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THE CITY OF
SARATOGA SPRINGS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

CITY OF SARATOGA SPRINGS, UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

FOR FISCAL YEAR ENDED JUNE 30, 2018

PREPARED BY:
FINANCE DEPARTMENT

THE CITY OF SARATOGA SPRINGS
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INTRODUCTORY SECTION



CITY OF SARATOGA SPRINGS

December 4, 2018

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, 2018.

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.

Gilbert & Stewart, a firm of licensed certified public accountants, has audited the basic financial statements contained in this report. 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, 2018, are fairly presented and free of any material misstatement. Audit procedures included extensive testing and analysis of transactions, balances, and systems. The unmodified ("clean") opinion on the basic financial statements signed by Gilbert & Stewart 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.

CITY PROFILE

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 (2017 Census Estimate) of 29,608 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. 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 affect revenues and financial planning.

Relevant Financial Policies

The City of Saratoga Springs recognizes its duty to its citizens and other interested parties to 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. The Council as part of the budget process adopts these policies annually.

MAJOR INITIATIVES

City Council Long-term Strategic Goals

- Create a sense of community
- Preserve natural beauty and community aesthetics
- Foster high quality, long-term planning, growth and development
- Create a healthy and safe community
- Transportation Planning
- Maintain fiscal sustainability and responsibility

Update on Major Projects

Project	Estimated Cost	Description
Patriot Park	\$11 million	To provide recreation ball fields to the City
Zone 1 North Pond	\$3.8 million	Pond will service the north and middle of the City.
South Sewer Trunk	\$4.2 million	Creating sewer line from 400 S to Grandview Blvd.

Police Facility	\$3 million	New facility for Police and Justice Court departments.
Zone 2 South Pond	\$2.3 million	Serve as storage for the Marina pump project
Zone 2 North Pond	\$2.6 million	Provide capacity in the north part of the City
Riverside Drive	\$5.0 million	Provides connectivity from Riverbend to Pioneer Crossing
Foothill Blvd	\$3.1 million	Provides connectivity from Pony Express to Lariat Blvd

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, 2017, July 1, 2016, July 1, 2015, July 1, 2014, 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 proficient in several categories including policy documentation, financial planning, and organization.

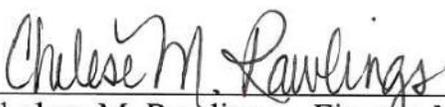
The City of Saratoga Springs received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for years 2011-2016 and 2017. In order to qualify for the award, the staff must prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure.

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 Gilbert & Stewart, 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, 2018

Mayor Jim Miller

Email: jmiller@saratogaspringscity.com

Term: 01/2014 - 01/2018

Council Member Ryan Poduska

Email: rpoduska@saratogaspringscity.com

Term: 01/2016 - 01/2020

Council Member Michael McOmber

Email: mmcomber@saratogaspringscity.com

Term: 01/2014 - 01/2018

Council Member Shellie Baertsch

Email: sbaertsch@saratogaspringscity.com

Term: 01/2016 - 01/2020

Council Member Stephen Willden

Email: swillden@saratogaspringscity.com

Term: 01/2014 - 01/2018

Council Member Christopher Porter

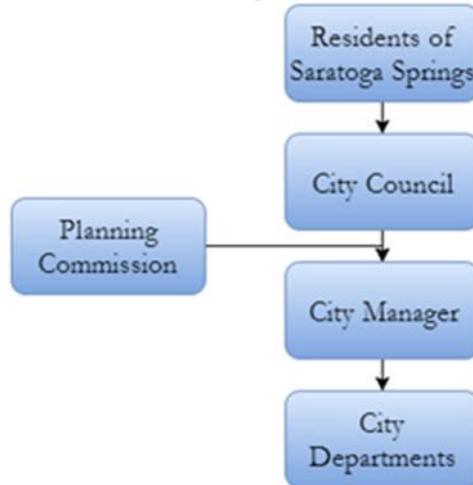
Email: cporter@saratogaspringscity.com

Term: 01/2016 - 01/2020

CITY OF SARATOGA SPRINGS, UTAH

ORGANIZATIONAL CHARTS FY2018

Overall City Structure



City Departments





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, 2017

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Saratoga Springs
Saratoga Springs, Utah

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, Utah (the City), as of and for the year ended June 30, 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, as of June 30, 2018 and the respective changes in financial position and where applicable, cash flows thereof 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 the management's discussion and analysis and budgetary comparison information, and the required supplementary information regarding pensions, as noted in the table of contents, 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 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.

Supplementary and 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, supplemental information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and budgetary comparisons, as listed as supplemental information in the table of contents are the responsibility of management and were 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 combining statements and budgetary comparisons 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 to 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 November 5, 2018 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 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.

Gilbert & Stewart

GILBERT & STEWART, CPA PC
Provo, Utah
November 5, 2018

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

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, 2018. 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, 2018, were \$250,092,122. Of this amount, \$26,427,100 (unrestricted net position) is available to meet ongoing financial obligations.
- The City's government-wide net position increased by \$20,757,314. Of this amount, business-type activities increased by \$15,356,437, a rise of 12.1 percent, and the governmental activities increased by \$5,400,877 an increase of 5.3 percent when compared to last fiscal year.
- The City's governmental funds reported a combined ending fund balance of \$22,887,045, a decrease of \$12,528,689 (35.4 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 fund balances due to expenditures for capital projects. Of the combined total fund balance, \$4,588,582 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, 2018, totaled \$4,588,582 and is 27.3 percent of the General Fund total revenues for the year and 20.0 percent of total governmental fund balance.
- The City's total debt had a net increase of \$7,628,880 during fiscal year 2018. This represents an 24.3 percent increase over the prior year, this is a result from issuing 2018 Sewer Bonds in conjunction with required debt service payments.

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, 2018

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, Public Improvements and GIS); and Recreation (parks & open spaces, recreation, library, and civic events). 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 30 and 32. 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 27-30 of this report.

- The **General Fund** is used to account for all financial resources of the City that are not accounted for by a specialized fund. More specifically, the general fund is used to account for ordinary operations such as collection of tax revenues and general government expenditures. The City adopts an annual appropriation budget for the general fund. On page 33, 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, 2018

- **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 34-36 of this report.

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

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

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

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, 2018 and 2017.

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

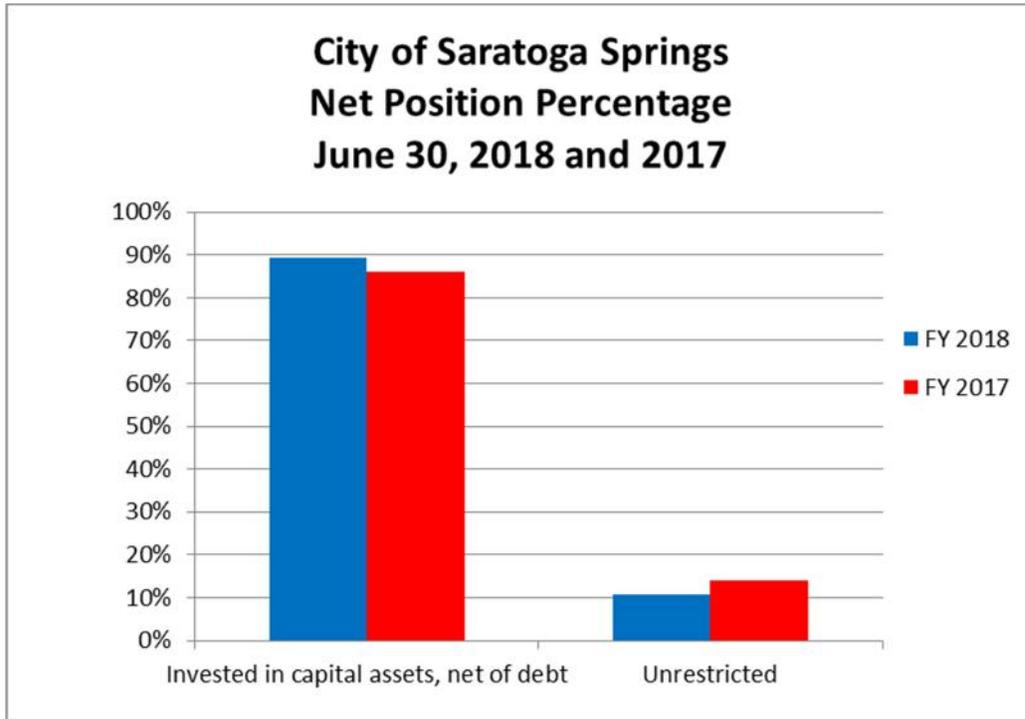
	Governmental		Business-Type		Total		Total %
	Activities		Activities				
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and other assets	\$ 39.4	\$ 43.8	\$ 34.4	\$ 23.9	\$ 73.8	\$ 67.7	9.0%
Capital assets	101.7	89.4	149.6	137.5	251.3	226.9	10.8%
Total Assets	<u>141.1</u>	<u>133.2</u>	<u>184.0</u>	<u>161.4</u>	<u>325.1</u>	<u>294.6</u>	<u>10.4%</u>
Long-Term debt	23.1	20.9	37.3	29.8	60.4	50.7	19.1%
Other liabilities	12.4	9.8	4.9	4.8	17.3	14.6	18.5%
Total liabilities	<u>35.5</u>	<u>30.7</u>	<u>42.2</u>	<u>34.6</u>	<u>77.7</u>	<u>65.3</u>	<u>19.0%</u>
Net assets							
Invested in capital assets,							
net of related debt	99.8	84.6	123.9	112.8	223.7	197.4	13.3%
Unrestricted	8.1	17.9	18.3	14.0	26.4	31.9	-17.2%
Total net assets	<u>\$ 107.9</u>	<u>\$ 102.5</u>	<u>\$ 142.2</u>	<u>\$ 126.8</u>	<u>\$ 250.1</u>	<u>\$ 229.3</u>	<u>9.1%</u>

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. At June 30, 2018, the City’s assets exceeded liabilities by approximately \$250.1 million (net assets) compared to \$229.3 million at June 30, 2017. This would indicate an improved financial position in comparison to last fiscal year. Roughly 89.4 percent at June 30, 2018, and 86.1 percent at June 30, 2017, 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 \$26.3 million was due to developer capital contributions, routine acquisitions of capital assets, repayments of related debt, and depreciation expense.

The other sub-classification of net assets is unrestricted. The balance of \$26.4 million at June 30, 2018 and \$31.9 million at June 30, 2017, 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 decrease from last fiscal year is the result of a decrease in fund balances in general capital and debt service accounts due to capital acquisitions.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

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



CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

Changes in Net Assets – As taken from the Statement of Activities, the following table signifies the changes in net assets for fiscal years 2018 and 2017.

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

	Governmental		Business-Type		Total		Total %
	Activities		Activities				Change
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues							
Program Revenues							
Charges for Services	\$ 7.1	\$ 6.1	\$ 17.9	\$ 14.1	\$ 25.0	\$ 20.2	23.8%
Operating grants and contributions	0.1	0.2	0.0	0.2	0.1	0.4	-75.0%
Capital grants and contributions	10.4	6.8	13.3	5.2	23.7	12.0	97.5%
General Revenues							
Property Tax	3.2	2.9	-	-	3.2	2.9	10.3%
Other Taxes	5.4	4.9	-	-	5.4	4.9	10.2%
Investment earnings	0.5	0.3	-	-	0.5	0.3	66.7%
Other	(0.9)	-	0.9	-	-	-	-100.0%
Total Revenues	<u>25.8</u>	<u>21.2</u>	<u>32.1</u>	<u>19.5</u>	<u>57.9</u>	<u>40.7</u>	<u>42.3%</u>
Expenses							
General government	2.4	2.7	-	-	2.4	2.7	-11.1%
Public safety	7.4	6.7	-	-	7.4	6.7	10.4%
Highways and public improvements	6.5	5.9	-	-	6.5	5.9	10.2%
Parks and recreation	3.4	3.5	-	-	3.4	3.5	-2.9%
Interest on long-term debt	0.7	0.4	-	-	0.7	0.4	75.0%
Water utility	-	-	8.9	7.8	8.9	7.8	0.0%
Sewer utility	-	-	5.0	3.5	5.0	3.5	0.0%
Garbage utility	-	-	1.5	1.2	1.5	1.2	0.0%
Storm drain utility	-	-	1.3	0.9	1.3	0.9	0.0%
Total Expenses	<u>20.4</u>	<u>19.2</u>	<u>16.8</u>	<u>13.4</u>	<u>37.1</u>	<u>32.6</u>	<u>3.7%</u>
Change in net position	5.4	2.0	15.4	5.8	20.8	7.8	166.7%
Net position beginning	102.5	102.9	126.8	121.0	229.3	223.9	2.4%
Net Position as restated	-	(2.4)			-	(2.4)	
Net position ending	<u>\$ 107.9</u>	<u>102.5</u>	<u>\$ 142.2</u>	<u>\$ 126.8</u>	<u>\$ 250.1</u>	<u>\$ 229.3</u>	<u>9.1%</u>

Net position increased from governmental activities in fiscal year 2018 approximately \$5.4 million and decreased \$0.4 million in fiscal year 2017. The increase is primarily due to increases in general government revenue, particularly in charges for services and capital grants and contributions. Expenses for governmental activities were higher with a \$1.2 million increase. This is mainly due to increase in personnel costs in addition to increased positions.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

Net position increased \$15.4 million in fiscal year 2017 and increased \$5.7 million in 2017 for business-type activities. The revenues for business-type activities increased in charges for services and capital grants and contributions.

