>	<u>\$ 91,781,214</u>	<u>\$ 181,795,737</u>

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

CITY OF SARATOGA SPRINGS
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects	Special Revenue	
ASSETS				
Cash and cash equivalents	\$ 4,236,250	\$ 10,790,106	\$ 313,459	\$ 15,339,815
Accounts receivable, net of allowance	757,461	244,280	21,652	1,023,393
Due from other funds	296,275	1,100,000	-	1,396,275
Due from other governmental units	2,010,708	-	-	2,010,708
Prepays	737	-	-	737
Total assets	<u>\$ 7,301,431</u>	<u>\$ 12,134,386</u>	<u>\$ 335,111</u>	<u>\$ 19,770,928</u>
LIABILITIES				
Accounts payable	\$ 547,584	\$ 351,050	\$ 6,960	\$ 905,594
Due to other funds	265,151	-	-	265,151
Accrued liabilities	178,517	-	-	178,517
Deposits payable	2,134,622	-	-	2,134,622
Total liabilities	<u>3,125,874</u>	<u>351,050</u>	<u>6,960</u>	<u>3,483,884</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>2,010,708</u>	<u>-</u>	<u>-</u>	<u>2,010,708</u>
FUND BALANCES				
Nonspendable - prepaid expenditures	737	-	-	737
Restricted for - roads	95,687	-	-	95,687
Committed for - capital projects	-	11,783,336	-	11,783,336
Assigned to - street lights	-	-	328,151	328,151
Unassigned fund balance	2,068,425	-	-	2,068,425
Total fund balances	<u>2,164,849</u>	<u>11,783,336</u>	<u>328,151</u>	<u>14,276,336</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,301,431</u>	<u>\$ 12,134,386</u>	<u>\$ 335,111</u>	<u>\$ 19,770,928</u>

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

CITY OF SARATOGA SPRINGS
Balance Sheet Reconciliation to Statement of Net Position - Governmental Funds
June 30, 2014

Total fund balances - governmental funds:		\$ 14,276,336
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		78,163,446
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		2,010,708
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(3,565,000)	
Capital lease payable	(376,226)	
Compensated absences payable	(494,741)	
		<u>(4,435,967)</u>
Net position of government activities		<u><u>\$ 90,014,523</u></u>

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

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects	Special Revenue	
Revenues:				
Taxes	\$ 6,320,529	\$ -	\$ -	\$ 6,320,529
Licenses and permits	583,374	-	-	583,374
Intergovernmental revenue	682,551	1,944,079	-	2,626,630
Charges for services	2,528,157	1,896,232	173,925	4,598,314
Fines and forfeitures	376,887	-	-	376,887
Investment earnings	23,989	48,633	1,710	74,332
Other	79,846	-	-	79,846
Total revenues	<u>10,595,333</u>	<u>3,888,944</u>	<u>175,635</u>	<u>14,659,912</u>
Expenditures:				
Current:				
General government	1,980,200	7,895	130,464	2,118,559
Public safety	5,418,919	5,263	-	5,424,182
Highways and public works	871,826	717,533	-	1,589,359
Parks and recreation	962,259	417,005	-	1,379,264
Capital expenditures	-	4,135,524	-	4,135,524
Debt service:				
Principal retirement	150,000	-	-	150,000
Interest and fiscal charges	142,332	-	-	142,332
Total expenditures	<u>9,525,536</u>	<u>5,283,220</u>	<u>130,464</u>	<u>14,939,220</u>
Excess revenues over (under) expenditures	<u>1,069,797</u>	<u>(1,394,276)</u>	<u>45,171</u>	<u>(279,308)</u>
Other financing sources (uses):				
Capital lease	211,322	-	-	211,322
Transfers in	-	2,231,485	-	2,231,485
Transfers out	(2,231,485)	-	-	(2,231,485)
Total other financing sources and uses	<u>(2,020,163)</u>	<u>2,231,485</u>	<u>-</u>	<u>211,322</u>
Net change in fund balances	(950,366)	837,209	45,171	(67,986)
Fund balances - beginning of year	<u>3,115,215</u>	<u>10,946,127</u>	<u>282,980</u>	<u>14,344,322</u>
Fund balances - end of year	<u>\$ 2,164,849</u>	<u>\$ 11,783,336</u>	<u>\$ 328,151</u>	<u>\$ 14,276,336</u>

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

CITY OF SARATOGA SPRINGS
Statement of Changes Reconciliation to Statement of Activities - Governmental Funds
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds \$ (67,986)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized expenditures exceeded depreciation in the current period.

Capitalized expenditures	6,813,520	
Depreciation expense	<u>(4,885,936)</u>	
		1,927,584

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

Change in unavailable revenue - property taxes	<u>111,438</u>	
		111,438

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

Change in accrued compensated absences	<u>(23,007)</u>	
		(23,007)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the statement of activities.

Capital lease financing	(211,322)	
Principal repayments on bonds	270,270	
Payment on capital lease	<u>129,099</u>	
		188,047

Change in net position of governmental activities		<u><u>\$ 2,136,076</u></u>
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The notes to the financial statement are an integral part of this statement.

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes:				
Property	\$ 2,527,033	\$ 2,527,033	\$ 2,575,174	\$ 48,141
Sales	2,293,862	2,293,862	2,653,278	359,416
Franchise	239,800	239,800	221,085	(18,715)
Energy	712,900	712,900	870,992	158,092
Licenses and permits	482,100	482,100	583,374	101,274
Intergovernmental revenue	1,074,652	782,202	682,551	(99,651)
Charges for services	2,096,224	3,618,655	2,528,157	(1,090,498)
Fines and forfeitures	371,265	369,265	376,887	7,622
Investment earnings	20,800	2,800	23,989	21,189
Other	1,355,138	66,480	79,846	13,366
	<u>11,173,774</u>	<u>11,095,097</u>	<u>10,595,333</u>	<u>(499,764)</u>
Total revenues				
Expenditures:				
General government	4,354,049	2,417,307	1,980,200	(437,107)
Public safety	4,897,602	5,503,147	5,418,919	(84,228)
Highways and streets	680,014	1,699,185	871,826	(827,359)
Parks and recreation	949,659	1,136,686	962,259	(174,427)
Debt service:				
Principal retirement	150,000	150,000	150,000	-
Interest and fiscal charges	142,450	142,450	142,332	-
	<u>11,173,774</u>	<u>11,048,775</u>	<u>9,525,536</u>	<u>(1,523,121)</u>
Total expenditures				
Excess revenues over (under) expenditures	<u>-</u>	<u>46,322</u>	<u>1,069,797</u>	<u>1,023,357</u>
Other financing sources (uses):				
Capital leases	-	-	211,322	211,322
Transfers out	(78,027)	(2,231,485)	(2,231,485)	-
Total other financing sources (uses)	<u>(78,027)</u>	<u>(2,231,485)</u>	<u>(2,020,163)</u>	<u>211,322</u>
Net change in fund balance	(78,027)	(2,185,163)	(950,366)	1,234,679
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>3,115,215</u>	<u>-</u>
Fund balance - end of year	<u>\$ (78,027)</u>	<u>\$ (2,185,163)</u>	<u>\$ 2,164,849</u>	<u>\$ 1,234,679</u>

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

CITY OF SARATOGA SPRINGS
Statement of Net Position
Proprietary Funds
June 30, 2014

	Major Funds				Total
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,383,024	\$ 2,718,105	\$ 1,554,498	\$ 181,675	\$ 8,837,302
Cash - restricted	646,003	-	-	-	646,003
Accounts receivable - net	242,930	232,058	47,931	98,057	620,976
Due from other funds	265,151	-	-	-	265,151
Inventory	55,429	-	-	-	55,429
Total current assets	<u>5,592,537</u>	<u>2,950,163</u>	<u>1,602,429</u>	<u>279,732</u>	<u>10,424,861</u>
Noncurrent assets:					
Capital assets:					
Water rights	15,231,188	-	-	-	15,231,188
Construction work in process	1,035,399	587,387	-	-	1,622,786
Water capacities	51,648,591	-	-	-	51,648,591
Culinary water system	17,363,173	-	-	-	17,363,173
Secondary water system	8,117,962	-	-	-	8,117,962
Sewer system	-	20,852,408	-	-	20,852,408
Storm drain system	-	-	16,441,494	-	16,441,494
Equipment	493,028	715,125	143,115	-	1,351,268
Less: Accumulated depreciation	(19,501,863)	(6,373,012)	(3,304,493)	-	(29,179,368)
Total capital assets	<u>74,387,478</u>	<u>15,781,908</u>	<u>13,280,116</u>	<u>-</u>	<u>103,449,502</u>
Total noncurrent assets	<u>74,387,478</u>	<u>15,781,908</u>	<u>13,280,116</u>	<u>-</u>	<u>103,449,502</u>
Total assets	<u>\$ 79,980,015</u>	<u>\$ 18,732,071</u>	<u>\$ 14,882,545</u>	<u>\$ 279,732</u>	<u>\$ 113,874,363</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 291,450	\$ 263,697	\$ 22,673	\$ 69,434	\$ 647,254
Due to other funds	1,396,275	-	-	-	1,396,275
Compensated absences	13,623	386	-	-	14,009
Customer deposits payable	126,760	2,740	-	-	129,500
Accrued interest payable	97,369	-	-	-	97,369
Bonds and contracts payable - current	1,515,000	-	-	-	1,515,000
Capital leases payable - current	2,177	-	-	-	2,177
Total current liabilities	<u>3,442,654</u>	<u>266,823</u>	<u>22,673</u>	<u>69,434</u>	<u>3,801,584</u>
Noncurrent liabilities:					
Compensated absences	16,889	571	-	-	17,460
Bonds and contracts payable	18,269,960	-	-	-	18,269,960
Capital leases payable	4,145	-	-	-	4,145
Total noncurrent liabilities	<u>18,290,994</u>	<u>571</u>	<u>-</u>	<u>-</u>	<u>18,291,565</u>
Total liabilities	<u>21,733,648</u>	<u>267,394</u>	<u>22,673</u>	<u>69,434</u>	<u>22,093,149</u>
NET POSITION					
Net investment in capital assets	54,596,196	15,781,908	13,280,116	-	83,658,220
Unrestricted	3,650,171	2,682,769	1,579,756	210,298	8,122,994
Net position	<u>58,246,367</u>	<u>18,464,677</u>	<u>14,859,872</u>	<u>210,298</u>	<u>91,781,214</u>
Total liabilities and net position	<u>\$ 79,980,015</u>	<u>\$ 18,732,071</u>	<u>\$ 14,882,545</u>	<u>\$ 279,732</u>	<u>\$ 113,874,363</u>

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

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Major Funds				Total
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	
Operating revenue:					
Charges for services	\$ 3,268,055	\$ 2,177,281	\$ 407,506	\$ 893,984	\$ 6,746,826
Connection and other fees	1,371,388	112,000	-	-	1,483,388
Other	52,648	-	-	-	52,648
Total operating revenues	<u>4,692,091</u>	<u>2,289,281</u>	<u>407,506</u>	<u>893,984</u>	<u>8,282,862</u>
Operating expenses:					
Personnel services	491,343	100,603	-	-	591,946
Supplies and maintenance	546,398	637,933	220,666	-	1,404,997
Professional services	36,320	29,223	-	-	65,543
Administration	714,513	434,483	256,984	37,768	1,443,748
Power and pumping	498,993	50,993	-	-	549,986
Treatment and sanitation	164,753	1,021,863	-	986,030	2,172,646
Depreciation	2,287,721	717,137	403,123	-	3,407,981
Other	8,420	13,423	-	4,226	26,069
Total operating expenses	<u>4,748,461</u>	<u>3,005,658</u>	<u>880,773</u>	<u>1,028,024</u>	<u>9,662,916</u>
Operating income (loss)	<u>(56,370)</u>	<u>(716,377)</u>	<u>(473,267)</u>	<u>(134,040)</u>	<u>(1,380,054)</u>
Nonoperating revenue (expense):					
Investment earnings	31,657	14,390	8,517	1,703	56,267
Interest expense	(253,237)	-	-	-	(253,237)
Total nonoperating revenues (expenses)	<u>(221,580)</u>	<u>14,390</u>	<u>8,517</u>	<u>1,703</u>	<u>(196,970)</u>
Income (loss) before contributions and transfers	<u>(277,950)</u>	<u>(701,987)</u>	<u>(464,750)</u>	<u>(132,337)</u>	<u>(1,577,024)</u>
Capital contributions	1,530,820	660,987	878,907	-	3,070,714
Impact fees	1,284,698	430,839	172,321	-	1,887,858
Change in net position	<u>2,537,568</u>	<u>389,839</u>	<u>586,478</u>	<u>(132,337)</u>	<u>3,381,548</u>
Net position - beginning	<u>55,708,799</u>	<u>18,074,838</u>	<u>14,273,394</u>	<u>342,635</u>	<u>88,399,666</u>
Net position - ending	<u>\$58,246,367</u>	<u>\$ 18,464,677</u>	<u>\$14,859,872</u>	<u>\$ 210,298</u>	<u>\$ 91,781,214</u>

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

CITY OF SARATOGA SPRINGS
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Major Funds				Total
	Water Utility	Sewer Utility	Storm Drain Utility	Garbage Utility	
Cash flows from operating activities					
Receipts from customers	\$ 4,614,415	\$ 2,283,264	\$ 405,144	\$ 891,232	\$ 8,194,055
Payments to suppliers	(1,072,198)	(1,824,574)	(198,722)	(1,069,166)	(4,164,660)
Payment to employees	(487,657)	(101,945)	-	-	(589,602)
Payments for interfund services used	(714,513)	(434,483)	(256,984)	(37,768)	(1,443,748)
Net cash provided (used) by operating activities	<u>2,340,047</u>	<u>(77,738)</u>	<u>(50,562)</u>	<u>(215,702)</u>	<u>1,996,045</u>
Cash flows from noncapital financing activities					
Advances to other funds	(265,151)	-	-	-	(265,151)
Advance from other funds	1,100,000	-	-	-	1,100,000
Net cash provided (used) by noncapital financing activities	<u>834,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>834,849</u>
Cash flows from capital and related financing activities					
Purchases of capital assets	(2,018,709)	(720,941)	-	-	(2,739,650)
Proceeds from the sale of assets	-	-	36,007	-	36,007
Proceeds of capital-type special assessments	1,284,698	430,839	172,321	-	1,887,858
Principal paid on capital lease and debt	(1,750,144)	(171)	(9,297)	-	(1,759,612)
Interest paid on capital lease and debt	(246,169)	-	-	-	(246,169)
Net cash provided (used) by capital and related financing activities	<u>(2,730,324)</u>	<u>(290,273)</u>	<u>199,031</u>	<u>-</u>	<u>(2,821,566)</u>
Cash flows from investing activities					
Interest and dividends received	31,657	14,390	8,517	1,703	56,267
Investment in restricted cash	29,129	-	-	-	29,129
Net cash provided (used) by investing activities	<u>60,786</u>	<u>14,390</u>	<u>8,517</u>	<u>1,703</u>	<u>85,396</u>
Net increase (decrease) in cash and cash equivalents	505,358	(353,621)	156,986	(213,999)	94,724
Cash and cash equivalents - beginning	<u>3,877,666</u>	<u>3,071,726</u>	<u>1,397,512</u>	<u>395,674</u>	<u>8,742,578</u>
Cash and cash equivalents (deficit) - ending	<u>\$ 4,383,024</u>	<u>\$ 2,718,105</u>	<u>\$ 1,554,498</u>	<u>\$ 181,675</u>	<u>\$ 8,837,302</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income	\$ (56,370)	\$ (716,377)	\$ (473,267)	\$ (134,040)	\$ (1,380,054)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	2,287,721	717,137	403,123	-	3,407,981
(Increase)/decrease in accounts receivable	(16,895)	(8,757)	(2,362)	(2,752)	(30,766)
(Increase)/decrease in inventory	18,477	-	-	-	18,477
(Decrease)/increase in accounts payable	164,209	(71,139)	21,944	(78,910)	36,104
(Decrease)/increase in compensated absences	3,686	(1,342)	-	-	2,344
(Decrease)/increase in deposits payable	(60,781)	2,740	-	-	(58,041)
Total adjustments	<u>2,396,417</u>	<u>638,639</u>	<u>422,705</u>	<u>(81,662)</u>	<u>3,376,099</u>
Net cash provided (used) by operating activities	<u>\$ 2,340,047</u>	<u>\$ (77,738)</u>	<u>\$ (50,562)</u>	<u>\$ (215,702)</u>	<u>\$ 1,996,045</u>
Schedule of non-cash capital and related financing activities:					
Contribution of capital assets	\$ 1,530,820	\$ 660,987	\$ 878,907	\$ -	\$ 3,070,714

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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies

The City of Saratoga Springs (City) was incorporated in December 1997. The City operates under a council manager form of government and provides the following services as authorized by its charter: public safety (police, fire, inspection and animal control), streets and highways, public utilities (refuse collection, water and sewer), parks and recreation and general administrative services. The financial statements of the City of Saratoga Springs have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

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

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related Governmental Accounting Standards. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent on the City.

The City has no component units.

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the City's assets, deferred inflows, liabilities and deferred outflows, with the difference reported as net position. Net position is restricted when constraints placed upon it is either externally imposed or is imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies – Continued

B. Government-wide and Fund Financial Statements - Continued

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

The City reports the following governmental funds:

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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting – Continued

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

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

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

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

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

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

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

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

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operation. The principal operating revenues of the enterprise funds are charges to customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies – Continued

D. Budgets

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

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

Utah State allows for any unassigned fund balances in excess of 5% of total revenue of the general fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 25% of the total estimated revenue of the general fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the City has one year to determine an appropriate use and then the excess must be included as an available resource in the general fund budget.

E. Taxes

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

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

F. Capital Assets

Capital assets, which include land, buildings, property, plant, equipment, water rights, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies – Continued

F. Capital Assets - Continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are carried at cost or estimated historical cost. Depreciation of these assets is computed by use of the straight-line method over their estimated useful lives as follows:

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

G. Long-Term Obligation

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

H. Equity Classifications

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

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

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

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

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

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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies – Continued

H. Equity Classifications - Continued

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

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

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

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

I. Cash and Cash Equivalents

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

J. Use of Estimates

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

K. Deferred Outflows/Inflows of Resources

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

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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 2 - Deposits and Investments

As of June 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 21,521,179	85 days *	not rated
Total	<u>\$ 21,521,179</u>		

* Weighted-average maturity

A. Custodial Credit Risk

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

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be recovered. The City’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The City’s deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City’s bank balances at June 30, 2014 were \$2,172,389 of which \$1,922,389 were uninsured and uncollateralized.

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

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City’s policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first-tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act. The City is also authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances. The fair value of the PTIF investment pool exceeded its amortized cost basis by \$122,050 at June 30, 2014.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 2 - Deposits and Investments - Continued

C. Interest Rate Risk

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

D. Restricted Cash

The City maintains cash in accounts held by third party custodians that are restricted for the use of bond payments. The amount of restricted cash at June 30, 2014 was \$646,003.

Note 3 - Accounts Receivable – Unearned Revenue

Accounts receivable are recorded net of the allowance for doubtful accounts of \$75,000 in the enterprise fund. Unearned revenue in the governmental funds consist of property taxes receivable that will not be collected in sufficient time to be classified as revenue in the current fiscal year.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 18,402,042	\$ 318,871	\$ -	\$ 18,720,913
Construction in process	915,416	3,117,727	(716,898)	3,316,245
Total	19,317,458	3,436,598	(716,898)	22,037,158
Capital assets, being depreciated:				
Buildings	6,059,984		-	6,059,984
Machinery and equipment	3,790,527	781,965	-	4,572,492
Improvements	-	-	-	-
Infrastructure	78,193,384	3,386,540	-	81,579,924
Total	88,043,895	4,168,505	-	92,212,400
Less accumulated depreciation for:				
Buildings	(900,970)	(286,482)	-	(1,187,452)
Machinery and equipment	(2,370,197)	(232,161)	-	(2,602,358)
Improvements	-	-	-	-
Infrastructure	(27,929,009)	(4,367,293)	-	(32,296,302)
Total	(31,200,176)	(4,885,936)	-	(36,086,112)
Capital assets, being depreciated, net	56,843,719	(717,431)	-	56,126,288
	<u>\$ 76,161,177</u>	<u>\$ 2,719,167</u>	<u>\$ (716,898)</u>	<u>\$ 78,163,446</u>
Business-type activities:				
Capital assets, not being depreciated:				
Water rights	\$ 14,998,026	\$ 233,102	\$ -	\$ 15,231,188
Construction in progress	437,686	1,349,287	(164,187)	1,622,786
Total	15,435,712	1,582,389	(164,187)	16,853,974
Capital assets, being depreciated:				
Water capacity	10,950,988	-	-	10,950,988
Culinary water system	56,198,727	1,862,049	-	58,060,776
Secondary water irrigation system	7,681,622	436,340	-	8,117,962
Sewer system	20,191,330	661,078	-	20,852,408
Storm drain system	15,562,587	878,907	-	16,441,494
Equipment	833,565	542,952	(25,249)	1,351,268
Total	111,418,819	4,381,326	(25,249)	115,774,896
Less accumulated depreciation for:				
Water capacity	(4,543,794)	(547,550)	-	(5,091,344)
Culinary water system	(11,292,263)	(1,342,750)	-	(12,635,013)
Secondary water irrigation system	(1,025,153)	(384,006)	-	(1,409,159)
Sewer system	(5,444,347)	(682,514)	-	(6,126,861)
Storm drain system	(2,783,012)	(390,896)	-	(3,173,908)
Equipment	(682,836)	(60,265)	18	(743,083)
Total accumulated depreciation	(25,771,404)	(3,407,981)	18	(29,179,368)
Capital assets, being depreciated, net	85,647,415	973,345	(25,231)	86,595,528
Business-type activities capital assets, net	<u>\$ 101,083,127</u>	<u>\$ 2,555,734</u>	<u>\$ (189,418)</u>	<u>\$ 103,449,502</u>