Revenues – For the year ended June 30, 2018, the City’s government-wide revenues are approximately \$57.9 million as compared to the prior year total revenues of \$40.7 million. Key elements of this change were as follows:

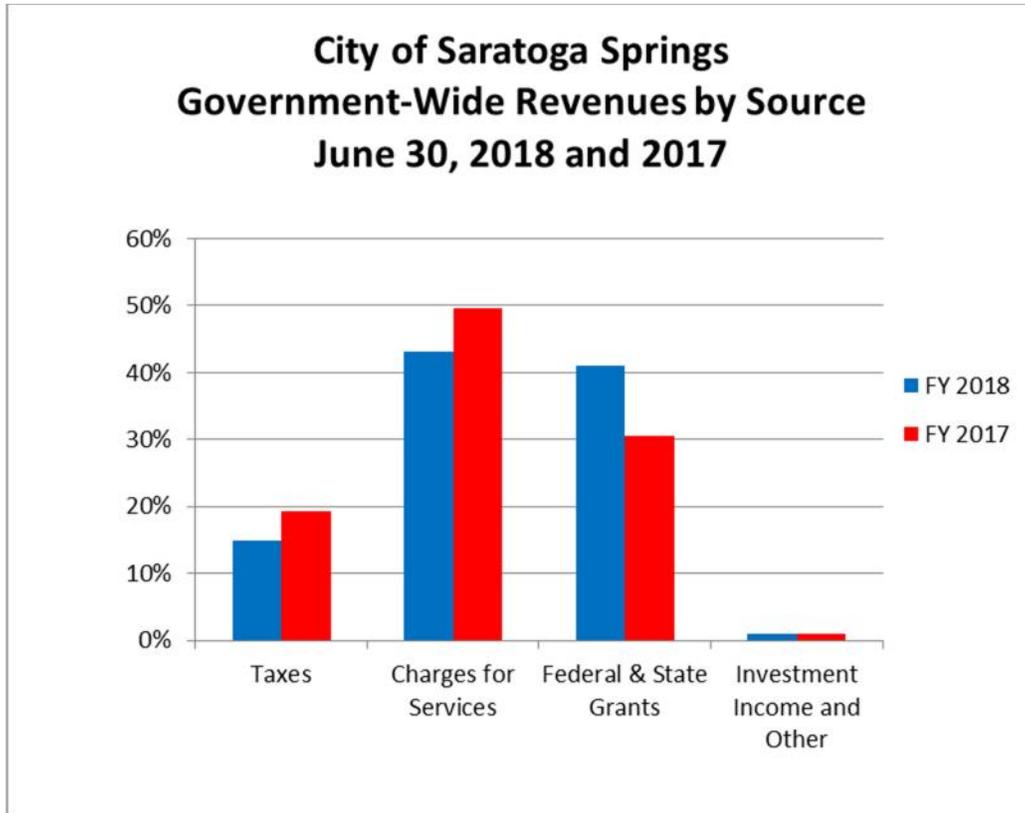
Of the City’s total revenues, about 14.9 percent in fiscal year 2018 and 18.7 percent in fiscal year 2017 resulted from taxes (under half of which is from property taxes) as shown in the following table:

City of Saratoga Springs
(in millions of dollars)

	Government wide		Total % Change
	Tax Revenues		
	2018	2017	
Property tax	\$ 3.2	\$ 2.9	14%
General sales and use tax	4.1	3.7	14%
Franchise fees	0.2	0.2	0%
Energy Tax	1.1	1.0	10%
Total	\$ 8.6	\$ 7.8	13%

- Charges for services increased in fiscal year 2018 about \$4.8 million and was 43.2 percent of total revenues in fiscal year 2018 from 49.6 percent in fiscal year 2017. The increase is due increases in the amount of Charges for services.
- Operating and capital contributions combined decreased by \$0.1 million in fiscal year 2018. This was due to less capital and operating grant revenues received, combined with less developer contributions.
- Investment and other income, which is a combination of interest earnings and gain on the sale of capital assets increased in fiscal year 2018 by \$0.2 million due to the increase in interest rates.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018



Expenses – The City’s government-wide total expenses cover a range of services. For the year ended June 30, 2018, the City’s total expenses are \$37.1 million compared to the prior year of \$32.6 million. Of the \$4.5 million increase, general government expenses decreased \$0.3 million, public safety increased \$0.7 million, highways and public improvements increased \$0.6 million, parks and recreation decreased \$0.1 million, interest on long-term debt increased \$0.3 million, and business-type activities increased by \$3.3 million.

Governmental Activities:

Revenue Highlights:

- Taxes encompass a sizable source of revenue for the City’s governmental activities: Roughly \$8.6 million or 33.3 percent in fiscal year 2018 and \$7.8 million or 36.8 percent in fiscal year 2017 of total revenues from governmental activities. The \$0.8 million increase is majorly from property and other taxes.
- Charges for services increased to \$7.1 million or 27.5 percent of total revenues from governmental activities in fiscal year 2018 from \$6.1 million or 28.8 percent of total governmental activities revenues in fiscal year 2017. The increase in fiscal year 2018 is a result increased charges for services being collected.
- Grant and contribution revenue denotes approximately \$10.5 million or 40.7 percent in fiscal year 2018 and \$7.0 million or 33.0 percent in fiscal year 2017 of total revenues from governmental

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

activities. The \$3.5 million increase was the effect of more grants and contributions received as compared to last fiscal year.

Expense Highlights:

- General government expenses of around \$2.4 million in fiscal year 2018 and \$2.7 million in fiscal year 2017 represented 11.8 percent in fiscal year 2018 and 14.1 percent in fiscal year 2017 of total expenses from governmental activities. General government includes: Legislative, Administration, Utility billing, Treasury, Recorder, Attorney, Justice Court, Elections, and non-departmental. The \$0.3 million decrease is due mainly due to a decrease in one time capital purchases.
- Public safety expenses were \$7.4 million or 36.3 percent in fiscal year 2018 and \$6.7 million or 34.9 percent in fiscal year 2017. The expenses are higher due to increased personnel costs and an increase in one time capital purchases.
- Highways and public improvements were \$6.5 million or 31.9 percent in fiscal year 2018 and \$5.9 million or 30.7 percent in fiscal year 2017. The \$0.6 million increase is due to more road and general capital projects, and increased personnel costs.
- Parks and recreation expenses were \$3.4 million or 16.7 percent in fiscal year 2018 and \$3.5 million or 18.2 percent in fiscal year 2017. The \$0.1 million decrease is due to less capital projects and less purchase of equipment.

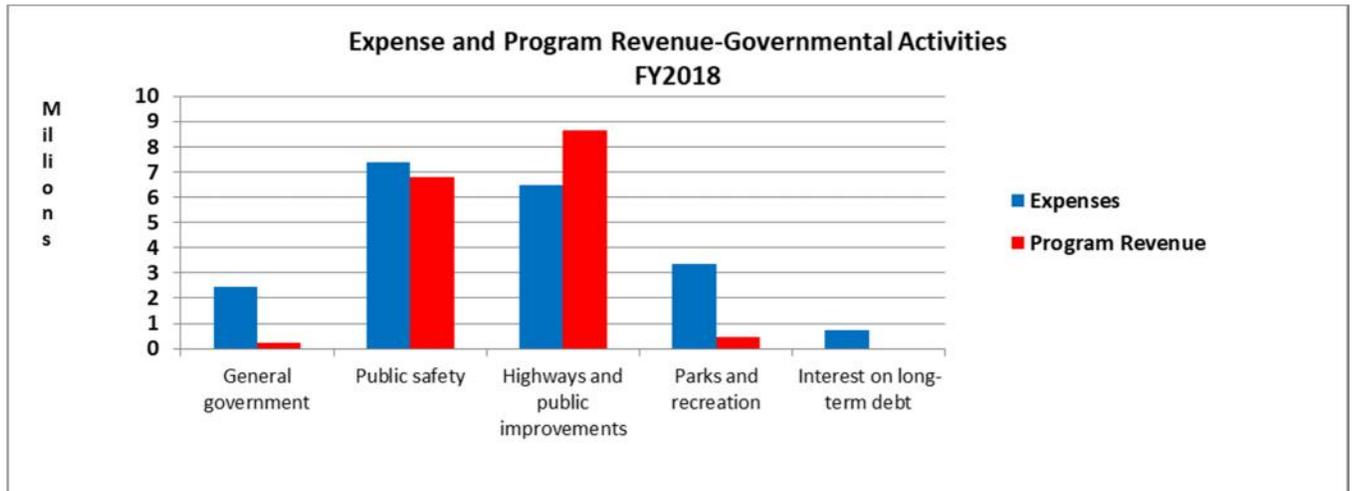
As a result, total net expenses that were funded by general revenues were \$2.8 million. Tax revenues of \$8.6 million were sufficient to fund net expenses in fiscal year 2018.

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

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

	Total Cost of Services		Net Cost of Services		Total % Change
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
General government	\$ 2.4	\$ 2.7	\$ (2.2)	\$ (2.5)	-12.0%
Public safety	7.4	6.7	(0.6)	(0.7)	-14.3%
Highways and public improvements	6.5	5.9	2.2	(0.5)	540.0%
Parks and recreation	3.4	3.5	(1.5)	(1.9)	-21.1%
Interest on long-term debt	0.7	0.4	(0.7)	(0.4)	100.0%
Total	<u>\$ 20.4</u>	<u>\$ 19.2</u>	<u>\$ (2.8)</u>	<u>\$ (6.0)</u>	<u>-53.3%</u>

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018



Based on Government-Wide Financial Statements. See page 28.

Business-type Activities:

The City's business-type activities increased net position by \$15.4 million. Key elements of this increase were as follows:

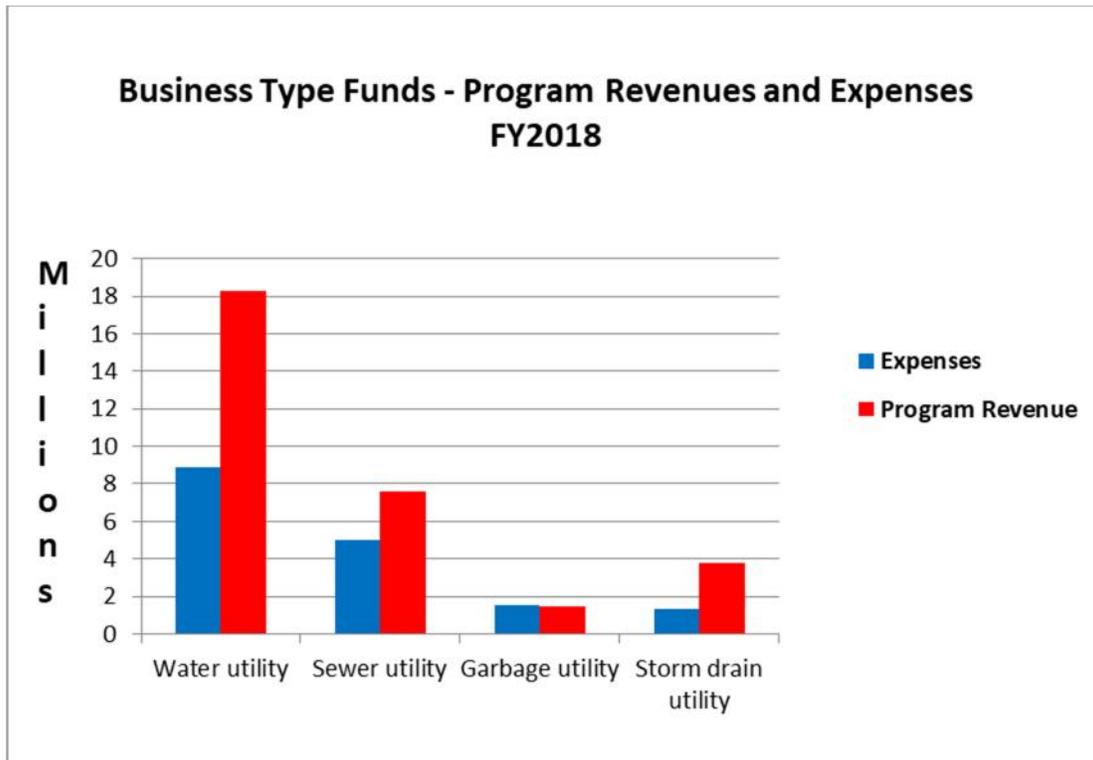
Revenue Highlights:

- Charges for services for business-type activities increased by \$3.8 million for fiscal year 2018. This is mainly due increase in collection of fees in the charges for services category.
- Operating and capital grants and contributions increased about \$8.1 million in fiscal year 2018. The \$8.1 million increase is due to more developer contributions and grants.