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 4 - Capital Assets – Continued

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

Governmental activities:

General government	\$ 230,350
Public safety	188,088
Highways and public works	2,987,390
Parks and recreation	1,480,108
Total depreciation expense - governmental activities	<u>\$ 4,885,936</u>

Business-type activities:

Water utility	\$ 2,287,723
Sewer utility	717,135
Storm drain utility	403,122
Total depreciation expense - business-type activities	<u>\$ 3,407,981</u>

Combined depreciation expense	<u>\$ 8,293,917</u>
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Note 5 - Compensated Absences

Accumulated unpaid vacation, compensatory leave pay and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). In the governmental funds (using the modified accrual basis of accounting) only the unpaid amounts due to retired or terminated employees are recorded as liabilities. All City employees are paid from the general fund. The total compensated absences liability is reported in the government wide financial statements as long-term debt in accordance with the Governmental Accounting Standards. Based on historical estimates, the City estimates that \$164,205 of the compensated absences balance will be due in the next year.

Note 6 - Retirement Plans

A. Plan Description

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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 6 - Retirement Plans - Continued

A. Plan Description - Continued

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirements Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Non-contributory Retirement System, the Public Safety Retirement System, and the Firefighters Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems at 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-753-7361.

B. Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems which they belong; 16.71% for the Firefighters Tier 1 Retirement System. The City is required to contribute a percent of covered salary to the respective systems, 13.99% for the Contributory System, 17.29% to the Noncontributory System, 20.51% to the public safety Division A Contributory Tier 2 System, 32.20% to the Public Safety Division B Noncontributory Tier 1 System, 4.46% to the Firefighter division B Tier 1 System, and 11.02% to the Firefighters Division B Tier 2 System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. The City has paid 100% of the required contributions.

The City's contributions to the various systems for June 30, 2014, 2013 and 2012 were as follows:

A. Local Governmental System – Contributory

<u>2014</u>	<u>2013</u>	<u>2012</u>	
\$ 18,444	\$ 1,868	\$ 1,160	Employer contributions
216,989	21,831	15,287	Salary subject to contributions

B. Local Governmental System – Noncontributory

<u>2014</u>	<u>2013</u>	<u>2012</u>	
\$ 386,781	\$ 370,808	\$ 277,930	Employer contributions
2,172,730	2,119,048	2,018,379	Salary subject to contributions

C. Utah Public Safety System – Public Safety

• Other Division A Contributory

<u>2014</u>	<u>2013</u>	<u>2012</u>	
\$ 5,357	\$ 0	\$ 0	Employer contributions
48,613	0	0	Salary subject to contributions

• Other Division B Contributory

<u>2014</u>	<u>2013</u>	<u>2012</u>	
\$ 306,987	\$ 298,985	\$ 267,246	Employer contributions
1,132,533	1,123,354	1,135,530	Salary subject to contributions

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 6 - Retirement Plans – Continued

D. Local Governmental System – Firefighters

<u>2014</u>	<u>2013</u>	<u>2012</u>	
\$ 38,677	\$ 43,907	\$ 52,419	Employer paid for employee contributions
19,971	15,144	7,010	Employer contributions
319,011	349,961	391,058	Salary subject to contributions

Note 7 - Deferred Compensation Plan

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

Contributions to the plans are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
457 Plan			
Employee Contributions	\$ 44,156	\$ 43,907	\$ 46,430
Employer Contributions	-	-	226
401(k) Plan			
Employee Contributions	77,132	81,547	79,620
Employer Contributions	284,293	326,333	324,687
Traditional IRA Plan			
Employee Contributions	60	130	125
Roth IRA Plan			
Employee Contributions	12,269	9,226	9,715

Note 8 - Interfund Transfers

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2014 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ -	\$ 2,231,485
Capital Projects	<u>2,231,485</u>	<u>-</u>
	<u>\$ 2,231,485</u>	<u>\$ 2,231,485</u>

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 8 - Interfund Transfers - Continued

The purpose of the inter-fund transfers is to meet the City's ongoing cash needs for capital projects. In addition to the transfers, the General Fund charged \$1,308,658 to the enterprise funds for personnel and administrative services and facility costs during the year.

Note 9 - Contingent Liabilities

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

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

On March 30, 2010 the City entered into an agreement with a neighboring municipality to provide police services. For the year ended June 30, 2014 the City received \$843,729 for the service.

The City has entered into an agreement with a developer to reimburse the developer for installing added improvements to the sewer system. The City will pay the developer \$700 for each connection to the north sewer system service area until the year 2020 up to a maximum of \$2,200,396. The City makes payments to the developer as fees are collected. The total amount paid to the developer for the year ended June 30, 2014 was \$612,000.

Note 10 – Construction Commitments

The City has active construction projects as of June 30, 2014. The projects include construction of roads and utility system upgrades.

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>	<u>Estimated Completion</u>
All projects	\$ 365,480	\$ 474,796	May 2015

Note 11 - Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in the Local Governments Trust, a public entity risk pool. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The City carries \$2,000,000 of liability coverage and \$1,000,000 of fidelity bond coverage for the treasurer.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 11 - Risk Management – Continued

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

Note 12 – Leases

Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business Type Activities		
		Water Utility	Sewer Utility	Storm Drain Utility
Equipment	\$ 749,060	\$ 19,701	\$ -	\$ -
Accumulated depreciation	(402,902)	(19,701)	-	-
Total	\$ 346,158	\$ -	\$ -	\$ -

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

<u>Year Ending June 30</u>	Governmental Activities	Business Type Activities		
		Water Utility	Sewer Utility	Storm Drain Utility
2015	\$ 144,200	\$ 2,179	\$ -	\$ -
2016	92,111	1,940	-	-
2017	79,333	1,940	-	-
2018	60,582	921	-	-
2019	-	-	-	-
Total minimum lease payments	376,227	6,979	-	-
Less: amount representing interest	(31,519)	(654)	-	-
Present value of minimum lease payments	\$ 344,708	\$ 6,325	\$ -	\$ -

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 13 – Long-term Debt

A. Special Assessment Bonds

The 2012 series bonds will be repaid from assessments levied against the property owners benefited by the improvements made by the City in the special improvement district area. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government may draw from the established reserve fund to cover the deficiency. The bonds have a stated rate of interest of 0.75% - 4.45% with a maturity date of April 1, 2029.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	121,000	62,008	183,008
2016	122,000	60,761	182,761
2017	124,000	59,114	183,114
2018	126,000	57,242	183,242
2019	127,000	55,037	357,321
2020-2024	683,000	230,321	789,882
2025-2029	807,000	106,882	1,438,365
	<u>\$2,110,000</u>	<u>\$ 631,365</u>	<u>\$ 3,317,693</u>

B. Revenue Bonds

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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 13 – Long-term Debt - Continued

B. Revenue Bonds - Continued

2005 Water Revenue Bonds

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

Year Ending June 30	Principal	Interest	Total Debt Service
2015	94,000	53,568	147,568
2016	97,000	49,958	146,958
2017	101,000	46,234	147,234
2018	105,000	42,355	147,355
2019	109,000	38,323	147,323
2020-2024	611,000	125,606	736,606
2024-2026	278,000	16,128	294,128
	\$ 1,395,000	\$ 372,173	\$ 1,767,173

2006 Water Revenue Bonds

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

Year Ending June 30	Principal	Interest	Total Debt Service
2015	159,000	74,048	233,048
2016	164,000	68,960	232,960
2017	169,000	63,712	232,712
2018	175,000	58,304	233,304
2019	180,000	52,704	232,704
2020-2024	992,000	173,248	1,165,248
2025-2026	475,000	24,480	499,480
	\$ 2,314,000	\$ 515,456	\$ 2,829,456

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 13 – Long-term Debt – Continued

B. Revenue Bonds – Continued

2009 Water Revenue Bonds

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	52,000	26,249	78,249
2016	54,000	24,086	78,086
2017	57,000	21,840	78,840
2018	59,000	19,468	78,468
2019	62,000	17,014	79,014
2020-2024	347,000	44,428	391,428
Total	<u>\$ 631,000</u>	<u>\$ 153,085</u>	<u>\$ 784,085</u>

2011 Sales Tax Revenue Bonds

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

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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 13 – Long-term Debt – Continued

B. Revenue Bonds – Continued

2011 Sales Tax Revenue Bonds – Continued

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	155,000	135,450	290,450
2016	160,000	130,800	290,800
2017	165,000	126,000	291,000
2018	170,000	121,050	291,050
2019	175,000	114,250	289,250
2019-2023	990,000	464,187	1,454,187
2024-2028	1,200,000	261,435	1,461,435
2029-2031	550,000	34,240	584,240
	<u>\$ 3,565,000</u>	<u>\$ 1,387,412</u>	<u>\$ 4,952,412</u>

C. Note Payable

Culinary Water System

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	1,050,000	-	1,050,000
2016	1,050,000	-	1,050,000
2017	1,050,000	-	1,050,000
2018	1,050,000	-	1,050,000
2019	1,050,000	-	1,050,000
2019-2023	5,250,000	-	5,250,000
2024-2027	2,834,960	-	2,834,960
	<u>\$ 13,334,960</u>	<u>\$ -</u>	<u>\$ 13,334,960</u>

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2014

Note 13 – Long-term Debt – Continued

D. Changes in Long-term Debt

During the year ended June 30, 2014, the following activity occurred in liabilities reported as long-term:

	Balance			Balance	Due Within
	June 30, 2013	Additions	Retirements	June 30, 2014	One Year
Governmental Activities:					
2011 Sales Tax Revenue Bonds	\$ 3,835,270	\$ -	\$ (270,270)	\$ 3,565,000	\$ 155,000
Obligations Under Capital Lease	294,004	211,322	(129,099)	376,227	144,200
Compensated Absences	471,734	200,638	(177,632)	494,740	164,205
Total	<u>\$ 4,601,008</u>	<u>\$ 411,960</u>	<u>\$ (577,001)</u>	<u>\$ 4,435,967</u>	<u>\$ 463,405</u>
Business Type Activities:					
2005 Water Revenue Refunding Bonds	\$ 1,485,000	\$ -	\$ (90,000)	\$ 1,395,000	\$ 94,000
2006 Water Revenue Bonds	2,468,000	-	(154,000)	2,314,000	159,000
2009 Water Revenue Bonds	681,000	-	(50,000)	631,000	52,000
2012 Special Assessment Bonds	2,896,000	-	(786,000)	2,110,000	160,000
Contract payable	13,946,960	-	(612,000)	13,334,960	1,050,000
Obligations Under Capital Lease	17,264	-	(10,939)	6,325	2,177
Compensated Absences	29,124	17,123	(14,781)	31,466	14,009
Total	<u>\$ 21,523,348</u>	<u>\$ 17,123</u>	<u>\$ (1,717,720)</u>	<u>\$ 19,822,751</u>	<u>\$ 1,531,186</u>

Note 14 – Subsequent Events

On October 22, 2014 the City issued \$10,000,000 of bonds to refinance \$4,500,000 of outstanding obligations and provide \$6,000,000 for future capital project financing. The old bonds had interest rates ranging from 1.78% to 3.84%. The new bonds have an average interest rate of 2.85%.

SUPPLEMENTARY INFORMATION

CITY OF SARATOGA SPRINGS
Schedule of Expenditures of Federal Awards
June 30, 2014

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures/ Disbursements</u>	<u>Major Program</u>
<u>U.S. Department of Agriculture</u>				
<u>Passed Through the State of Utah Natural Resources Conservation Service</u>				
National Resources Conservation Service	688D764540	10.923	\$ 1,794,079	X
National Resources Conservation Service	688D764539	10.923	<u>24,993</u>	X
Total Federal Expenditures			<u>\$ 1,794,079</u>	

CITY OF SARATOGA SPRINGS
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014

Note – 1 Purpose of the Schedule

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to The City of Saratoga Springs' financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of The City of Saratoga Springs, it is not intended to and does not present either, the financial position, changes in fund balance or the current funds revenue and expenditures and other changes of The City of Saratoga Springs.

Note – 2 Significant Accounting Policies

Basis of Presentation – The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Awards – Pursuant to the Single Audit Act of 1984 (Public Law 98-402) and OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, insurance, or direct appropriations. Federal awards, accordingly, non-monetary federal awards, including federal surplus property, is included in federal awards and, therefore, is reported on the Schedule. It does not include direct federal cash assistance to individuals. Solicited contracts between the State and Federal Government for which the Federal Government procures tangible goods or services are not considered to be federal awards.

Type A and Type B programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establishes the levels of expenditures or expenses to be used in defining Type A and Type B federal awards programs. Type A programs, for The City of Saratoga Springs, are those programs which exceed \$300,000 in federal expenditures, distributions, or issuances for the fiscal year ended June 30, 2014.

Reporting Entity – The reporting entity is fully described in Note 1 of the City's financial statements. The Schedule includes all federal financial awards received directly from federal agencies as well as federal financial awards passed through from other governmental agencies for the year ended June 30, 2014.

Basis of Accounting – The expenditures in the Schedule are recognized as incurred based on the accrual basis of accounting and the cost accounting principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*. Under those cost principles, certain types of expenditures are not allowable or are limited to the amount of reimbursement.

Matching Costs – The Schedule does not include matching expenditures.

Direct and Indirect Flow-Through Federal Assistance – The majority of The City of Saratoga Springs' federal awards are received indirectly from the State of Utah.

STATISTICAL SECTION

CITY OF SARATOGA SPRINGS
STATISTICAL SECTION
June 30, 2014
(Unaudited)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Schedule 1
CITY OF SARATOGA SPRINGS
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities:										
Invested in capital assets, net of related debt	\$ 30,518,073	\$ 48,696,718	\$ 71,195,926	\$ 79,015,924	\$ 80,964,663	\$ 72,879,872	\$ 74,023,634	\$ 75,648,247	\$ 72,106,589	\$ 74,598,446
Restricted	4,952,261	5,842,246	8,446,142	10,597,938	9,436,161	5,418,579	6,879,966	7,890,183	600,591	95,687
Unrestricted	<u>1,074,401</u>	<u>3,114,889</u>	<u>967,824</u>	<u>342,310</u>	<u>1,411,862</u>	<u>2,384,845</u>	<u>2,636,561</u>	<u>4,941,530</u>	<u>15,171,267</u>	<u>15,320,390</u>
Total governmental activities										
Net assets	<u>\$ 36,544,735</u>	<u>\$ 57,653,853</u>	<u>\$ 80,609,892</u>	<u>\$ 89,956,172</u>	<u>\$ 91,812,686</u>	<u>\$ 80,683,296</u>	<u>\$ 83,540,161</u>	<u>\$ 88,479,960</u>	<u>\$ 87,878,447</u>	<u>\$ 90,014,523</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 32,018,536	\$ 45,526,681	\$ 57,048,125	\$ 62,062,064	\$ 62,465,261	\$ 80,299,189	\$ 79,011,572	\$ 80,775,067	\$ 79,532,232	\$ 83,658,220
Restricted	1,664,985	2,074,087	4,568,662	3,020,674	1,299,971	2,156,528	3,487,439	5,079,787	-	-
Unrestricted	<u>(83,839)</u>	<u>(1,482,535)</u>	<u>53,505</u>	<u>1,526,777</u>	<u>3,178,868</u>	<u>2,166,007</u>	<u>2,429,896</u>	<u>1,733,791</u>	<u>8,867,434</u>	<u>8,122,994</u>
Total business-type activities										
Net assets	<u>\$ 33,599,682</u>	<u>\$ 46,118,233</u>	<u>\$ 61,670,292</u>	<u>\$ 66,609,515</u>	<u>\$ 66,944,100</u>	<u>\$ 84,621,724</u>	<u>\$ 84,928,907</u>	<u>\$ 87,588,645</u>	<u>\$ 88,399,666</u>	<u>\$ 91,781,214</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 62,536,609	\$ 94,223,399	\$ 128,244,051	\$ 141,077,988	\$ 143,429,924	\$ 153,179,061	\$ 153,035,206	\$ 156,423,314	\$ 151,638,821	\$ 158,256,666
Restricted	6,617,246	7,916,333	13,014,804	13,618,612	10,736,132	7,575,107	10,367,405	12,969,970	600,591	95,687
Unrestricted	<u>990,562</u>	<u>1,632,354</u>	<u>1,021,329</u>	<u>1,869,087</u>	<u>4,590,730</u>	<u>4,550,852</u>	<u>5,066,457</u>	<u>6,675,321</u>	<u>24,038,701</u>	<u>23,443,384</u>
Total primary government										
Net assets	<u>\$ 70,144,417</u>	<u>\$ 103,772,086</u>	<u>\$ 142,280,184</u>	<u>\$ 156,565,687</u>	<u>\$ 158,756,786</u>	<u>\$ 165,305,020</u>	<u>\$ 168,469,068</u>	<u>\$ 176,068,605</u>	<u>\$ 176,278,113</u>	<u>\$ 181,795,737</u>