Expense Highlights:

- Personnel expenses increased approximately \$0.1 million due to filled positions in the utility funds.
- Supplies and maintenance expenses increased by less than \$0.1 million. The increase is due to an increase of purchase of water meters coupled with increases in sewer capital projects.
- Professional services expenses increased by \$0.2 million. The increase is due to higher consulting services to prepare for various upcoming capital projects
- Treatment and sanitation expenses increased approximately \$0.2 million due to an increase in water treatment costs.

**CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018**



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, 2018, the aggregate fund balance of the City's governmental funds was \$22.9 million, a decrease of \$12.5 million in comparison with the fiscal year ended June 30, 2017. In fiscal year 2018, about \$4.6 million or 20.1 percent of this amount is unassigned fund balance compared to about \$3.7 million or 10.5 percent in fiscal year 2017. Unassigned fund balance categories are available for appropriation by the City Council at their discretion.

Committed fund balance which have externally enforceable limitations on use are not available for new spending and are approximately \$15.5 million in fiscal year 2018 and \$25.4 million in fiscal year 2017. The remainder of the fund balance of \$2.7 million is assigned. Of the assigned fund balance \$2.7 million is for debt service. In fiscal year 2018 the assigned fund balance was about \$6.3 million with \$0.4 million attributed to street lighting and \$5.9 million attributed to debt service.

The General Fund is the principal operating fund of the City. Utah State code establishes a 5.0 percent minimum (\$931,843) and a 25.0 percent maximum (\$4,659,217) limit to the amount that may be accumulated as the fund balance in the General Fund. As of June 30, 2018 the unassigned fund balance of the General Fund was \$4,588,582 and was \$70,635 below the 25.0 percent limit. The unassigned fund balance increased by \$926,350 in fiscal year 2018. The main reason for increased fund balance is less transfers to the capital projects fund to fund currently budgeted projects. The unassigned fund balance in fiscal year 2017 increased by \$893,387.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

As of June 30, 2018, the restricted fund balance in the Capital Projects Fund was \$15.5 million. In fiscal year 2017 the restricted fund balance was \$25.4 million and the remaining fund balances combined were \$2.7 million. The \$9.9 million decrease in restricted fund balance resulted from decreased revenues through bonding for parks.

As of June 30, 2018, the assigned fund balance was \$2.7 million. In fiscal year 2017 the assigned fund balance was \$6.3 million. The decrease of fund balance resulted from decreased debt service in fiscal year 2018 as compared to fiscal year 2017.

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 position of the City’s enterprise funds totaled about \$142.2 million at June 30, 2018, as compared to \$126.8 million at the end of fiscal year 2017. Net position at the end of fiscal year 2018 and 2017 for each of these funds were:

City of Saratoga Springs Proprietary Funds			
Fund	Amount		Change
	2018	2017	
Water Utility	\$ 92,492,161	\$ 83,128,056	\$ 9,364,105
Sewer Utility	26,156,088	23,541,859	2,614,229
Storm Drain Utility	22,510,728	20,014,688	2,496,040
Garbage Utility	1,032,807	150,744	882,063
Total	\$ 142,191,784	\$ 126,835,347	\$ 15,356,437

The net increase in net position from the prior year was \$15.4 million as compared to an increase of \$5.7 million in fiscal year 2017. Operating revenues increased \$2.4 million as compared to a \$0.3 million increase change in fiscal year 2017.

The Water Utility operating revenues increased by \$1.0 million due to increased connection and user fees in conjunction with more users. The Sewer Utility operating revenues increased by \$0.9 million in comparison to the previous fiscal year due to more users. The Storm Drain Utility operating revenues increased \$0.2 million, the increase was a result of increased storm utility fees collected.

Water Utility net position invested in capital assets net of related debt increased by \$5.9 million in fiscal year 2018 primarily due to increased accumulated depreciation, routine acquisition and disposition of capital assets, and depreciation expense. Unrestricted net position increased about \$3.4 million.

Sewer utility net position invested in capital assets net of related debt increased by \$2.9 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, disposition of capital assets and depreciation expense.

Storm Drain Utility net position invested in capital assets net of related debt increased by \$1.7 million, unrestricted net position increased by \$0.7 million resulting in a net increase of total net position of a little less than \$2.5 million.

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget for expenditures of more than \$0.5 million (net increase) can be summarized as follows:

- Minimal increase in general government resulting from increases in general government personnel.
- More than \$0.2 million increase in public safety from public safety personnel.
- More than \$0.2 million increase in highways and streets.
- More than \$0.1 million increase in Parks and recreation for increased personnel and equipment.

Total actual expenditures came in \$3.7 million below the final budget. The differences between actual and the final budget can be briefly summarized as follows:

- The final budget was \$1.6 million more than the actual expenditures in general government. This difference was attributed to spending coming in under budget in salaries and wages, supplies, education and training, and contract services
- The final budget was \$0.5 million more than the actual expenditures in public safety. This difference was attributed to actuals less than budget in salaries and wages, equipment and professional contract services.
- The final budget was \$1.3 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, street maintenance equipment and vehicle lease payments.
- The final budget was \$0.3 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 supplies.

Actual revenues of \$16.8 million were above the final budgeted revenues of \$16.3 million by \$0.5 million. This is mainly due to increased property tax, redemptions, penalties, sales tax, interest, and some development fees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for is governmental and business-type activities totaled \$251.3 million (net of \$105.8 million accumulated depreciation) at June 30, 2018, as compared to \$224.7 million (net of \$94.2 million accumulated depreciation) at June 30, 2017. 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, 2018 include:

Governmental Activities:

- \$6.1 million Developer Streets Infrastructure Contributions
- \$6.7 million Construction in Progress for Patriot Park
- \$1.1 million 400 S. Widening
- \$4.0 million purchase of 26 acres for City Campus
- \$1.1 million 400 W. to Aspen Hills Drive
- \$0.2 million Ambulance
- \$0.2 million Salt Shed Structure

CITY OF SARATOGA SPRINGS, UTAH
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

Business-type Activities:

- \$3.8 million Zone 1 North Pond
- \$3.6 million Developer Water Infrastructure Contributions
- \$2.5 million Developer Storm Drain Infrastructure Contributions
- \$2.4 million Zone 1 North Pipeline
- \$2.3 million Developer Sewer Infrastructure Contributions

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

Long-Term Debt: Long-term debt for governmental activities decreased by less than \$1.7 million in comparison with fiscal year 2017. Business-type activities debt increased in fiscal year 2018 by \$7.6 million when compared with fiscal year 2017. Please see note 12 for details concerning long-term debt on Page 54.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for Utah County was 2.5 percent compared with the State unemployment rate of 3.0 percent and a national rate of 3.7 percent.
- The fiscal year 2018 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 25,621,516	\$ 19,261,823	\$ 44,883,339
Cash restricted	6,768,005	13,093,308	19,861,313
Accounts receivable - net	1,196,065	2,196,199	3,392,264
Internal balances	146,814	(146,814)	-
Due from other governmental units	2,897,153	-	2,897,153
Special assessment receivable	2,544,927	-	2,544,927
Net pension asset	114,164	-	114,164
Prepaid expenses	120,000	-	120,000
Capital assets			
Land	24,758,078	679,810	25,437,888
Water rights	-	16,212,529	16,212,529
Construction in progress	8,756,237	2,608,840	11,365,077
Buildings and improvements	6,265,925	-	6,265,925
Equipment	6,218,098	1,760,762	7,978,860
Infrastructure	111,003,893	178,896,582	289,900,475
Accumulated Depreciation	(55,310,259)	(50,522,679)	(105,832,938)
Total assets	<u>141,100,616</u>	<u>184,040,360</u>	<u>325,140,976</u>
DEFERRED OUT FLOW OF RESOURCES			
Pension related costs	2,281,554	323,509	2,605,063
Total Deferred outflow of resources	<u>2,281,554</u>	<u>323,509</u>	<u>2,605,063</u>
 Total assets and deferred outflows of resources	 <u>\$ 143,382,170</u>	 <u>\$ 184,363,869</u>	 <u>\$ 327,746,039</u>
LIABILITIES			
Accounts payable	\$ 2,977,765	\$ 2,404,899	\$ 5,382,664
Accrued liabilities	415,858	-	415,858
Deposits payable	7,571,733	433,486	8,005,219
Accrued interest payable	124,938	55,260	180,198
Long-term liabilities			
Due within one year	1,338,052	2,026,005	3,364,057
Due in more than one year	18,730,039	37,050,656	55,780,695
Total liabilities	<u>31,158,385</u>	<u>41,970,306</u>	<u>73,128,691</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related costs	1,426,294	201,779	1,628,073
Property taxes levied for future years	2,897,153	-	2,897,153
Total deferred inflow of resources	<u>4,323,447</u>	<u>201,779</u>	<u>4,525,226</u>
NET POSITION			
Net investment in capital assets	99,816,127	123,848,895	223,665,022
Unrestricted	8,084,211	18,342,889	26,427,100
Total net position	<u>107,900,338</u>	<u>142,191,784</u>	<u>250,092,122</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 143,382,170</u>	 <u>\$ 184,363,869</u>	 <u>\$ 327,746,039</u>

See accompanying notes to the financial statements.

CITY OF SARATOGA SPRINGS

Statement of Activities

For the Year Ended June 30, 2018

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,454,741	\$ 254,635	\$ -	\$ -	\$ (2,200,106)	\$ -	\$ (2,200,106)
Public safety	7,398,839	6,008,513	98,790	678,752	(612,784)	-	(612,784)
Highways and public works	6,463,171	346,534	-	8,293,520	2,176,883	-	2,176,883
Parks and recreation	3,351,597	450,249	-	1,459,122	(1,442,226)	-	(1,442,226)
Interest on long-term debt	726,526	-	-	-	(726,526)	-	(726,526)
Total governmental activities	<u>20,394,874</u>	<u>7,059,931</u>	<u>98,790</u>	<u>10,431,394</u>	<u>(2,804,759)</u>	<u>-</u>	<u>(2,804,759)</u>
Business-type activities:							
Major Funds							
Water	8,902,476	9,707,208	-	8,590,221	-	9,394,953	9,394,953
Sewer	4,989,823	5,342,114	-	2,268,474	-	2,620,765	2,620,765
Storm Drain	1,303,165	1,335,382	-	2,463,823	-	2,496,040	2,496,040
Non Major Funds							
Garbage	1,557,791	1,488,613	-	-	-	(69,178)	(69,178)
Street Lights	-	-	-	-	-	-	-
Total business-type activities	<u>16,753,255</u>	<u>17,873,317</u>	<u>-</u>	<u>13,322,518</u>	<u>-</u>	<u>14,442,580</u>	<u>14,442,580</u>
Total primary government	<u>\$ 37,148,129</u>	<u>\$ 24,933,248</u>	<u>\$ 98,790</u>	<u>\$ 23,753,912</u>	<u>(2,804,759)</u>	<u>14,442,580</u>	<u>11,637,821</u>
General revenues:							
Property taxes					\$ 3,154,305	\$ -	\$ 3,154,305
General sales and use tax					4,146,681	-	4,146,681
Franchise taxes					223,363	-	223,363
Energy taxes					1,067,046	-	1,067,046
Interest earnings					528,098	-	528,098
Transfers					(913,857)	913,857	-
Total general revenues and transfers					<u>8,205,636</u>	<u>913,857</u>	<u>9,119,493</u>
Change in net Position					5,400,877	15,356,437	20,757,314
Net position- beginning					102,499,461	126,835,347	229,334,808
Net position - ending					<u>\$ 107,900,338</u>	<u>\$ 142,191,784</u>	<u>\$ 250,092,122</u>

See accompanying notes to the financial statements.

CITY OF SARATOGA SPRINGS

Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds			Special Revenue	Total Governmental Funds
	General Fund	Capital Projects	Debt Service		
ASSETS					
Cash and cash equivalents	\$ 11,916,102	\$ 13,338,837	\$ 366,577	\$ -	\$ 25,621,516
Cash - restricted	-	4,431,984	2,336,021	-	6,768,005
Accounts receivable - net	1,196,065	-	-	-	1,196,065
Special Assessments	-	-	2,544,927	-	2,544,927
Due from other funds	296,275	-	-	-	296,275
Due from other governments	2,897,153	-	-	-	2,897,153
Prepays	120,000	-	-	-	120,000
Total assets	<u>\$ 16,425,595</u>	<u>\$ 17,770,821</u>	<u>\$ 5,247,525</u>	<u>\$ -</u>	<u>\$ 39,443,941</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable & accrued liabilities	\$ 771,676	\$ 2,184,738	\$ 21,350	\$ -	\$ 2,977,764
Due to other funds	149,461	-	-	-	149,461
Accrued liabilities	415,858	-	-	-	415,858
Deposits	7,482,865	88,868	-	-	7,571,733
Total liabilities	<u>8,819,860</u>	<u>2,273,606</u>	<u>21,350</u>	<u>-</u>	<u>11,114,816</u>
Deferred inflows of Resources:					
Property taxes levied for future years	2,897,153	-	-	-	2,897,153
Unavailable special improvement assessments	-	-	2,544,927	-	2,544,927
Total deferred inflows of resources	<u>2,897,153</u>	<u>-</u>	<u>2,544,927</u>	<u>-</u>	<u>5,442,080</u>
Fund Balances:					
Non spendable	120,000	-	-	-	120,000
Fund balances committed for:					
Capital projects	-	15,497,215	-	-	15,497,215
Assigned, for:	-	-	-	-	-
Street lights	-	-	-	-	-
Debt service	-	-	2,681,248	-	2,681,248
Unassigned:	4,588,582	-	-	-	4,588,582
Total fund balances	<u>4,708,582</u>	<u>15,497,215</u>	<u>2,681,248</u>	<u>0</u>	<u>22,887,045</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,425,595</u>	<u>\$ 17,770,821</u>	<u>\$ 5,247,525</u>	<u>\$ -</u>	<u>\$ 39,443,941</u>

See accompanying notes to the financial statements.

CITY OF SARATOGA SPRINGS
 Balance Sheet Reconciliation to
 Statement of Net Assets
 June 30, 2018

Total fund balances - governmental fund types:		\$ 22,887,045
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		101,691,972
Net pension assets and deferred outflows of resources are not available financial resources and are not reported in the governmental funds.		2,395,718
Deferred inflows of resources from unearned revenue are not available financial resources and are not reported in the governmental funds.		2,544,927
Net pension liabilities and deferred inflows of resources are not available financial resources and are not reported in the governmental funds.		(3,292,910)
Long-term liabilities, including bonds payable and pension liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (17,243,000)	
Capital lease payable	(17,360)	
Bond premium	(289,005)	
Accrued interest	(124,938)	
Compensated absences	(652,110)	(18,326,413)
Net assets of government activities		\$ 107,900,339

See accompanying notes to the financial statements.

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds			Special Revenue	Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service		
REVENUES					
Taxes	\$ 8,591,396	\$ -	\$ -	\$ -	\$ 8,591,396
Licenses and permits	1,440,007	-	-	-	1,440,007
Intergovernmental	1,255,756	-	-	-	1,255,756
Charges for services	4,592,691	-	1,000,648	-	5,593,339
Fines and forfeitures	456,796	-	-	-	456,796
Investment earnings	162,642	365,457	-	-	528,099
Impact fees	-	3,360,807	-	-	3,360,807
Other	326,264	20,270	-	-	346,534
Total revenues	<u>16,825,552</u>	<u>3,746,534</u>	<u>1,000,648</u>	<u>-</u>	<u>21,572,734</u>
EXPENDITURES					
Current:					
General government	2,287,597	-	-	-	2,287,597
Public safety	7,285,385	828,530	-	-	8,113,915
Highways and public works	1,518,254	2,792,484	-	-	4,310,738
Parks and recreation	1,981,859	6,861,087	-	-	8,842,946
Capital expenditures	-	4,916,714	-	-	4,916,714
Debt service:	-	-	-	-	-
Principal retirement	170,000	330,000	422,000	-	922,000
Interest and fiscal charges	123,249	366,068	278,556	-	767,873
Total expenditures	<u>13,366,344</u>	<u>16,094,883</u>	<u>700,556</u>	<u>-</u>	<u>30,161,783</u>
Excess revenues over (under) expenditures	<u>3,459,208</u>	<u>(12,348,349)</u>	<u>300,092</u>	<u>-</u>	<u>(8,589,049)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	-	-
Developer reimbursement	-	-	(3,545,575)	-	(3,545,575)
Transfers in	-	2,450,242	-	-	2,450,242
Transfers out	(2,412,858)	-	-	(431,449)	(2,844,307)
Total other financing sources and uses	<u>(2,412,858)</u>	<u>2,450,242</u>	<u>(3,545,575)</u>	<u>(431,449)</u>	<u>(3,939,640)</u>
Net change in fund balance	1,046,350	(9,898,107)	(3,245,483)	(431,449)	(12,528,689)
Fund balances - beginning of year	3,662,232	25,395,322	5,926,731	431,449	35,415,734
Fund balances - end of year	<u>\$ 4,708,582</u>	<u>\$ 15,497,215</u>	<u>\$ 2,681,248</u>	<u>\$ -</u>	<u>\$ 22,887,045</u>

See accompanying notes to the financial statements.

CITY OF SARATOGA SPRINGS
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balance of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds \$ (12,528,689)

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

Capitalized Expenditures	\$ 14,358,388	
Depreciation Expense	<u>(5,967,776)</u>	
		8,390,612

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers and donations) is to increase (decrease) net assets.

Current year capital contributions from developers	6,317,523	
Transfer to Enterprise Funds	<u>(519,792)</u>	
		5,797,731

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 the governmental funds

Change in pension related costs	244,587	
Change in accrued compensated absences	<u>(102,821)</u>	
		141,766

Long term receivables do not provide current financial resources are deferred in the funds. The issuance of the receivable is reported as an expenditure in the funds, but is reported as an asset in the statement of net assets

Developer Reimbursement		3,545,575
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Special Assessments revenues		(1,000,648)
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments on bonds	922,000	
Principal repayments of capital leases	91,183	
Accrued interest	26,136	
Bond premium amortization	<u>15,211</u>	
		1,054,530

Change in net assets of governmental activities		<u>\$ 5,400,877</u>
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See accompanying notes to the financial statements.

CITY OF SARATOGA SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 2,771,043	\$ 2,771,043	\$ 3,154,306	\$ 383,263
Sales	3,500,000	3,500,000	4,146,681	646,681
Franchise	200,000	200,000	223,363	23,363
Energy	1,092,500	1,092,500	1,067,046	(25,454)
Licenses and permits	957,970	957,970	1,440,007	482,037
Intergovernmental	763,952	786,864	1,255,756	468,892
Charges for services	5,070,303	5,110,303	4,592,691	(517,612)
Fines and forfeitures	1,767,321	1,767,421	456,796	(1,310,625)
investment earnings	100,000	100,000	162,642	62,642
Other	50,000	50,000	326,264	276,264
Total revenues	16,273,089	16,336,101	16,825,552	489,451
EXPENDITURES				
Current:				
General government	3,845,077	3,840,282	2,287,597	1,552,685
Public safety	7,602,522	7,834,842	7,285,385	549,457
Highways and public works	2,601,069	2,836,952	1,518,254	1,318,698
Parks and recreation	2,142,752	2,248,755	1,981,859	266,896
Debt Service:				
Principal retirement	165,000	165,000	170,000	(5,000)
Interest and fiscal charges	128,500	128,500	123,249	5,251
Total expenditures	16,484,920	17,054,331	13,366,344	3,687,987
Excess (deficit) of revenues over (under) expenditures	(211,831)	(718,230)	3,459,208	4,177,438
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(412,862)	(413,032)	(2,412,858)	(1,999,826)
Total other financing sources (uses)	(412,862)	(413,032)	(2,412,858)	(1,999,826)
Net change in fund balance	(624,693)	(1,131,262)	1,046,350	2,177,613
Fund balances - beginning	2,768,845	2,768,845	3,662,232	893,387
Fund balances - ending	\$ 2,144,152	\$ 1,637,583	\$ 4,708,582	\$ 3,071,000

CITY OF SARATOGA SPRINGS
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-Type Activities - Enterprise				
	Major Funds			Non Major	Total
	Water	Sewer	Storm Drain	Funds	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 11,194,793	\$ 5,374,750	\$ 2,109,374	\$ 582,906	\$ 19,261,823
Restricted cash and cash equivalents	3,197,191	9,896,117	-	-	13,093,308
Accounts receivable - net	1,001,745	950,732	82,949	160,773	2,196,199
Due from other funds	6,159,285	4,500	-	-	6,163,785
Total current assets	<u>21,553,014</u>	<u>16,226,099</u>	<u>2,192,323</u>	<u>743,679</u>	<u>40,715,115</u>
Noncurrent assets:					
Capital Assets					
Water rights	16,212,529	-	-	-	16,212,529
Land	679,810	-	-	-	679,810
Construction in progress	618,983	1,986,357	3,500	-	2,608,840
Water capacities	10,950,988	-	-	-	10,950,988
Culinary water system	85,031,466	-	-	-	85,031,466
Secondary water system	24,577,215	-	-	-	24,577,215
Sewer system	-	28,683,498	-	-	28,683,498
Storm drain system	-	-	26,170,147	-	26,170,147
Street light system	-	-	-	3,483,268	3,483,268
Equipment	778,911	838,736	143,115	-	1,760,762
Less: Accumulated depreciation	(31,656,680)	(9,917,659)	(5,925,337)	(3,023,003)	(50,522,679)
Total capital assets	<u>107,193,222</u>	<u>21,590,932</u>	<u>20,391,425</u>	<u>460,265</u>	<u>149,635,844</u>
Total assets	<u>128,746,236</u>	<u>37,817,031</u>	<u>22,583,748</u>	<u>1,203,944</u>	<u>190,350,959</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related costs	260,345	63,164	-	-	323,509
Total deferred outflow of resources	<u>260,345</u>	<u>63,164</u>	<u>-</u>	<u>-</u>	<u>323,509</u>
Total assets & deferred outflows of resources	<u>\$ 129,006,581</u>	<u>\$ 37,880,195</u>	<u>\$ 22,583,748</u>	<u>\$ 1,203,944</u>	<u>\$ 190,674,468</u>
LIABILITIES					
Current liabilities:					
Accounts Payable	\$ 823,882	\$ 1,474,526	\$ 25,413	\$ 81,078	\$ 2,404,899
Due to other funds	6,125,326	47,607	47,607	90,059	6,310,599
Compensated absences	9,500	505	-	-	10,005
Customer deposits payable	373,732	59,754	-	-	433,486
Accrued interest payable	55,260	-	-	-	55,260
Bonds and contracts payable - current	1,846,000	170,000	-	-	2,016,000
Capital leases payable - current	-	-	-	-	-
Total current liabilities	<u>9,233,700</u>	<u>1,752,392</u>	<u>73,020</u>	<u>171,137</u>	<u>11,230,249</u>
Noncurrent liabilities:					
Compensated absences	15,457	1,777	-	-	17,234
Net pension liability	138,602	30,563	-	-	169,165
Bonds and contracts payable	26,964,328	9,899,929	-	-	36,864,257
Total noncurrent liabilities	<u>27,118,387</u>	<u>9,932,269</u>	<u>-</u>	<u>-</u>	<u>37,050,656</u>
Total liabilities	<u>36,352,087</u>	<u>11,684,661</u>	<u>73,020</u>	<u>171,137</u>	<u>48,280,905</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related costs	162,333	39,446	-	-	201,779
Total deferred outflow of resources	<u>162,333</u>	<u>39,446</u>	<u>-</u>	<u>-</u>	<u>201,779</u>
NET POSITION					
Net investment in capital assets	81,580,085	21,417,120	20,391,425	460,265	123,848,895
Unrestricted	10,912,076	4,738,968	2,119,303	572,542	18,342,889
Total net position	<u>92,492,161</u>	<u>26,156,088</u>	<u>22,510,728</u>	<u>1,032,807</u>	<u>142,191,784</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 129,006,581</u>	<u>\$ 37,880,195</u>	<u>\$ 22,583,748</u>	<u>\$ 1,203,944</u>	<u>\$ 190,674,468</u>

See accompanying notes to the financial statements.

CITY OF SARATOGA SPRINGS

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds				
	Major Funds			Non Major Funds	Total
	Water	Sewer	Storm Drain		
Operating revenues:					
Charges for services	\$ 5,211,486	\$ 4,361,232	\$ 697,019	\$ 1,474,613	\$ 11,744,350
Connection and other fees	2,382,386	280,704	-	-	2,663,090
Other	-	-	-	-	-
Total operating revenues	<u>7,593,872</u>	<u>4,641,936</u>	<u>697,019</u>	<u>1,474,613</u>	<u>14,407,440</u>
Operating expenses:					
Personnel Services	564,874	109,597	59,951	-	734,422
Supplies and maintenance	1,447,166	247,532	109,524	292,267	2,096,489
Professional services	205,380	-	-	-	205,380
Administration	1,471,101	775,274	377,423	94,130	2,717,928
Power and pumping	618,032	37,915	5,014	-	660,961
Treatment and sanitation	-	1,489,658	-	1,111,867	2,601,525
Depreciation	3,884,717	993,641	751,253	59,527	5,689,138
Other	27,136	21,200	-	-	48,336
Total operating expenses	<u>8,218,406</u>	<u>3,674,817</u>	<u>1,303,165</u>	<u>1,557,791</u>	<u>14,754,179</u>
Operating income	<u>(624,534)</u>	<u>967,119</u>	<u>(606,146)</u>	<u>(83,178)</u>	<u>(346,739)</u>
Nonoperating revenues (expenses):					
Interest revenue	235,564	107,421	29,835	14,000	386,820
Developer reimbursements	(75,873)	(1,114,977)	-	-	(1,190,850)
Bond issuance costs	-	(200,029)	-	-	(200,029)
Interest expense and fiscal charges	(608,197)	-	-	-	(608,197)
Total nonoperating revenues (expenses)	<u>(448,506)</u>	<u>(1,207,585)</u>	<u>29,835</u>	<u>14,000</u>	<u>(1,612,256)</u>
Net income (loss) before contributions and transfers	<u>(1,073,040)</u>	<u>(240,466)</u>	<u>(576,311)</u>	<u>(69,178)</u>	<u>(1,958,995)</u>
Capital contributions	8,590,221	2,268,474	2,463,823	-	13,322,518
Contribution of capital assets from governmental funds	-	-	-	519,792	519,792
Impact fees	1,877,772	592,757	608,528	-	3,079,057
Transfers in	-	-	-	431,449	431,449
Transfers out	(30,848)	(6,536)	-	-	(37,384)
Total contributions and transfers	<u>10,437,145</u>	<u>2,854,695</u>	<u>3,072,351</u>	<u>951,241</u>	<u>17,315,432</u>
Change in net position	9,364,105	2,614,229	2,496,040	882,063	15,356,437
Total net position - beginning	83,128,056	23,541,859	20,014,688	150,744	126,835,347
Total net position - ending	<u>\$ 92,492,161</u>	<u>\$ 26,156,088</u>	<u>\$ 22,510,728</u>	<u>\$ 1,032,807</u>	<u>\$ 142,191,784</u>

See accompanying notes to the financial statements.