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

Schedule 2
CITY OF SARATOGA SPRINGS
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
EXPENSES										
Governmental Activities:										
General Government	\$ 829,609	\$ 1,064,188	\$ 1,638,279	\$ 1,611,513	\$ 1,199,630	\$ 1,292,510	\$ 1,291,631	\$ 1,998,497	\$ 2,609,093	\$ 2,171,825
Public Safety	1,169,177	1,934,221	3,352,802	3,318,850	3,010,953	3,669,436	4,651,168	4,833,686	4,960,936	5,018,488
Highways and Public Improvements	1,638,328	2,039,020	3,038,959	4,401,040	5,479,252	3,126,167	3,364,997	4,022,464	4,722,390	2,666,666
Parks and Recreation	346,692	451,937	834,999	1,421,153	1,784,119	1,614,955	1,738,032	1,899,678	2,438,028	2,635,964
Economic Development	-	-	880	1,425	3,168	-	-	-	-	-
Interest on Long-Term Debt	39,891	76,603	100,180	109,232	95,006	27,858	47,519	157,437	146,800	142,332
Total Governmental Activities	4,023,697	5,565,969	8,966,099	10,863,213	11,572,128	9,730,926	11,093,347	12,911,762	14,877,247	12,635,275
Business-type Activities:										
Water Utility	1,736,325	2,620,541	2,626,163	3,726,377	3,485,076	3,940,978	4,286,081	4,649,685	5,102,548	5,001,698
Sewer Utility	839,375	1,120,299	1,161,951	1,551,185	1,588,786	1,766,075	2,043,128	2,434,510	2,833,924	3,005,658
Garbage Utility	267,612	401,114	458,001	579,672	625,307	649,154	633,551	702,476	822,106	1,028,024
Storm Drain Utility	-	-	-	-	-	467,758	470,700	756,772	691,410	880,773
Total Business-type Activities	2,843,312	4,141,954	4,246,115	5,857,234	5,699,169	6,823,965	7,433,460	8,543,443	9,449,988	9,916,153
Total Primary Government Expenses	\$ 6,867,009	\$ 9,707,923	\$ 13,212,214	\$16,720,447	\$17,271,297	\$ 16,554,891	\$ 18,526,807	\$21,455,205	\$ 24,327,235	\$ 22,551,428
REVENUES										
Governmental Activities:										
Charges for Services										
General Government	\$ 1,944,629	\$ 2,757,952	\$ 2,616,829	\$ 1,340,052	\$ 643,604	\$ 893,642	\$ 734,865	\$ 2,473,625	\$ 4,081,953	\$ 2,778,204
Public Safety	-	17,827	419,557	295,758	414,455	500,334	715,131	1,894,515	1,039,947	1,101,415
Highways and Public Improvements	71,432	87,187	-	-	-	-	-	1,179,069	1,268,709	1,105,971
Parks and Recreation	-	45,575	55,750	874,933	103,641	128,501	150,558	888,193	886,054	652,831
Operating Grants and Contributions	249,690	436,226	322,409	400,110	387,031	713,486	1,719,874	1,118,658	172,388	123,870
Capital Grants and Contributions	7,028,447	21,313,394	26,048,845	13,586,365	6,883,169	5,754,442	5,740,308	2,664,043	672,095	2,502,760
Total Governmental Activities	9,294,198	24,658,161	29,463,390	16,497,218	8,431,900	7,990,405	9,060,736	10,218,103	8,121,146	8,265,051
Business-type Activities:										
Charges for Services										
Water Utility	1,925,323	4,036,103	1,192,492	1,366,764	1,430,353	1,944,116	2,222,973	6,393,708	6,154,942	5,976,789
Sewer Utility	1,027,164	1,534,738	863,291	890,102	1,290,128	1,671,891	1,970,431	2,488,427	2,674,392	2,720,120
Garbage Utility	284,038	363,106	480,279	585,684	668,184	679,208	745,432	596,706	639,307	893,984
Storm Drain Utility	-	-	-	-	-	145,373	148,947	808,855	895,505	579,827
Capital Grants and Contributions	5,597,732	10,632,313	16,209,498	8,318,095	2,877,659	5,724,324	2,223,380	1,238,142	-	3,070,714
Total Business-type Activities	8,834,257	16,566,260	18,745,560	11,160,645	6,266,324	10,164,912	7,311,163	11,525,838	10,364,146	13,241,434
Total Primary Government Revenues	\$ 18,128,455	\$ 41,224,421	\$ 48,208,950	\$27,657,863	\$14,698,224	\$ 18,155,317	\$ 16,371,899	\$21,743,941	\$ 18,485,292	\$ 21,506,485
Net (Expense)/Revenue:										
Governmental Activities	\$ 5,270,501	\$ 19,092,192	\$ 20,497,291	\$ 5,634,005	\$ (3,140,228)	\$ (1,740,521)	\$ (2,032,611)	\$ (2,693,659)	\$ (6,756,101)	\$ (4,370,224)
Business-type Activities	5,990,945	12,424,306	14,499,445	5,303,411	567,155	3,340,947	(122,297)	2,982,395	914,158	3,325,281
Total Primary Government Net Expense	\$ 11,261,446	\$ 31,516,498	\$ 34,996,736	\$10,937,416	\$ (2,573,073)	\$ 1,600,426	\$ (2,154,908)	\$ 288,736	\$ (5,841,943)	\$ (1,044,943)

Schedule 2 - Continued
CITY OF SARATOGA SPRINGS
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
EXPENSES										
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property Taxes	\$ 472,781	\$ 589,660	\$ 737,174	\$ 785,703	\$ 2,304,884	\$ 2,442,112	\$ 2,395,277	\$ 2,758,185	\$ 2,659,844	\$ 2,686,612
Sales and Use Taxes	359,176	641,275	868,029	1,246,985	1,495,027	1,723,051	1,881,168	2,162,610	2,360,544	2,653,278
Franchise Fees	268,661	400,554	131,526	141,716	193,385	158,393	227,207	212,494	199,838	221,085
Energy Taxes	-	-	314,617	450,148	480,352	549,691	632,865	655,845	793,113	870,992
Interest Earnings	120,280	385,433	561,210	508,018	223,094	56,812	98,172	73,233	89,897	74,332
Gain on Sale of Capital Assets	-	-	-	-	-	-	34,787	-	51,352	-
Other	-	-	-	579,705	300,000	(14,318,928)	(380,000)	309,789	-	-
Total Governmental Activities	<u>1,220,898</u>	<u>2,016,922</u>	<u>2,612,556</u>	<u>3,712,275</u>	<u>4,996,742</u>	<u>(9,388,869)</u>	<u>4,889,476</u>	<u>6,172,156</u>	<u>6,154,588</u>	<u>6,506,299</u>
Business-Type Activities:										
Interest Earnings	26,796	94,246	234,830	215,517	67,430	17,749	49,480	57,343	45,004	56,267
Other	-	-	-	(579,705)	(300,000)	14,318,928	380,000	6,569	-	-
Total Business-Type Activities	<u>26,796</u>	<u>94,246</u>	<u>234,830</u>	<u>(364,188)</u>	<u>(232,570)</u>	<u>14,336,677</u>	<u>429,480</u>	<u>63,912</u>	<u>45,004</u>	<u>56,267</u>
Total Primary Government General Revenue	<u>\$ 1,247,694</u>	<u>\$ 2,111,168</u>	<u>\$ 2,847,386</u>	<u>\$ 3,348,087</u>	<u>\$ 4,764,172</u>	<u>\$ 4,947,808</u>	<u>\$ 5,318,956</u>	<u>\$ 6,236,068</u>	<u>\$ 6,199,592</u>	<u>\$ 6,562,566</u>
Change in Net Assets:										
Governmental Activities	\$ 6,491,399	\$ 21,109,114	\$ 23,109,847	\$ 9,346,280	\$ 1,856,514	\$ (11,129,390)	\$ 2,856,865	\$ 4,559,799	\$ (601,513)	\$ 2,136,075
Business-Type Activities	<u>6,017,741</u>	<u>12,518,552</u>	<u>14,734,275</u>	<u>4,939,223</u>	<u>334,585</u>	<u>17,677,624</u>	<u>307,183</u>	<u>3,039,738</u>	<u>959,162</u>	<u>3,381,548</u>
Total Primary Government	<u>\$ 12,509,140</u>	<u>\$ 33,627,666</u>	<u>\$ 37,844,122</u>	<u>\$14,285,503</u>	<u>\$ 2,191,099</u>	<u>\$ 6,548,234</u>	<u>\$ 3,164,048</u>	<u>\$ 7,599,537</u>	<u>\$ 357,649</u>	<u>\$ 5,517,623</u>

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

Schedule 3
CITY OF SARATOGA SPRINGS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund:										
Unreserved, undesignated	\$ 693,258	\$ 637,022	\$ 637,523	\$ 200,514	\$ 767,756	\$ 1,601,996	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	-	-	-	1,782,816	2,478,911	2,508,347	2,068,425
All other governmental funds:										
Reserved:										
Roads and impact fees	4,548,176	5,842,246	-	-	-	-	-	-	-	-
Roads and capital improvements	-	-	7,777,648	810,413	170,162	6,048,717	-	-	-	-
Advance to sewer fund	404,085	300,927	-	-	-	-	-	-	-	-
Unreserved, undesignated:										
Special revenue funds	41,488	44,320	48,571	58,141	100,783	163,926	-	-	-	-
Capital Project Fund	216,396	2,142,776	913,673	9,764,797	9,302,490	(387,641)	-	-	-	-
Nonspendable - prepaid expenses:	-	-	-	-	-	-	22,459	7,628	6,277	737
Restricted:										
Capital project funds	-	-	-	-	-	-	7,373,476	7,271,642	-	-
General fund	-	-	-	-	-	-	-	610,913	600,591	95,687
Committed:										
Capital project funds	-	-	-	-	-	-	-	-	10,946,127	11,783,336
Assigned:										
Capital project funds	-	-	-	-	-	-	1,713,820	1,406,121	-	-
Street lighting	-	-	-	-	-	-	249,453	305,725	282,980	328,151
Total all other governmental funds	\$ 5,210,145	\$ 8,330,269	\$ 8,739,892	\$ 10,633,351	\$ 9,573,435	\$ 5,825,002	\$ 9,359,208	\$ 9,602,029	\$ 11,835,975	\$ 12,207,911

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

Schedule 4
CITY OF SARATOGA SPRINGS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues:										
Taxes	\$ 1,119,415	\$ 1,643,200	\$ 2,040,986	\$ 2,553,945	\$4,073,541	\$ 4,804,683	\$ 5,240,234	\$ 5,789,134	\$ 5,988,153	\$ 6,320,529
Licenses and Permits	674,756	898,102	865,624	516,266	228,197	301,258	321,571	563,917	648,974	583,374
Intergovernmental	204,890	560,558	627,459	409,345	363,569	4,138,356	1,799,494	1,063,618	844,483	2,626,630
Fees/Charges for Services	1,378,521	1,950,083	5,928,566	3,559,163	2,267,583	2,501,208	2,506,678	5,589,526	6,545,780	4,975,201
Impact Fees	1,607,444	3,737,048	-	-	-	-	-	-	-	-
Developer Contributions	-	1,098,000	5,280	778,060	-	-	-	-	-	-
Interest Earnings	-	-	561,210	508,018	223,094	56,812	98,172	66,551	89,897	74,332
Other	127,864	456,166	5,115	40,719	29,966	203,803	2,041,161	534,896	81,909	79,846
Total Revenues	\$ 5,112,890	\$ 10,343,157	\$10,034,240	\$ 8,365,516	\$7,185,950	\$ 12,006,120	\$12,007,310	\$13,607,642	\$ 14,199,196	\$ 14,659,912
Expenditures:										
General Government	\$ 2,131,993	\$ 946,167	\$ 1,718,133	\$ 1,614,753	\$1,137,079	\$ 1,211,931	\$ 1,256,561	\$ 1,919,556	\$ 2,294,465	\$ 2,118,559
Public Safety	1,252,097	3,495,737	3,765,665	3,169,752	2,915,047	5,122,624	4,613,424	4,582,135	5,229,313	5,295,083
Highways and Public Improvements	903,782	1,476,327	3,269,729	2,280,268	2,743,826	6,304,986	2,464,024	3,545,121	2,521,683	1,589,359
Parks and Recreation	323,626	1,477,515	1,393,201	578,584	830,865	1,627,197	2,264,012	2,665,475	953,329	1,379,264
Capital Expenditures	-	-	-	-	-	-	-	-	533,463	4,135,524
Economic Development	-	-	880	920	-	-	-	-	-	-
Debt Service:										
Capital Lease Payments	-	-	236,627	404,811	351,807	324,228	1,405,289	365,282	163,113	129,099
Principal retirement	46,346	99,895	-	-	-	-	-	140,000	145,000	150,000
Interest and fiscal charges	39,891	72,905	-	-	-	-	114,617	151,000	146,800	142,332
Total Expenditures	\$ 4,697,735	\$ 7,568,546	\$10,384,235	\$ 8,049,088	\$7,978,624	\$ 14,590,966	\$12,117,927	\$13,368,569	\$ 11,987,166	\$ 14,939,220
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	\$ 415,155	\$ 2,774,611	\$ (349,995)	\$ 316,428	\$ (792,674)	\$ (2,584,846)	\$ (110,617)	\$ 239,073	\$ 2,212,030	\$ (279,308)
Other Financing Sources (Uses):										
Proceeds From Obligations Under Capital Leases	\$ 1,395,621	\$ 289,277	\$ 760,119	\$ 534,135	\$ -	\$ 69,021	\$ 21,400	\$ 119,100	\$ -	\$ 211,322
Issuance of Sales Tax Revenue Bonds	-	-	-	-	-	-	4,000,000	-	-	-
Bond Premium	-	-	-	-	-	-	134,193	-	-	-
Proceeds From Sales of Capital Assets	-	-	-	26,182	-	-	50,050	200,743	51,352	-
Transfers In	428,681	796,842	503,677	1,493,351	300,000	-	750,130	2,538,216	2,428,616	2,231,485
Transfers Out	(428,681)	(796,842)	(503,677)	(913,646)	-	(398,368)	(1,130,130)	(2,538,216)	(2,428,616)	(2,231,485)
Total Other Financing Sources (Uses)	\$ 1,395,621	\$ 289,277	\$ 760,119	\$ 1,140,022	\$ 300,000	\$ (329,347)	\$ 3,825,643	\$ 319,843	\$ 51,352	\$ 211,322
Net Change in Fund Balances	\$ 1,810,776	\$ 3,063,888	\$ 410,124	\$ 1,456,450	\$ (492,674)	\$ (2,914,193)	\$ 3,715,026	\$ 558,916	\$ 2,263,382	\$ (67,986)
Debt service as a percentage of noncapital	1%	1%	2%	5%	4%	2%	13%	4%	7%	5%