CITY OF SARATOGA SPRINGS
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds				
	Major Funds			Non Major Funds	Total BTAs
	Water	Sewer	Storm Drain		
Cash Flows From Operating Activities					
Receipts from customers	\$ 7,305,192	\$ 4,119,303	\$ 691,746	\$ 1,474,111	\$ 13,590,352
Payments to suppliers	(3,731,769)	(540,316)	(92,748)	-	(4,364,833)
Payments to interfund services	(1,471,101)	(775,274)	(377,423)	(1,472,935)	(4,096,733)
Payments to employees	(579,569)	(114,841)	(59,951)	-	(754,361)
Net cash provided (used) by operating activities	<u>1,522,753</u>	<u>2,688,872</u>	<u>161,624</u>	<u>1,176</u>	<u>4,374,425</u>
Cash Flows From Noncapital Financing Activities					
Advance from other funds	(185,028)	-	-	499,204	314,176
Advance to other funds	86,424	(6,536)	-	-	79,888
Net cash provided (used) by noncapital financing activities	<u>(98,604)</u>	<u>(6,536)</u>	<u>-</u>	<u>499,204</u>	<u>394,064</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(7,337,039)	(1,853,243)	(34,470)	-	(9,224,752)
Impact fees collected	1,877,772	592,757	608,528	-	3,079,057
Bond issuance costs	-	(200,029)	-	-	(200,029)
Revenue bond proceeds	-	9,970,000	-	-	9,970,000
Bond premium proceeds	-	99,929	-	-	99,929
Payment for developer reimbursements	(75,873)	(1,114,977)	-	-	(1,190,850)
Payments for developer contributions	4,947,819	-	-	-	4,947,819
Principal paid on capital debt	(2,286,030)	-	-	-	(2,286,030)
Interest and fees paid on capital debt	(621,164)	-	-	-	(621,164)
Net cash provided (used) by capital and related financing activities	<u>(3,494,515)</u>	<u>7,494,437</u>	<u>574,058</u>	<u>-</u>	<u>4,573,980</u>
Cash Flows From Investing Activities					
Interest and dividends received	235,564	107,421	29,835	14,000	386,820
Net increase (decrease) in cash and cash equivalents	(1,834,802)	10,284,194	765,517	514,380	9,729,289
Cash and cash equivalents - beginning	16,226,786	4,986,673	1,343,857	68,526	22,625,842
Cash and cash equivalents (deficit) - ending	<u>\$ 14,391,984</u>	<u>\$ 15,270,867</u>	<u>\$ 2,109,374</u>	<u>\$ 582,906</u>	<u>\$ 32,355,131</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ (624,534)	\$ 967,119	\$ (606,146)	\$ (83,178)	\$ (346,739)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	3,884,717	993,641	751,253	59,527	5,689,138
(Increase)/decrease in accounts receivable	(288,680)	(522,633)	(5,273)	(502)	(817,088)
(Increase)/decrease in deferred outflows	(37,655)	(9,499)	-	-	(47,154)
Increase/(decrease) in accounts payable	(1,643,447)	1,204,733	21,790	25,329	(391,595)
Increase/(decrease) in compensated absences	(240)	(1,597)	-	-	(1,837)
Increase/(decrease) in net pension liability	(80,248)	(20,244)	-	-	(100,492)
Increase/(decrease) in deferred inflows	103,448	26,096	-	-	129,544
Increase/(decrease) in deposits	209,392	51,256	-	-	260,648
Total adjustments	<u>2,147,287</u>	<u>1,721,753</u>	<u>767,770</u>	<u>84,354</u>	<u>4,721,164</u>
Net cash provided (used) by operating activities	<u>\$ 1,522,753</u>	<u>\$ 2,688,872</u>	<u>\$ 161,624</u>	<u>\$ 1,176</u>	<u>\$ 4,374,425</u>
Noncash investing, capital, and financing activities					
Contributions by developers	\$ 3,642,402	\$ 2,268,474	\$ 2,463,823	\$ -	\$ 8,374,699
Capital assets contributed by governmental funds	\$ -	\$ -	-	\$ 3,483,268	\$ 3,483,268

See accompanying notes to the financial statements.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

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 sewer, and storm drain), 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 governmentwide 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 outflows, liabilities and deferred inflows, with the difference reported as net position. Net position is restricted when constraint 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, 2018

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.

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 expenditures related to compensated absences and claims and judgments are recorded when payment is due.

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

The City reports the following governmental funds:

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

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted or committed for specified purposes. The special revenue fund was closed in 2018.

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.)

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting

Debt Service Fund - The debt service fund is used to account for the debt related to the special assessment area and will be funded by property owner assessments.

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.

Street Light Utility Fund – The Street Light Utility Fund accounts for the street light services of the City for its residents.

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

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

D. Budgets

Annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1, in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level, 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.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – Continued

The Budgetary Comparison schedules presented in this section of the report are for the City’s general fund and special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include 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 and capital assets received in a concession arrangement should be reported at acquisition value at the date of donation.

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

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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – Continued

G. Long-Term Obligation

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

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

Assigned fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as 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. The General Fund is the only fund that reports a positive unassigned fund balance.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies – Continued

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. The City also records deferred outflows for changes to the net pension liability as provided by the cost sharing defined benefit pension systems administered by Utah State Retirement System (URS).

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 two items which qualifies for reporting in this category. First, 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. Second, the city recognizes deferred inflows for changes to the net pension liability as provided by the URS.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 2 - Deposits and Investments

As of June 30, 2018, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 59,104,163	85 days*	not rated
Total	<u>\$ 59,104,163</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, 2018 were \$5,358,108 of which \$5,008,108 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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 2 - Deposits and Investments – Continued

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 \$148,648 at June 30, 2018.

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. Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted Prices for identical investments in active markets
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

As of June 30, 2018 the City had the following recurring fair value measurements:

- PTIF Investments totaling \$59,104,163 valued using the application of the June 30, 2018, fair value factor, as calculated by the Utah State Treasurer which is therefore valued under level 2.

E. Restricted Cash

The City maintains cash in accounts held by third party custodians that are restricted for the use of bond payments and construction costs. The amount of restricted cash at June 30, 2018 was \$19,261,823.

Note 3 - Accounts Receivable – Unearned and Unavailable Revenue

Accounts receivable are recorded net of the allowance for doubtful accounts of \$44,820 in the enterprise funds. The governmental funds also report two types of unavailable resources:

1. Property taxes of \$2,648,789 as deferred inflows of resources due to property taxes being recognized as receivables prior to the period for which the taxes are levied. This amount is also reported as deferred inflows of resources on the Government-wide statement of net position.
2. Special assessments of \$2,544,927 as deferred inflows of resources due to special assessments not being available to liquidate liabilities of the current period. This amount is recognized as revenues on the Government-wide statement of activities.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 20,710,163	\$ 4,047,915	\$ -	\$ -	\$ 24,758,078
Construction in process	851,784	8,037,075	(132,622)	-	8,756,237
Total	<u>21,561,947</u>	<u>12,084,990</u>	<u>(132,622)</u>	<u>-</u>	<u>33,514,315</u>
Capital assets, being depreciated:					
Buildings	6,069,799	196,126	-	-	6,265,925
Machinery and equipment	5,577,760	640,338	-	-	6,218,098
Infrastructure	106,600,081	7,887,080	-	(3,483,268)	111,003,893
Total	<u>118,247,640</u>	<u>8,723,544</u>	<u>-</u>	<u>(3,483,268)</u>	<u>123,487,916</u>
Less accumulated depreciation for:					
Buildings	(2,042,011)	(284,214)	-	-	(2,326,225)
Machinery and equipment	(3,483,161)	(357,281)	-	-	(3,840,442)
Infrastructure	(46,780,787)	(5,326,281)	-	2,963,476	(49,143,592)
Total	<u>(52,305,959)</u>	<u>(5,967,776)</u>	<u>-</u>	<u>2,963,476</u>	<u>(55,310,259)</u>
Capital assets, being depreciated, net	<u>65,941,681</u>	<u>2,755,768</u>	<u>-</u>	<u>(519,792)</u>	<u>68,177,657</u>
Governmental activities capital assets, net	<u>\$ 87,503,628</u>	<u>\$ 14,840,758</u>	<u>\$ (132,622)</u>	<u>\$ (519,792)</u>	<u>\$ 101,691,972</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 554,841	\$ 124,969	\$ -	\$ -	\$ 679,810
Water rights	15,954,480	258,050	-	-	16,212,530
Construction in progress	4,093,925	1,982,528	(3,467,613)	-	2,608,840
Total	<u>20,603,246</u>	<u>2,365,547</u>	<u>(3,467,613)</u>	<u>-</u>	<u>19,501,180</u>
Capital assets, being depreciated:					
Water capacity	10,950,988	-	-	-	10,950,988
Culinary water system	80,472,095	4,559,371	-	-	85,031,466
Secondary water irrigation system	15,333,456	9,243,759	-	-	24,577,215
Sewer system	26,389,358	2,294,140	-	-	28,683,498
Storm drain system	23,674,723	2,495,424	-	-	26,170,147
Street light system	-	-	-	3,483,268	3,483,268
Equipment	1,677,752	83,010	-	-	1,760,762
Total	<u>158,498,372</u>	<u>18,675,704</u>	<u>-</u>	<u>3,483,268</u>	<u>180,657,344</u>
Less accumulated depreciation for:					
Water capacity	(6,733,991)	(547,549)	-	-	(7,281,540)
Culinary water system	(18,123,705)	(2,614,866)	-	-	(20,738,571)
Secondary water irrigation system	(2,489,978)	(669,575)	-	-	(3,159,553)
Sewer system	(8,515,328)	(934,964)	-	-	(9,450,292)
Storm drain system	(5,031,471)	(750,752)	-	-	(5,782,223)
Street light system	-	(59,528)	-	(2,963,476)	(3,023,004)
Equipment	(975,592)	(111,904)	-	-	(1,087,496)
Total	<u>(41,870,065)</u>	<u>(5,689,138)</u>	<u>-</u>	<u>(2,963,476)</u>	<u>(50,522,679)</u>
Capital assets, being depreciated, net	<u>116,628,307</u>	<u>12,986,566</u>	<u>-</u>	<u>519,792</u>	<u>130,134,665</u>
Business-type activities capital assets, net	<u>\$ 137,231,553</u>	<u>\$ 15,352,113</u>	<u>\$ (3,467,613)</u>	<u>\$ 519,792</u>	<u>\$ 149,635,845</u>

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 4 - Capital Assets – Continued

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

Governmental activities:

General government	\$ 255,115
Public Safety	197,687
Highways and public works	3,907,321
Parks and recreation	1,607,653
Total depreciation expense - governmental activities	\$ 5,967,776

Business-type activities:

Water utility	\$ 3,884,717
Sewer utility	993,641
Storm drain utility	751,253
Street light utility	59,527
Total depreciation expense - business-type activities	\$ 5,689,138

Combined depreciation expense	\$ 11,656,914
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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 \$317,372 of the compensated absences balance will be due in the next year.

Note 6 - Retirement Plans

General Information about the Pension Plans

Plan description: Eligible plan participants are provided with pensions through the Utah retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System); Firefighters Retirement System (Firefighters System); are multiple employer, cost sharing, public employees, retirement systems.
- The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple-employer retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) are multiple employer, cost sharing, public employees, retirement systems.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 6 - Retirement Plans – Continued

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning service on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65*	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

*with actuarial reductions

**All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 6 - Retirement Plans - Continued

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employees contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Utah Retirement Systems

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer 401(k)
Contributory System				
111 - Local Governmental Division Tier 2	N/A	N/A	15.110%	1.58%
Noncontributory System				
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%	N/A
Public Safety Retirement System				
49 - Other Division B Noncontributory Tier 1	N/A	N/A	20.460%	1.26%
122 - Other Division A Contributory Tier 2	N/A	N/A	32.200%	N/A
Firefighters System				
32 - Division B Tier 1	N/A	16.710%	6.700%	N/A
132 - Division B Tier 2	N/A	N/A	10.820%	1.26%
Tier 2 DC Only				
211 - Local Government	N/A	N/A	6.690%	10.00%
222 - Public Safety	N/A	N/A	9.720%	12.00%
222 - Firefighters	N/A	N/A	0.008%	12.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2018, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 439,512	N/A
Public Safety System	306,295	-
Firefighters System	28,456	-
Tier 2 Public Employees System	229,355	-
Tier 2 Public Safety and Firefighter	127,672	-
Tier 2 DC Only System	7,011	N/A
Total Contributions	\$ 1,138,301	\$ -

Contributions reported are URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 6 - Retirement Plans – Continued

Pension Assets, Liabilities, Expenses, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

At June 30, 2018, we reported a net pension asset of \$114,164 and a net pension liability of \$2,035,781.

	(Measurement Date): December 31, 2017				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2017	Change (Decrease)
Noncontributory System	\$ -	\$ 1,296,049	0.2958139%	0.2917979%	0.0040160%
Public Safety System	-	727,943	1.5064946%	1.4915100%	0.0149846%
Firefighters System	107,932	-	0.4811169%	0.4743030%	0.0068139%
Tier 2 Public Employees System	-	11,789	0.1337068%	0.1129970%	0.0207098%
Tier 2 Public Safety and Firefighter System	6,232	-	0.5385951%	0.5354597%	0.0031354%
	<u>\$ 114,164</u>	<u>\$ 2,035,781</u>			

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2018, we recognized pension expense of \$870,566. At June 30, 2018, we reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 419,925	\$ 181,944
Changes in assumptions	1,000,312	97,119
Net difference between projected and actual earnings on pension plan investments	498,983	1,337,727
Changes in proportion and differences between contributions and proportionate share of contributions	112,994	11,284
Contributions subsequent to the measurement date	572,849	-
Total	<u>\$ 2,605,063</u>	<u>\$ 1,628,074</u>

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 6 - Retirement Plans – Continued

\$572,849 was reported as deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2018	\$ 255,355
2019	288,840
2020	21,830
2021	(182,233)
2022	(31,028)
Thereafter	51,277

Actual assumptions: The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 – 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender and age, as appropriate, with adjustments for future improvement in mortality based on scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 6 - Retirement Plans – Continued

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate at 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 3,505,126	\$ 1,296,049	\$ (540,688)
Public Safety System	1,875,416	727,943	(207,552)
Firefighters System	553,632	(107,932)	(651,659)
Tier 2 Public Employees System	138,805	11,789	(86,159)
Tier 2 Public Safety and Firefighter System	55,188	(6,232)	(53,157)
	<u>\$ 6,128,167</u>	<u>\$ 1,921,617</u>	<u>\$ (1,539,215)</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Savings Plan

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic requirements benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b), and 408 of the Internal Revenue code. Detailed information regarding plan provision is available in the separately issued URS financial report.

City of Saratoga Springs participates in the following Defined Contribution Savings Plans with Utah Retirement Systems: 401(k) Plan, 457(b) Plan, Roth IRA Plan, and Traditional IRA Plan.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 6 - Retirement Plans – Continued

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
401(k) Plan			
Employer Contributions	\$ 577,001	\$ 464,279	\$ 430,660
Employee Contributions	\$ 137,135	\$ 118,158	\$ 113,748
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 58,694	\$ 50,802	\$ 38,996
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 33,860	\$ 24,199	\$ 23,635
Traditional IRA			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ -	\$ -	\$ -

Note 7 - Interfund Transfers

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2018 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ -	\$ 2,412,858
Capital Projects	2,450,242	-
Special Revenue Fund		431,449
Water Utilities	-	30,848
Sewer Utilities	-	6,536
Non major Utilities	431,449	
	<u>\$ 2,881,691</u>	<u>\$ 2,881,691</u>

The purpose of the inter-fund transfers is to meet the City's ongoing cash needs for capital projects. In addition to the transfers, the General Fund charged \$2,717,928 to the enterprise funds for personnel and administrative services and facility costs during the year.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 8 - 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, 2018 the City received \$1,315,552 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, 2018 was \$81,200.

Note 9 - Construction Commitments

The City has active construction projects as of June 30, 2018. 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	\$131,541,681	\$8,344,810	June 2019

Note 10 - Risk Management

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

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

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 11 – 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	\$ 760,499	\$ 19,701	\$ -	\$ -
Accumulated depreciation	(760,499)	(19,701)	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Year Ending June 30</u>	Governmental Activities	Business Type Activities		
		Water Utility	Sewer Utility	Storm Drain Utility
2019	\$ 8,680	\$ -	\$ -	\$ -
2020	8,680	-	-	-
2021	-	-	-	-
2022	-	-	-	-
Total minimum lease payments	17,360	-	-	-
Less: amount representing interest	-	-	-	-
Present value of minimum lease payments	<u>\$ 17,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 12 - 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 2012 series special assessment bond is recorded in the enterprise fund with annual debt service requirements to maturity for special assessment bonds as follows:

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 12 - Long-term Debt – Continued

A. Special Assessment Bonds – Continued

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 111,000	\$ 47,838	\$ 158,838
2020	114,000	45,718	159,718
2021	115,000	43,154	158,154
2022	119,000	40,393	159,393
2023	121,000	37,156	158,156
2024-2028	674,000	119,835	793,835
2029	121,000	6,764	127,764
	<u>\$ 1,375,000</u>	<u>\$ 340,858</u>	<u>\$ 1,715,858</u>

The 2016 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 3.0% -6.0% with a maturity date of February 1, 2027.

The 2016 series special assessment bond is recorded in a debt service fund with annual debt service requirements to maturity for special assessment bonds as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 462,000	\$ 226,460	\$ 688,460
2020	477,000	211,445	688,445
2021	493,000	194,750	687,750
2022	512,000	176,263	688,263
2023	532,000	155,783	687,783
2024-2027	2,402,000	506,195	2,908,195
	<u>\$ 4,878,000</u>	<u>\$ 1,470,896</u>	<u>\$ 6,348,896</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:

2014 Water Revenue Bonds

On October 22, 2014, the City issued \$9,995,000 in Series 2014 Water Revenue Bonds with a maturity date of December 1, 2033 with an average coupon rate of 3.051%. The bonds were issued to (1) finance the costs associated with acquiring, constructing, and equipping portions of the City's culinary water system, (2) refund the Series 2005, 2006, and 2009 Water Revenue Bonds, and (3) finance the cost of issuance of the Series 2014 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 OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 12 - Long-term Debt – Continued

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, with annual debt service requirements to maturity for special assessment bonds as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 445,000	\$ 250,924	\$ 695,924
2020	455,000	242,026	697,026
2021	465,000	232,926	697,926
2022	475,000	223,626	698,626
2023	485,000	214,124	699,124
2024-2028	2,630,000	866,904	3,496,904
2029-2033	3,755,000	463,854	4,218,854
	<u>\$ 8,710,000</u>	<u>\$ 2,494,384</u>	<u>\$ 11,204,384</u>

2016 Water Revenue Bonds

On November 22, 2016, the City issued \$9,710,000 in Series 2016 Water Revenue Bonds with a maturity date of June 1, 2037 with an average coupon rate of 2.50%. The bonds were issued to finance the costs associated with acquiring, constructing, and equipping portions of the City's culinary water system. 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. The annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 240,000	\$ 310,900	\$ 550,900
2020	380,000	306,700	686,700
2021	385,000	302,050	687,050
2022	395,000	290,275	685,275
2023	410,000	275,200	685,200
2024-2028	2,350,000	1,079,150	3,429,150
2029-2033	2,815,000	599,075	3,414,075
2034-2037	2,580,000	153,800	2,733,800
	<u>\$ 9,555,000</u>	<u>\$ 3,317,150</u>	<u>\$ 12,872,150</u>

The City has pledged all water utility net revenues to pay the debt service costs through maturity in 2037. During the year, the net revenue before depreciation was \$3,260,183 and the debt service requirement was \$1,162,474.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 12 - Long-term Debt – Continued

2018 Sewer Revenue Bonds

On May 17, 2018, the City issued \$9,970,000 in Series 2018 Sewer Revenue Bonds with a maturity date of June 1, 2038 with an average coupon rate of 3.25%. The bonds were issued to finance the costs associated with acquiring, constructing, and equipping portions of the City’s sewer system. 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. The annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2019	\$ 170,000	\$ 318,093	\$ 488,093
2020	285,000	312,114	597,114
2021	405,000	303,562	708,562
2022	415,000	291,412	706,412
2023	430,000	278,962	708,962
2024-2028	2,350,000	1,193,810	3,543,810
2029-2033	2,720,000	818,710	3,538,710
2034-2038	3,195,000	343,354	3,538,354
	<u>\$ 9,970,000</u>	<u>\$ 3,860,017</u>	<u>\$ 13,830,017</u>

The City has pledged all sewer utility net revenues to pay the debt service costs through maturity in 2038. During the year, the net revenue before depreciation was \$1,960,760 and the debt service requirement was \$0.00.

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.

2011 Sales Tax Revenue Bonds

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. The City has pledged all sales tax revenues to pay the debt service costs through maturity in 2031. The City has pledged all of its sales tax revenues. Revenue bond debt service requirements to maturity are as follows:

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

Note 12 - Long-term Debt – Continued

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 175,000	\$ 114,250	\$ 289,250
2020	185,000	107,250	292,250
2021	190,000	99,850	289,850
2022	200,000	92,250	292,250
2023	205,000	85,750	290,750
2024-2028	1,150,000	307,440	1,457,440
2029-2032	810,000	67,326	877,326
	<u>\$ 2,915,000</u>	<u>\$ 874,116</u>	<u>\$ 3,789,116</u>

2017 Sales Tax Revenue Bonds

On December 1, 2016, the city issued \$4,000,000 in Series 2017 Sales Taxes Revenue Bonds at interest rates ranging from 3.0% to 3.50% with a maturity date of June 1, 2037. The bonds were issued to finance the costs associated with acquiring, constructing, renovating, equipping, and furnishing the City's facilities (including a regional park complex). Bond proceeds were also used to pay the cost of issuance of the Bonds. The Bonds maturing on or after June 1, 2037 are subject to redemption prior to maturity, in whole or in part, at the option of the City on December 31, 2020 or on any date thereafter, from such maturities or parts thereof as selected by the City. The redemption price will equal 100% of the principal amount to be repaid or redeemed, plus accrued interest, if any, to the date of redemption. The City has pledged all sales tax revenues to pay the debt service costs through maturity in 2037. 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>
2019	\$ 375,000	\$ 295,826	\$ 670,826
2020	385,000	284,576	669,576
2021	400,000	273,026	673,026
2022	410,000	261,026	671,026
2023	425,000	248,726	673,726
2024-2028	2,310,000	1,045,330	3,355,330
2029-2033	2,680,000	677,320	3,357,320
2034-2037	2,465,000	219,494	2,684,494
	<u>\$ 9,450,000</u>	<u>\$ 3,305,324</u>	<u>\$ 12,755,324</u>

During the year the sales tax revenue was \$4,146,681 and the debt service requirement was \$672,243 or 16% of the sales tax revenue. The City has pledged all of its sales tax revenues.