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

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

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Fees	Energy Taxes	Total
2005	472,781	359,176	268,661	-	1,100,618
2006	589,660	641,275	400,554	-	1,631,489
2007	737,174	868,029	131,526	314,617	2,051,346
2008	785,703	1,246,985	141,716	450,148	2,624,552
2009	2,304,884	1,495,027	193,385	480,352	4,473,648
2010	2,442,112	1,723,051	158,393	549,691	4,873,247
2011	2,395,277	1,881,168	227,207	632,865	5,136,517
2012	2,758,185	2,162,610	212,494	655,845	5,789,134
2013	2,659,844	2,360,544	199,838	793,113	6,013,339
2014	\$ 2,686,612	\$ 2,653,278	\$ 221,085	\$ 870,992	\$ 6,431,967

Change:					
2005-2014	468.3%	638.7%	-17.7%	176.8%	484.4%

Note: (1) Comparison in change from FY2005 and FY2014

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

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

Calendar Year	Residential Property	Commercial Property	Miscellaneous Property	Total Assessed Value	Total Taxable Assessed Value	Total Direct Tax Rate
2004	207,581,071	21,253,190	33,532,919	262,367,180	251,203,286	0.001559
2005	317,685,146	37,482,579	24,410,377	379,578,102	368,386,322	0.001358
2006	403,813,760	36,579,918	24,902,808	465,296,486	446,676,129	0.001331
2007	703,649,723	45,666,410	46,532,533	795,848,666	770,569,048	0.000933
2008	932,667,853	62,553,999	49,865,634	1,045,087,486	1,017,244,323	0.002019
2009	761,281,348	108,869,886	54,449,296	924,600,530	895,096,173	0.002436
2010	677,853,887	112,726,260	56,471,741	847,051,888	818,019,054	0.002744
2011	613,123,034	104,439,630	39,673,599	757,236,263	744,534,001	0.003120
2012	554,081,621	88,261,615	134,695,645	777,038,881	763,106,508	0.003054
2013	\$ 625,910,515	\$ 90,163,478	\$ 115,855,901	\$ 831,929,894	\$ 818,244,896	0.002761

Source: Utah State Tax Commission and Utah County Treasurer
<http://propertytax.utah.gov/library/pdf/statistics/2013yevaluebyentity.pdf>

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

Calendar Year	Residential Property	Commercial Property	Miscellaneous Property	Fee-In-Lieu Value	Total Assessed Value
2004	207,581,071	21,253,190	33,532,919	1,633,642	264,000,822
2005	317,685,146	37,482,579	24,410,377	2,741,024	382,319,126
2006	403,813,760	36,579,918	24,902,808	752,668	466,049,154
2007	703,649,723	45,666,410	46,532,533	510,286	796,358,952
2008	932,667,853	62,553,999	49,865,634	347,430	1,045,434,916
2009	761,281,348	108,869,886	54,449,296	440,075	925,040,605
2010	677,853,887	112,726,260	56,471,741	503,524	847,555,412
2011	613,123,034	104,439,630	39,673,599	190,534	757,426,797
2012	554,081,621	88,261,615	134,695,645	208,986	777,247,867
2013	\$ 625,910,515	\$ 90,163,478	\$ 115,855,901	\$ 15,136,367	\$ 847,066,261

Source: Utah State Tax Commission

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

	Calendar Year				
	2009	2010	2011	2012	2013
Apparel stores	\$ 3,000	\$ 300,000	\$ 1,250,000	\$ 1,500,000	\$ 1,528,617
Building materials and farm tools	35,000	15,000	10,000	7,000	-
Eating establishments	2,750,000	3,973,501	4,000,000	5,013,366	16,782,513
Food stores	15,000	20,000	15,000	15,000	27,667,639
Manufacturing	2,540,000	4,686,158	1,000,000	350,000	3,329,945
Miscellaneous retail stores	4,140,183	1,244,042	4,891,000	6,330,000	75,484,409
Services	652,000	15,000	535,346	2,442,489	21,590,415
Wholesale	10,000	3,025,272	9,000	2,000	2,179,487
All other outlets	(2,729)	(18,378)	818,792	1,189,939	125,664,684
Total	\$ 10,142,454	\$ 13,260,595	\$ 12,529,138	\$ 16,849,794	\$ 274,227,709
City direct sales tax rate	2.20%	2.20%	2.20%	2.20%	2.20%

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

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

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

Schedule 9
CITY OF SARATOGA SPRINGS
Direct and Overlapping Property Tax Rates
Last Nine Calendar Years
(Rate per \$1,000 of Assessed Value)

Calendar Year	City Direct Rate	Overlapping Rates					Total Levy for Saratoga Springs Residents
		Utah County Levy	Local Assessment Levy	State Assessment/Collecting	Cent Utah Levy	Alpine School District	
2005	0.001358	0.001040	0.000178	0.000173	0.000400	0.008082	0.011231
2006	0.001331	0.001079	0.000044	0.000139	0.000357	0.006883	0.009833
2007	0.000933	0.000843	0.000036	0.000121	0.000302	0.006937	0.009172
2008	0.002019	0.000809	0.000175	0.000121	0.000286	0.007057	0.010467
2009	0.002436	0.000878	0.000183	0.000142	0.000400	0.007541	0.011580
2010	0.002744	0.001108	0.000024	0.000162	0.000421	0.008220	0.012679
2011	0.003120	0.001143	0.000027	0.000172	0.000436	0.008812	0.013710
2012	0.003054	0.001127	0.000029	0.000168	0.000455	0.008828	0.013661
2013	0.002761	0.001006	0.000095	0.000158	0.000474	0.008699	0.013193

Source: Utah County Assessors Office.

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

http://www.utahcounty.gov/dept/treas/tax_rates.asp

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

Fiscal Year	City Direct Rate	Utah County	State of Utah	Total
2005	1.00	0.25	4.75	6.00
2006	1.00	0.25	4.75	6.00
2007	1.00	0.25	4.75	6.00
2008	1.25	0.25	4.75	6.25
2009	1.25	0.25	4.70	6.20
2010	1.80	0.25	4.70	6.75
2011	1.80	0.25	4.70	6.75
2012	1.80	0.25	4.70	6.75
2013	1.80	0.25	4.70	6.75
2014	1.80	0.25	4.70	6.75

Source: Utah State Tax Commission

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

Schedule 11
CITY OF SARATOGA SPRINGS
Principal Property Taxpayers
Current and previous year

Taxpayer	2013			2012		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart	\$ 14,679,600	1	1.73%	\$ 14,679,600	1	1.89%
Scott McLachlan	11,006,329	2	1.30%	10,491,500	2	1.35%
Questar Gas	8,406,992	3	0.99%	6,007,164	3	0.77%
Pacificorp	5,741,240	4	0.68%	5,134,964	4	0.66%
Stations West	4,393,800	5	0.52%	4,590,900	5	0.59%
Saratoga Self-Storage	3,393,750	6	0.40%	2,700,000	7	0.41%
Towne Storage	3,069,060	7	0.36%	3,175,800	6	0.35%
Cougars Rock Investments	2,660,700	8	0.31%	2,660,700	8	0.34%
Aldara Apartment Associates	2,156,000	9	0.25%	2,156,000	9	0.28%
S3 Properties (Walgreens)	2,040,600	10	0.24%	2,040,600	10	0.26%
	<u>\$ 57,548,071</u>			<u>\$ 53,637,228</u>		

Source: Utah County Treasurer and City Finance Department

Note: No other information available at this time.