CITY OF SARATOGA SPRINGS
Notes to the Financial Statements
June 30, 2018

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 \$2,000, of each connection or impact fee collected. By agreement, the obligation bears no interest. If the City has not paid the full obligation by February 2, 2025, 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>
2019	\$ 1,050,000	\$ -	\$ 1,050,000
2020	1,050,000	-	1,050,000
2021	1,050,000	-	1,050,000
2022	1,050,000	-	1,050,000
2023	1,050,000	-	1,050,000
2024-2027	3,529,750	-	3,529,750
	<u>\$ 8,779,750</u>	<u>\$ -</u>	<u>\$ 8,779,750</u>

D. Changes in Long-term Debt

During the year ended June 30, 2018, the following activity occurred in liabilities reported as long-term:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>	<u>One Year</u>
Governmental Activities:					
2011 Sales Tax Revenue Bonds	\$ 3,085,000	\$ -	\$ (170,000)	\$ 2,915,000	\$ 175,000
2017 Sales Tax Revenue Bonds	9,780,000	-	(330,000)	9,450,000	375,000
Plus Issuance Premium	304,216	-	(15,211)	289,005	-
2016 Special Assessment Bond	5,300,000	-	(422,000)	4,878,000	462,000
Obligations Under Capital Lease	108,543	-	(91,183)	17,360	8,680
Net Pension Liability	2,616,460	-	(749,844)	1,866,616	-
Compensated Absences	549,289	102,821	-	652,110	317,372
Total	<u>\$ 21,743,508</u>	<u>\$ 102,821</u>	<u>\$ (1,778,238)</u>	<u>\$ 20,068,091</u>	<u>\$ 1,338,052</u>
Business Type Activities:					
Debt					
2012 Special Assessment Bonds	\$ 1,515,000	\$ -	\$ (140,000)	\$ 1,375,000	\$ 111,000
2014 Water Revenue Bonds	9,145,000	-	(435,000)	8,710,000	445,000
2016 Water Revenue Bond	9,710,000	-	(155,000)	9,555,000	240,000
Plus Issuance Premium	412,268	-	(21,690)	390,578	-
2018 Sewer Revenue Bond	-	9,970,000	-	9,970,000	170,000
Plus Issuance Premium	-	99,929	-	99,929	-
Contract payable	10,365,660	-	(1,585,910)	8,779,750	1,050,000
Obligations Under Capital Lease	1,120	-	(1,120)	-	-
Net pension Liability	269,657	-	(100,492)	169,165	-
Compensated Absences	29,076	-	(1,837)	27,239	10,005
Total	<u>\$ 31,447,781</u>	<u>\$ 10,069,929</u>	<u>\$ (2,441,049)</u>	<u>\$ 39,076,661</u>	<u>\$ 2,026,005</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SARATOGA SPRINGS
 Required Supplementary Information
 Schedule of the Proportionate Share of the Net Pension Liability
 June 30, 2018
 Last 10 Fiscal Years*

Fiscal Year	Proportion of the net liability (asset)	Proportionate share of the net pension liability (asset)	Covered employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Noncontributory System					
2015	0.2635465%	\$ 1,144,381	\$ 2,236,578	51.20%	90.20%
2016	0.2668688%	1,510,073	2,164,610	69.76%	87.80%
2017	0.2917979%	1,873,700	2,353,876	79.60%	87.30%
2018	0.2958139%	1,296,049	2,266,730	57.18%	91.90%
Public Safety System					
2015	0.2635465%	574,927	1,140,839	50.40%	89.00%
2016	1.3970959%	681,715	1,149,462	59.31%	87.60%
2017	1.4915100%	929,654	1,235,277	75.26%	86.10%
2018	1.5064946%	727,943	1,202,686	60.53%	90.50%
Firefighters retirement system					
2015	0.3034621%	(33,395)	252,495	-13.20%	101.30%
2016	0.3757619%	63,939	316,691	20.19%	98.10%
2017	0.4743030%	70,158	410,102	17.11%	98.40%
2018	0.4811169%	(107,932)	402,462	-26.82%	102.30%
Tier 2 Public Employees Retirement System					
2015	0.0561807%	(1,703)	275,889	-0.60%	103.50%
2016	0.0886421%	(194)	572,836	-0.03%	100.20%
2017	0.1129970%	12,605	926,665	1.36%	95.10%
2018	0.1337068%	11,789	1,306,770	0.90%	97.40%
Tier 2 Public Safety and Firefighters retirement system					
2015	0.5381763%	(7,961)	222,627	-3.60%	120.50%
2016	0.4654713%	(6,801)	276,945	-2.46%	110.70%
2017	0.5354597%	(4,648)	442,409	-1.05%	103.60%
2018	0.5385951%	(6,232)	568,236	-1.10%	103.00%

* The amounts presented for each fiscal year were determined as of December 31. In accordance with GASB 68, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF SARATOGA SPRINGS

Required Supplementary Information

Schedule of Contributions

June 30, 2018

Last 10 Fiscal Years*

	Fiscal year ended June 30,	Actuarial Determined Contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contribution as a percentage of covered employee payroll
Noncontributory System	2014	\$ 376,272	\$ 376,272	\$ -	\$ 2,181,974	17.24%
	2015	410,152	410,152	-	2,234,890	18.35%
	2016	398,883	398,883	-	2,159,626	18.47%
	2017	422,199	422,199	-	2,295,957	18.39%
	2018	439,512	439,512	-	2,406,599	18.26%
Public Safety System	2014	301,111	301,111	-	1,134,533	26.54%
	2015	272,932	272,932	-	1,138,990	23.96%
	2016	279,168	279,168	-	1,175,484	23.75%
	2017	284,450	284,450	-	1,190,696	23.89%
	2018	306,295	306,295	-	1,286,043	23.82%
Firefighters System	2014	14,208	14,208	-	233,012	6.10%
	2015	18,440	18,440	-	279,810	6.59%
	2016	23,989	23,989	-	355,634	6.75%
	2017	26,859	26,859	-	403,277	6.66%
	2018	28,456	28,456	-	424,716	6.70%
Tier 2 Public Employees System	2016	112,743	112,743	-	756,062	41.91%
	2017	156,900	156,900	-	1,052,316	14.91%
	2018	229,355	229,355	-	1,517,905	15.11%
Tier 2 Public Safety and Firefighters System*	2014	30,095	30,095	-	214,501	14.03%
	2015	57,532	57,532	-	385,088	14.94%
	2016	112,743	112,743	-	756,062	14.91%
	2017	77,557	77,557	-	465,913	16.65%
	2018	127,672	127,672	-	773,055	16.52%
Tier 2 Public Employees DC Only System*	2014	1,163	1,163	-	25,982	4.47%
	2015	2,254	2,254	-	52,502	4.29%
	2016	2,376	2,376	-	35,507	6.69%
	2017	3,517	3,517	-	52,577	6.69%
	2018	7,011	7,011	-	104,797	6.69%

* Contributions in Tier 2 include an amortization rate to help the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

** The amounts presented were determined for the Calendar year January 1-December 31. In accordance with GASB 68, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF SARATOGA SPRINGS
Notes to Required Supplementary Information
For the year ended June 30, 2018

Change in Assumptions

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the total pension liability (and accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which resulted in a corresponding decrease in the cost of living adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had minimal impact on the Total Pension Liability (and actuarial accrued liability).

CITY OF SARATOGA SPRINGS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual

Debt Service Fund – The debt service fund is used to account for the debt related to the special assessment area and will be 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.)

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.

CITY OF SARATOGA SPRINGS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Special Service Area - Debt Service
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 581,000	\$ 679,058	\$ 1,000,648	\$ 321,590
Investment earnings	-	-	-	-
Total revenues	<u>581,000</u>	<u>679,058</u>	<u>1,000,648</u>	<u>321,590</u>
EXPENDITURES				
Debt service				
Principal	422,000	422,000	422,000	-
Interest and fiscal charges	159,000	259,058	278,556	(19,498)
Total expenditures	<u>581,000</u>	<u>681,058</u>	<u>700,556</u>	<u>(19,498)</u>
Excess (deficit) of revenues over (under) expenditures	<u>-</u>	<u>(2,000)</u>	<u>300,092</u>	<u>302,092</u>
OTHER FINANCING SOURCES (USES)				
Developer reimbursement	-	-	(3,545,575)	(3,545,575)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(3,545,575)</u>	<u>(3,545,575)</u>
Net change in fund balance	-	(2,000)	(3,245,483)	(3,243,483)
Fund balances - beginning	<u>5,926,731</u>	<u>5,926,731</u>	<u>5,926,731</u>	-
Fund balances - ending	<u>\$ 5,926,731</u>	<u>\$ 5,924,731</u>	<u>\$ 2,681,248</u>	<u>\$ (3,243,483)</u>

CITY OF SARATOGA SPRINGS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Capital Projects Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual Totals	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 270,000	\$ 270,000	\$ -	\$ (270,000)
Investment earnings	-	-	365,457	365,457
Impact fees	2,447,859	1,900,000	3,360,807	1,460,807
Miscellaneous	-	20,270	20,270	-
Total Revenues	<u>2,717,859</u>	<u>2,190,270</u>	<u>3,746,534</u>	<u>1,556,264</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	3,121,753	828,530	2,293,223
Highways and public works	2,918,990	4,006,167	2,792,484	1,213,683
Parks and recreation	11,000,000	11,099,306	6,861,087	4,238,219
Capital expenditures	6,099,861	9,141,792	4,916,714	4,225,078
Debt service	-	-	-	-
Principal retirement	482,000	482,000	330,000	152,000
Interest and fiscal charges	396,260	396,260	366,068	30,192
Total expenditures	<u>20,897,111</u>	<u>28,247,278</u>	<u>16,094,883</u>	<u>12,152,395</u>
Excess (deficit) of revenues over (under) expenditures	<u>(18,179,252)</u>	<u>(26,057,008)</u>	<u>(12,348,349)</u>	<u>13,708,659</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Transfers in	13,250,245	12,450,000	2,450,242	(9,999,758)
Transfers out	-	(261,000)	-	261,000
Total other financing sources (uses)	<u>13,250,245</u>	<u>12,189,000</u>	<u>2,450,242</u>	<u>(9,738,758)</u>
Net change in fund balance	(4,929,007)	(13,868,008)	(9,898,107)	3,969,901
Fund balances - beginning	25,395,322	25,395,322	25,395,322	-
Fund balances - ending	<u>\$ 20,466,315</u>	<u>\$ 11,527,314</u>	<u>\$ 15,497,215</u>	<u>\$ 3,969,901</u>

CITY OF SARATOGA SPRINGS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
General government	-	-	0	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out			<u>(431,449)</u>	<u>(431,449)</u>
Net change in fund balance	-	-	(431,449)	(431,449)
Fund balances - beginning	431,449	431,449	431,449	-
Fund balances - ending	<u>\$ 431,449</u>	<u>\$ 431,449</u>	<u>\$ -</u>	<u>\$ (431,449)</u>

SUPPLEMENTARY INFORMATION

CITY OF SARATOGA SPRINGS
Combining Financial Statements
Nonmajor Proprietary Funds

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

Street Light Utility Fund – The Street Light Utility Fund accounts for the street light services of the City for its residents.

CITY OF SARATOGA SPRINGS

Combining Statement of Net Position

Nonmajor Proprietary Funds

June 30, 2018

	<u>Garbage</u>	<u>Street Lights</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 582,906	\$ 582,906
Accounts receivable - net	<u>130,686</u>	<u>30,087</u>	<u>160,773</u>
Total current assets	<u>130,686</u>	<u>612,993</u>	<u>743,679</u>
Noncurrent assets:			
Capital Assets			
Street light system		3,483,268	
Less: Accumulated depreciation		<u>(3,023,003)</u>	
Total capital assets	<u>0</u>	<u>460,265</u>	<u>460,265</u>
Total noncurrent assets	<u>-</u>	<u>460,265</u>	<u>460,265</u>
Total assets	<u>130,686</u>	<u>1,073,258</u>	<u>1,203,944</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related costs	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflow of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets & deferred outflows of resources	<u>\$ 130,686</u>	<u>\$ 1,073,258</u>	<u>\$ 1,203,944</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 40,272	\$ 40,806	\$ 81,078
Due to other funds	<u>90,059</u>	<u>-</u>	<u>90,059</u>
Total current liabilities	<u>130,331</u>	<u>40,806</u>	<u>171,137</u>
Noncurrent liabilities:			
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>130,331</u>	<u>40,806</u>	<u>171,137</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related costs	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>			
Net investment in capital assets	-	460,265	460,265
Unrestricted	<u>355</u>	<u>572,187</u>	<u>572,542</u>
Total net Position	<u>355</u>	<u>1,032,452</u>	<u>1,032,807</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 130,686</u>	<u>\$ 1,073,258</u>	<u>\$ 1,203,944</u>

CITY OF SARATOGA SPRINGS

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Nonmajor Proprietary Funds

For the Year Ended June 30, 2018

	<u>Garbage</u>	<u>Street Lights</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,177,611	\$ 297,002	\$ 1,474,613
Other	-	-	-
Total operating revenues	<u>1,177,611</u>	<u>297,002</u>	<u>1,474,613</u>
 Operating expenses:			
Supplies and Maintenance	75,507	216,760	292,267
Administration	63,445	30,685	94,130
Treatment and sanitation	1,111,867	-	1,111,867
Depreciation	-	59,527	59,527
Total operating expenses	<u>1,250,819</u>	<u>306,972</u>	<u>1,557,791</u>
Operating income	<u>(73,208)</u>	<u>(9,970)</u>	<u>(83,178)</u>
 Nonoperating revenues (expenses):			
Interest revenue	6,030	7,970	14,000
Total nonoperating revenues (expenses)	<u>6,030</u>	<u>7,970</u>	<u>14,000</u>
 Net income (loss) before contributions and transfers	<u>(67,178)</u>	<u>(2,000)</u>	<u>(69,178)</u>
 Contributions and transfers			
Contribution from governmental funds	-	519,792	519,792
Operating transfers in	-	431,449	431,449
Total contributions and transfers	<u>-</u>	<u>951,241</u>	<u>951,241</u>
 Change in net Position	(67,178)	949,241	882,063
 Total net position - beginning	67,533	83,211	150,744
Total net position - ending	<u>\$ 355</u>	<u>\$ 1,032,452</u>	<u>\$ 1,032,807</u>

CITY OF SARATOGA SPRINGS
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2018