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

Tax Year End 12/31	Total Taxes Levied	Treasurer's Relief (1)	Net Taxes Assessed	Current Collections	Delinquent, Personal Property, and Misc. Collections (2)	Total Collections	% of Current Collections to Net Taxes Assessed
2005	503,991	24,242	479,749	423,621	146,626	570,247	88.30%
2006	606,342	32,254	574,088	531,510	191,661	723,171	92.58%
2007	719,417	10,406	709,011	579,792	159,660	739,452	81.77%
2008	2,054,518	38,475	2,016,043	1,468,836	270,146	1,738,982	72.86%
2009	2,181,526	7,717	2,173,809	1,763,228	543,549	2,306,777	81.11%
2010	2,246,026	14,729	2,231,297	1,934,821	520,414	2,455,235	86.71%
2011	2,322,946	19,180	2,303,766	2,079,374	575,767	2,655,141	90.26%
2012	2,330,527	15,364	2,315,163	2,134,668	678,428	2,813,096	92.20%
2013	\$ 2,300,968	\$ 151,612	\$ 2,149,356	\$ 2,007,713	\$ 226,980	\$ 2,234,693	93.41%

Source: Utah County Treasurer

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

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

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

Fiscal Year	Governmental Activities		Business-Type Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Sales Tax Revenue Bonds	Capital Leases	Water Interim Warrant Certificate	Water Revenue Bonds	Special Assessment Bonds	Culinary Water System Contract Payable	Capital Leases			
2005	-	1,405,365 (3)	-	2,181,000 (2)	-	-	-	3,586,365	2.09%	451
2006	-	1,594,747	-	2,631,000 (4)	-	19,287,750 (5)	68,599	23,582,096	10.60%	2,472
2007	-	2,217,921 (6)	2,675,534 (7)	4,717,595 (8)	-	18,164,750	91,608	27,867,408	10.05%	2,479
2008	-	2,455,702	6,122,986	5,048,595	-	17,306,750	127,143	31,061,176	9.13%	2,382
2009	-	2,199,243	6,122,986	4,842,595	-	16,942,750	81,172	30,188,746	7.56%	2,041
2010	-	1,895,779	- (9)	5,458,595	4,669,539 (9)	16,460,750	100,914	28,585,577	6.81%	1,731
2011	4,000,000 (10)	549,948 (10)	-	5,193,000	4,601,000	15,971,500	68,123	30,383,571	6.80%	1,709
2012	3,860,000	382,431	-	4,918,000	3,114,374 (11)	15,003,460	37,974	27,316,239	5.76%	1,526
2013	3,835,270	294,004	-	4,634,000	2,896,000	13,946,960	17,264	25,623,498	4.39%	1,212
2014	\$ 3,565,000	\$ 376,227 (12)	\$ -	\$ 4,340,000	\$ 2,110,000	\$ 13,334,960	\$ 6,325	\$ 23,732,512	unavailable	unavailable

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

- (1) See Schedule 17 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- (2) The City issued Water Revenue Bonds Series 2004 for \$2,244,000 in fiscal year 2004.
- (3) The City entered into a capital lease agreement for office building for \$1,343,410 in fiscal year 2005.
- (4) The City issued Water Revenue Bonds Series 2006 for \$3,500,000 in fiscal year 2006, but had drawn only \$600,000 by June 30,2006.
- (5) The City entered into a contract to pay \$21,000,000 for the purchase of an existing water system. There is no interest on the debt.
Principal payments are made for each new culinary water connection sold by the City.
- (6) The City entered into capital lease agreements for a dump truck, a street sweeper, an ambulance, and police vehicles for \$625,000 in fiscal year 2007.
- (7) The City issued an Interim Warrant Certificate for \$6,000,000 in fiscal year 2007, but had drawn only \$2,675,534 as of June 30,2007.
- (8) The City drew the remaining \$2,900,000 of the Water Revenue Bonds Series 2006.
- (9) The City issued Special Assessment Bonds Series 2009 for \$4,669,539 and retired the Interim Warrant Certificate in fiscal year 2010.
- (10) The City issued Sales Tax Revenue Bonds Series 2011 for \$4,000,000 and retired the lease on the office building in fiscal year 2011.
- (11) The City issued Special Assessment Bonds Series 2012 for \$3,114,374 and retired the Special Assessment Bonds Series 2009 in fiscal year 2012.
- (12) The City entered into capital lease agreements for police vehicles for \$211,322 in fiscal year 2014.

Schedule 14
CITY OF SARATOGA SPRINGS
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 10,494,687	\$ 15,183,124	\$ 18,611,859	\$ 31,833,947	\$ 41,803,499	\$ 36,984,021	\$ 33,882,076	\$ 30,289,451	\$ 31,081,555	\$ 33,277,196
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 10,494,687</u>	<u>\$ 15,183,124</u>	<u>\$ 18,611,859</u>	<u>\$ 31,833,947</u>	<u>\$ 41,803,499</u>	<u>\$ 36,984,021</u>	<u>\$ 33,882,076</u>	<u>\$ 30,289,451</u>	<u>\$ 31,081,555</u>	<u>\$ 33,277,196</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2013

Total assessed value	<u>\$ 831,929,894</u>
Debt limit - 4% of total assessed value	33,277,196
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 33,277,196</u>

Source: Utah County Treasurer

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

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

Schedule 15
CITY OF SARATOGA SPRINGS
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014
(amounts expressed in thousands)

Government Unit	Debt Outstanding (1)	Estimated % Applicable (2)	Estimated Share of Direct and Overlapping Debt
Alpine School District	\$ 412,085	5%	\$ 22,596
CUWCD	<u>257,522</u>	3%	<u>8,455</u>
Subtotal, overlapping debt	669,607		31,050
Saratoga Springs City direct debt	<u>24,260</u>		<u>24,260</u>
Total direct and overlapping debt	<u><u>\$ 693,867</u></u>		<u><u>\$ 55,310</u></u>

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

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

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

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

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

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

Source:

Utah State Auditor

Utah State Tax Commission

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

Fiscal Year	Water Revenue and Special Improvement District Bonds						Sales Tax Revenue Bonds					
	Water Charges and Other	Impact Fees (1)	Less:	Add:	Net Available Revenue	Debt Service			Sales Tax Revenues	Debt Service		
			Operating Expenses	Depreciation		Principal	Interest	Coverage		Principal	Interest	Coverage
2005	874,131	1,060,870	1,612,545	562,154	884,610	N/A	N/A	N/A	359,176	N/A	N/A	N/A
2006	1,106,085	1,273,823	2,515,980	1,684,991	1,548,919	N/A	N/A	N/A	589,660	N/A	N/A	N/A
2007	1,369,176	5,612,811	2,539,485	1,575,343	6,017,845	69,000	160,246	26.3	868,029	N/A	N/A	N/A
2008	1,566,855	1,946,853	3,532,631	1,892,892	1,873,969	199,000	187,341	4.9	1,246,985	N/A	N/A	N/A
2009	1,491,377	688,466	3,150,276	2,120,859	1,150,426	206,000	180,512	3.0	1,495,027	N/A	N/A	N/A
2010	1,957,038	4,375,575	3,451,286	2,144,841	5,026,168	250,000	204,462	11.1	1,723,051	N/A	N/A	N/A
2011	2,246,895	794,380	3,781,645	2,138,400	1,398,030	333,539	441,463	1.8	1,881,168	N/A	N/A	N/A
2012	4,205,638	1,251,779	4,241,147	2,144,295	3,360,565	436,000	428,506	3.9	2,162,610	140,000	148,500	7.5
2013	4,303,822	1,869,510	4,841,196	2,242,027	3,574,163	502,374	174,434	5.3	2,360,544	145,000	146,800	8.1
2014	\$ 4,723,748	\$ 1,284,698	\$ 4,748,461	\$ 2,287,721	\$ 3,547,706	\$ 1,080,000	\$ 252,431	2.7	\$ 2,653,278	\$ 270,270	\$ 139,950	6.5

Source: City Finance Department

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

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

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

Impact fees are specifically included as available for debt payment.

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

Fiscal Year	Population (3)	Personal Income (5)	Per Capita Personal Income (1)(4)	Median Age (1)(3)	Unemployment Rate (1)(2)
2004	7,946	171,808,412	21,622	24.1	4.8
2005	9,540	222,568,200	23,330	24.4	4.0
2006	11,241	277,225,542	24,662	24.8	2.9
2007	13,039	340,213,588	26,092	25.2	2.5
2008	14,788	399,497,820	27,015	25.6	3.4
2009	16,516	419,572,464	25,404	25.9	7.3
2010	17,781	447,032,121	25,141	26.1	7.9
2011	17,904	474,366,480	21,209	22.6	6.5
2012	21,137	583,888,488	27,624	22.6	5.5
2013	unavailable	unavailable	unavailable	unavailable	3.6

Sources:

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

Notes:

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

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

Schedule 18
CITY OF SARATOGA SPRINGS
PRINCIPAL EMPLOYERS
Current Year

Census:		Yearly	Yearly	%
Employer	Type of Business	Minimum	Maximum	of Total City
		Employees	Employees	Employment
				(1)
Wal-Mart Stores Inc	Retail/Grocery	350	500	34%
Alpine School District	Education	250	350	23%
Smith's Food & Drug #107	Grocery	100	120	8%
City of Saratoga Springs	Government	190	240	16%
Vivint/ARM Security	Home Security	40	60	4%
Lakeview Academy	Education	40	60	4%
Little Caesars	Restaurant	20	40	3%
JP Morgan Chase Bank	Financial Institution	20	40	3%
Del Taco #1088	Restaurant	20	40	3%
Walgreens	Retail	20	40	3%
		<u>1,050</u>	<u>1,490</u>	<u>100%</u>

Note:

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

Data range will increase to ten years over time

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

Full-time Equivalent Employees as of December 31										
Function:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
Administration	5.3	5.5	6.4	10.8	6.8	7.1	7.7	7.3	7.5	8.5
Attorney	0.0	0.0	1.0	0.0	0.5	0.5	0.5	1.5	1.5	2.5
Planning	3.0	3.0	5.6	4.8	3.0	1.0	2.0	2.0	3.0	3.5
Courts	0.0	0.0	0.0	0.0	1.0	1.0	2.0	2.4	2.4	3.0
Public Safety										
Police (1)	0.0	0.5	4.6	22.9	22.3	25.3	33.9	36.0	36.0	34.5
Fire	5.3	7.0	16.6	16.8	19.1	18.3	21.0	22.5	22.5	16.0
Building inspection	4.4	6.5	7.0	7.0	5.0	4.0	4.0	3.0	4.0	5.0
Public Works										
Public Works	0.0	0.0	0.0	1.0	1.0	1.0	1.0	2.4	2.4	6.0
Engineering	2.0	3.0	5.0	8.1	4.5	7.4	7.0	6.7	7.7	6.5
Highways and streets	1.4	6.1	5.5	4.1	3.0	3.0	2.0	2.0	2.0	4.0
Water	2.3	1.3	2.8	6.6	5.7	4.7	5.7	5.0	5.0	5.5
Sewer	1.4	2.5	0.8	1.3	1.3	0.3	2.3	3.0	3.0	3.0
Parks and Recreation	0.0	0.8	1.8	3.8	3.7	3.7	5.5	7.8	8.8	2.5
Total	25.1	36.2	57.1	87.2	76.9	77.3	94.6	101.6	105.8	100.5

Source: City Finance Department

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

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

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

	2014
Fire Protection	
Number of full-time employees	9
Number of part-time employees	46
Fire calls for service	354
Medical calls for service	436
Police Protection	
Number of officers	33
Police calls for service	12,529
Municipal Water Services	
Number of connections	5,899
Gallons billed/day	1,060,990
Municipal Sewer Services	
Number of connections	5,899
Municipal Refuse Services	
Number of first cans	4,962
Number of second cans	1,367
Number of recycle cans	4,759
Business Licenses	
Number of licenses issued	416
Building and Construction	
Number of building permits issued	310
Number of residential units - single family	243
Number of residential units - mulit-family	67
Parks and Recreation	
Number of football participants	208
Number of basketball participants	924
Number of soccer participants	1,371
Number of tball participants	240

Source: City Departments

Notes: Years available will increase to ten years over time

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

	2014
Streets	
Number of lane miles	80
Number of street lights	1,484
Fire Protection	
Number of stations	2
Number of fire hydrants	1,172
Number of fire pumping vehicles	2
Police Protection	
Number of Stations	2
Education	
Number of high schools	1
Number of junior high Schools	2
Number of elementary schools	6
Municipal Water Facilities	
Miles of water mains	197
Municipal Sewer Facilities	
Miles of sewer mains	91
Parks and Recreation	
Number of parks	21
Number of community centers	-
Park and open space acreage	211

Source: City Departments

Notes: Years available will increase to ten years over time

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

	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
ASSETS					
Cash and investments	\$ 9,074,510	\$ 14,789,577	\$ 17,181,142	\$ 23,064,986	\$ 24,177,117
Receivables, (net of allowance for uncollectibles)	6,758,872	3,762,661	3,541,742	1,461,995	1,644,369
Prepaid and inventories	164,663	114,842	100,010	80,183	56,166
Deferred charges	244,439	344,260	259,288	-	-
Restricted cash and investments	317,528	2,594,003	2,585,041	675,132	646,003
Due from other funds	-	-	-	296,275	1,661,426
Due from other governmental units	-	-	-	1,899,270	2,010,708
Capital assets not being depreciated:					
Land	15,558,581	16,896,158	18,365,122	18,402,042	18,720,913
Water rights	13,984,449	14,659,649	14,792,562	14,998,026	15,231,188
Construction in progress	-	1,683,819	5,354,590	1,353,103	4,939,031
Capital assets net of accumulated depreciation:					
Buildings and system	11,974,082	11,347,134	10,846,740	5,159,014	4,872,532
Improvements other than buildings	84,426,718	82,018,917	80,452,456	-	-
Machinery and equipment	1,468,471	1,359,136	1,166,402	1,571,059	2,578,304
Infrastructure	53,990,809	53,383,566	51,178,970	135,761,060	135,270,979
Total assets	<u>\$ 197,963,122</u>	<u>\$ 202,953,722</u>	<u>\$ 205,824,065</u>	<u>\$ 204,722,145</u>	<u>\$ 211,808,736</u>
LIABILITIES					
Accounts payable	\$ 1,417,652	\$ 1,450,047	\$ 805,665	\$ 1,566,133	\$ 2,093,885
Accrued interest payable	236,523	150,469	107,250	243,617	97,370
Due to other funds	-	-	-	296,275	1,396,275
Deposits	341,363	224,573	527,446	486,007	2,264,122
Unearned revenue	1,852,685	1,847,769	-	-	-
Noncurrent liabilities:					
Due or payable within one year	1,980,251	2,088,429	2,360,927	1,786,123	1,897,221
Due or payable after one year	26,829,628	28,723,367	25,954,172	24,298,389	22,264,127
Total liabilities	<u>32,658,102</u>	<u>34,484,654</u>	<u>29,755,460</u>	<u>28,676,544</u>	<u>30,013,000</u>
NET ASSETS					
Invested in capital assets, net of related debt	153,179,061	153,035,206	156,423,314	151,648,119	158,256,666
Restricted for debt service	-	731,363	310,945	-	-
Restricted for capital improvements	7,575,107	9,636,042	12,659,025	-	-
Restricted for roads	-	-	-	600,591	95,687
Unrestricted	4,550,852	5,066,457	6,675,321	23,796,891	23,443,383
Total net assets	<u>165,305,020</u>	<u>168,469,068</u>	<u>176,068,605</u>	<u>176,045,601</u>	<u>181,795,736</u>
Total Liabilities and net assets	<u>\$ 197,963,122</u>	<u>\$ 202,953,722</u>	<u>\$ 205,824,065</u>	<u>\$ 204,722,145</u>	<u>\$ 211,808,736</u>

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Saratoga Springs' basic financial statements and have issued our report thereon dated October 22, 2014.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questions costs to be material weaknesses. 2014-2.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies 2014-1.

Compliance and Other Matters

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

Purpose of this Report

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



**Roy, Utah
October 22, 2014**

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

Report on Compliance for Each Major Federal Program

We have audited City of Saratoga Springs' (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirement referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 : Company, PC.

Roy, Utah
October 22, 2014

CITY OF SARATOGA SPRINGS
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

- 1) The auditor's report expresses an unqualified opinion on the financial statements of The City of Saratoga Springs.
- 2) One significant deficiency related to the audit of the financial statements is reported in the 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 *Governmental Auditing Standards*. One material weakness is reported.
- 3) No instances of noncompliance which is material to the financial statements of the City of Saratoga Springs were disclosed during the audit.
- 4) No significant deficiencies in internal control over major federal award programs were disclosed during the audit. No material weaknesses are reported.
- 5) The auditor's report on compliance for major federal award programs for the City of Saratoga Springs. expresses an unmodified opinion on all major federal programs.
- 6) Audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133 are reported in this Schedule.
- 7) The program tested as a major program was: National Resources Conservation Service, CFDA #10.923.
- 8) The threshold for distinguishing Type A and Type B programs was \$300,000.
- 9) The City of Saratoga Springs was determined to be a high-risk auditee.

CITY OF SARATOGA SPRINGS
Schedule of Findings and Questioned Costs
June 30, 2014

2014-1- Incompatible Functions

Condition: During our audit work, we noted that the City Treasurer, who maintains the utility customer database and has access to make changes to the utility accounts, is also performing cashier functions during the day to cover for lunch breaks and time off taken by the cashiers.

Criteria: Proper internal controls requires the separation of duties and functions between those who have custody of the assets, cashiers, and those who record transactions in the books and records, the accountants.

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

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

Response: As of July 1, 2014 we have moved the Treasurer to not be assigned any cashing functions. We created a Utility Billing Supervisor to take over all the responsibilities the Treasurer was performing in that capacity.

2014-2 – Building Escrow Funds

Condition: During our audit work over liabilities we noted that the City requires developers to provide a bond or make a deposit with the City to ensure development work is performed and completed to City specifications. When developer bond deposits are received; however, the invoice used to charge for these services does not contain an account coding for these collections and there is no single automated data base that captures these amounts in the accounting system. Instead cashiers use their best judgment on account coding and manual records are maintained but not compared to liability accounts on the financial statements. As a result, we noted certain material developer deposits that were recorded as revenue instead of being recorded in the liability accounts. These mispostings were not detected in a timely manner by the accounting department

Criteria: To ensure that developer deposits are recorded properly all City invoices should contain the appropriate account coding so the cashiers will apply the funds to the proper accounts. To ensure the accuracy of the liability balances a data base of these transactions should be maintained. Monthly the data base should be compared to the financial statements to ensure the accuracy of the financial statements and the data base.

Cause: The City invoices currently do not contain an account coding for all services and the City does not have in place an automated system to capture this information to ensure that all developer bond receipts are recorded as an appropriate liability.

Effect: Developer bond deposits were improperly recorded as revenues instead of liabilities. This error caused revenues to be overstated and liabilities to be understated.

Auditor's Recommendation: We would recommend that all City invoices contain an account coding and that an automated system be used to track all developer bond proceeds and their balances. This list should be reconciled to the financial statement on a regular basis.

Response: We have included the general labor account coding with the invoice that is used to determine the cash bonds being received. The new CityWorks software will also include this general ledger coding to avoid miscoding of future cash bonds. This list will be reconciled on a quarterly basis to make sure funds are coded correctly.

CITY OF SARATOGA SPRINGS
Status of Prior Year's Findings and Questioned Costs
June 30, 2014

2013-1 – Material Adjustments

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

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

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

Current Status: Resolved.

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

REPORT ON COMPLIANCE

We have audited the City of Saratoga Springs' (City) compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

Budgetary Compliance	Utah Retirement Systems
Fund Balance	Transfers from Utility Enterprise Funds
Open and Public Meetings Act	Justice Courts
Budgetary Notices and Format	

The City received state funding from the following programs classified as major programs for the year ended June 30, 2014:

B&C Road Funds (Department of Transportation)

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City's or its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of City's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, The City of Saratoga Springs complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 2014-3 and 2014-4.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and recommendations as item 2014-4 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and recommendations as item 2014-4. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

 : Company, PC.

Roy, Utah
October 22, 2014

CITY OF SARATOGA SPRINGS
State Schedule of Findings and Questioned Costs
June 30, 2014

2014-3 JUSTICE COURTS

Finding: Court proceedings authorized by the court judge do not have the judge's approval signature on case file documents regarding official court decisions. All court proceedings are verbally recorded and clerks must go back through the recordings to determine authorization of proceedings.

Recommendation: Signature approval from the presiding judge should be present in all case files for approved actions. This provides staff and external monitoring agencies approval documentation for all actions taken.

Questioned Costs: \$ -0-

Response: Signature approval from the Judge will now be present in all case files for approved actions.

2014-4 Court Clerk Segregation of Duties

Finding: Court compliance test work found that due to limited staffing, court clerk employees are responsible for payment receipting, posting to cases for credits and dismissals, voiding case transactions, and reconciling without supervisory review. This provides the opportunity to commit errors or theft that may not be detected or corrected in a timely manner.

Recommendation: As much as possible the City should separate the cash receipting function from the record keeping function. If this is not possible, a supervisory review of all adjustments to court cases for dismissals, accounts receivable adjustments, credits, and voids should be made.

Questioned Costs: \$ -0-

Response: A Supervisory review of all adjustments to court cases for dismissals, accounts receivable adjustments, credits, and voids will now be in effect.