	Garbage	Street Lights	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 1,175,841	\$ 298,270	\$ 1,474,111
Payments to employees	-	-	-
Payments to suppliers	(1,249,626)	(223,309)	(1,472,935)
Net cash provided (used) by operating activities	(73,785)	74,961	1,176
Cash Flows From Noncapital Financing Activities			
Advance from other funds	67,755	431,449	499,204
Transfers Out	-	-	-
Net cash provided (used) by noncapital financing activities	67,755	431,449	499,204
Cash Flows From Capital and Related Financing Activities			
Net cash provided (used) by capital and related financing activities	-	-	-
Cash Flows From Investing Activities			
Interest and dividends received	6,030	7,970	14,000
Net cash provided (used) by investing and related financing activities	6,030	7,970	14,000
Net increase (decrease) in cash and cash equivalents	-	514,380	514,380
Cash and cash equivalents - beginning	-	68,526	68,526
Cash and cash equivalents - end	\$ -	\$ 582,906	\$ 582,906
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ (73,208)	\$ (9,970)	\$ (83,178)
Adjustments to reconcile operating income to net cash provided (used) by			
Depreciation expense	-	59,527	59,527
Increase/ (decrease) in accounts receivable	(1,770)	1,268	(502)
Increase/(decrease) in accounts payable	1,193	24,136	25,329
Increase/(decrease) in due to other funds	-	-	-
Total adjustments	(577)	84,931	84,354
Net cash provided (used) by operating activities	\$ (73,785)	\$ 74,961	\$ 1,176
Capital assets contributed by governmental funds		\$ 3,483,268	\$ 3,483,268

STATISTICAL SECTION

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities										
Net investment in										
capital assets	\$ 80,964,663	\$ 72,879,872	\$ 74,023,634	\$ 75,648,247	\$ 72,106,589	\$ 74,598,446	\$ 73,222,615	\$ 86,379,952	\$ 84,573,253	\$ 99,816,127
Restricted	9,436,161	5,418,579	6,879,966	7,890,183	600,591	95,687				
Unrestricted	<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>	<u>17,070,401</u>	<u>16,492,718</u>	<u>17,926,208</u>	<u>8,084,211</u>
Total Governmental Activities										
Net Position	\$ 91,812,686	\$ 80,683,296	\$ 83,540,161	\$ 88,479,960	\$ 87,878,447	\$ 90,014,523	\$ 90,293,016	\$ 102,872,670	\$ 102,499,461	\$ 107,900,338
Business-Type Activities										
Net investment in										
capital assets	\$ 62,465,261	\$ 80,299,189	\$ 79,011,572	\$ 80,775,067	\$ 79,541,530	\$ 83,658,220	\$ 87,124,624	\$ 104,205,965	\$ 112,772,271	\$ 123,848,895
Restricted	1,299,971	2,156,528	3,487,439	5,079,787	-	-	2,814,571	2,787,320	-	-
Unrestricted	<u>3,178,868</u>	<u>2,166,007</u>	<u>2,429,896</u>	<u>1,733,791</u>	<u>8,625,624</u>	<u>8,122,994</u>	<u>8,754,227</u>	<u>14,074,089</u>	<u>14,063,076</u>	<u>18,342,889</u>
Total Business-Type Activities										
Net Position	\$ 66,944,100	\$ 84,621,724	\$ 84,928,907	\$ 87,588,645	\$ 88,167,154	\$ 91,781,214	\$ 98,693,422	\$ 121,067,374	\$ 126,835,347	\$ 142,191,784
Primary Government										
Net investment in										
capital assets	\$ 143,429,924	\$ 153,179,061	\$ 153,035,206	\$ 156,423,314	\$ 151,648,119	\$ 158,256,666	\$ 160,347,239	\$ 190,585,917	\$ 197,345,524	\$ 223,665,022
Restricted	10,736,132	7,575,107	10,367,405	12,969,970	600,591	95,687	5,814,571	2,787,320		
Unrestricted	<u>4,590,730</u>	<u>4,550,852</u>	<u>5,066,457</u>	<u>6,675,321</u>	<u>23,796,891</u>	<u>23,443,384</u>	<u>25,824,628</u>	<u>30,566,807</u>	<u>31,989,284</u>	<u>26,427,100</u>
Total Primary Government										
Net Position	\$ 158,756,786	\$ 165,305,020	\$ 168,469,068	\$ 176,068,605	\$ 176,045,601	\$ 181,795,737	\$ 191,986,438	\$ 223,940,044	\$ 229,334,808	\$ 250,092,122

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

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses									
Governmental Activities:									
General Government	\$ 1,292,510	\$ 1,291,631	\$ 1,998,497	\$ 2,609,093	\$ 2,171,825	\$ 2,096,762	\$ 2,462,795	\$ 2,740,131	\$ 2,454,741
Public Safety	3,669,436	4,651,168	4,833,686	4,966,496	5,018,488	5,240,399	6,012,919	6,654,993	7,398,839
Highways and Public Improvements	3,126,167	3,364,997	4,022,464	4,722,390	2,666,666	5,384,522	5,966,661	5,850,964	6,463,171
Parks and Recreation	1,614,955	1,738,032	1,899,678	2,438,028	2,635,964	2,701,630	2,023,421	3,532,875	3,351,597
Economic Development									
Interest on Long-Term Debt	27,858	47,519	157,437	141,240	142,332	137,882	133,171	392,392	726,526
Total Governmental Activities	9,730,926	11,093,347	12,911,762	14,877,247	12,635,275	15,561,195	16,598,967	19,171,355	20,394,874
Business-Type Activities:									
Water Utility	3,940,978	4,286,081	4,649,685	5,102,548	5,001,698	5,477,856	6,353,950	7,828,265	8,902,476
Sewer Utility	1,766,075	2,043,128	2,434,510	3,066,436	3,005,658	3,244,648	4,203,587	3,541,052	4,989,823
Garbage Utility	649,154	633,551	702,476	822,106	1,028,024	1,080,662	1,059,777	1,171,046	1,557,791
Storm Drain Utility	467,758	470,700	756,772	691,410	880,773	908,198	901,351	954,935	1,303,165
Street Lighting								-	
Total Business-Type Activities	6,823,965	7,433,460	8,543,443	9,682,500	9,916,153	10,711,364	12,518,665	13,495,298	16,753,255
Total Primary Government Expenses	\$ 16,554,891	\$ 18,526,807	\$ 21,455,205	\$ 24,559,747	\$ 22,551,428	\$ 26,272,559	\$ 29,117,632	\$ 32,666,653	\$ 37,148,129
Revenues									
Governmental Activities:									
Charges for Services									
General Government	\$ 893,642	\$ 734,865	\$ 2,473,625	\$ 4,081,953	\$ 2,778,204	\$ 3,379,235	\$ 4,985,982	\$ 257,321	\$ 254,635
Public Safety	\$ 500,334	\$ 715,131	\$ 1,894,515	\$ 1,039,947	\$ 1,101,415	\$ 1,214,388	\$ 1,372,884	\$ 5,175,558	\$ 6,008,513
Highways & Public Improvements			\$ 1,179,069	\$ 1,268,709	\$ 1,105,971	\$ 1,541,709	\$ 1,641,262	\$ 285,091	\$ 346,534
Parks & Recreation	\$ 128,501	\$ 150,558	\$ 888,193	\$ 886,054	\$ 652,831	\$ 2,519,097	\$ 2,555,462	\$ 415,750	\$ 450,249
Operating Grants and Contributions	713,486	1,719,874	1,118,658	172,388	123,870	764,283	239,028	242,108	98,790
Capital Grants and Contributions	5,754,442	5,740,308	2,664,043	672,095	2,502,760	1,545,870	10,796,710	6,756,688	10,431,394
Total Governmental Activities	7,990,405	9,060,736	10,218,103	8,121,146	8,265,051	10,964,582	21,591,328	13,132,516	17,590,115
Business-Type Activities									
Charges for Services									
Water Utility	1,944,116	2,222,973	6,393,708	6,154,942	5,976,789	6,512,923	10,473,751	7,934,650	9,707,208
Sewer Utility	1,671,891	1,970,431	2,488,427	2,674,392	2,720,120	3,047,088	4,675,210	4,255,070	5,342,114
Garbage Utility	679,208	745,432	596,706	639,307	893,984	641,802	961,029	1,203,403	1,488,613
Storm Drain Utility	145,373	148,947	808,855	895,505	579,827	913,322	958,500	755,522	1,335,382
Street Lighting									
Capital Grants and Contributions	5,724,324	2,223,380	1,238,142		3,070,714	6,587,528	17,769,209	5,152,013	13,322,518
Total Business-Type Activities	10,164,912	7,311,163	11,525,838	10,364,146	13,241,434	17,702,663	34,837,699	19,300,658	31,195,835
Total Primary Government Revenues	\$ 18,155,317	\$ 16,371,899	\$ 21,743,941	\$ 18,485,292	\$ 21,506,485	\$ 28,667,245	\$ 56,429,027	\$ 32,433,174	\$ 48,785,950
Net (Expense)/Revenue									
Governmental Activities	\$ (1,740,521)	\$ (2,032,611)	\$ (2,693,659)	\$ (6,756,101)	\$ (4,370,224)	\$ (4,596,613)	\$ 4,992,361	\$ (6,038,839)	\$ (2,804,759)
Business-Type Activities	3,340,947	(122,297)	2,982,395	681,646	3,325,281	6,991,299	22,319,034	5,805,360	14,442,580
Total Primary Government Net Expense	\$ 1,600,426	\$ (2,154,908)	\$ 288,736	\$ (6,074,455)	\$ (1,044,943)	\$ 2,394,686	\$ 27,311,395	\$ (233,479)	\$ 11,637,821

Schedule 2, Continued

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses									
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes									
Property Taxes	2,442,112	2,395,277	2,758,185	2,659,844	2,686,612	2,844,496	2,969,689	2,849,626	3,154,305
Sales and Use Taxes	1,723,051	1,881,168	2,162,610	2,360,544	2,653,278	2,939,653	3,215,928	3,639,272	4,146,681
Franchise Fees	158,393	227,207	212,494	199,838	221,085	207,142	212,144	227,184	223,363
Energy Taxes	549,691	632,865	655,845	793,113	870,992	877,695	953,656	1,003,254	1,067,046
Interest Earnings	56,812	98,172	73,233	89,897	74,332	89,800	137,752	107,325	528,098
Gain on Sale of Capital Assets	-	34,787	-	51,352	-	15,799	8,043	183,719	-
Other	(14,318,928)	(380,000)	309,789	-	-	-	37,387	-	(913,857)
Total Governmental Activities	(9,388,869)	4,889,476	6,172,156	6,154,588	6,506,299	6,974,585	7,534,599	8,010,380	8,205,636
Business-Type Activities:									
Interest Earnings	17,749	49,480	57,343	45,004	56,267	109,205	92,225	463,620	-
Other	14,318,928	380,000	6,569	-	-	-	(37,387)	-	913,857
Total Business-Type Activities	14,336,677	429,480	63,912	45,004	56,267	109,205	54,838	463,620	913,857
Total Primary Government									
General Revenue	4,947,808	5,318,956	6,236,068	6,199,592	6,562,566	7,083,790	7,589,437	8,474,000	9,119,493
Change in Net Position									
Governmental Activities	\$ (11,129,390)	\$ 2,856,865	\$ 4,559,799	\$ (601,513)	\$ 2,136,075	\$ 2,377,972	\$ 12,579,654	\$ 2,023,294	\$ 5,400,877
Business-Type Activities	17,677,624	307,183	3,039,738	726,650	3,381,548	7,100,504	22,373,953	5,767,973	15,356,437
Total Primary Government	\$ 6,548,234	\$ 3,164,048	\$ 7,599,537	\$ 125,137	\$ 5,517,623	\$ 9,478,476	\$ 34,953,607	\$ 7,791,267	\$ 20,757,314

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

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund									
Unreserved, undesignated	\$ 1,601,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned		1,782,816	2,478,911	2,508,347	2,068,425	2,989,076	2,768,845	3,662,232	4,588,582
All other governmental funds									
Reserved									
Roads and impact fees									
Roads and capital improvements	6,048,717								
Advance to sewer fund									
Unreserved, undesignated									
Special revenue funds	163,926								
Capital Project Fund	(387,641)								
Nonspendable - prepaid expenses		22,459	7,628	6,277	737				120,000
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	13,435,477	12,492,157	25,395,322	15,497,215
Assigned									
Debt Service		1,713,820	1,406,121					5,926,731	2,681,248
Street lighting		249,453	305,725	282,980				431,449	
Total all other governmental Funds	\$ 5,825,002	\$ 9,359,208	\$ 9,602,029	\$ 11,835,975	\$ 11,879,760	\$ 13,435,477	\$ 12,492,157	\$ 31,753,502	\$ 18,298,463

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

(1) Difference from prior year is revenues exceeded expenditures to increase unassigned fund balance and in the Committed capital projects fund we bonded for funds for parks projects.

Schedule 4

CITY OF SARATOGA SPRINGS, UTAH

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 4,073,541	\$ 4,804,683	\$ 5,240,234	\$ 5,789,134	\$ 5,988,153	\$ 6,320,529	\$ 6,692,613	\$ 7,141,996	\$ 7,719,336	\$ 8,591,396
Licenses and Permits	228,197	301,258	321,571	563,917	648,974	583,374	749,910	1,231,004	1,267,524	1,440,007
Intergovernmental	363,569	4,138,356	1,799,494	1,063,618	844,483	2,626,630	2,310,153	1,114,882	1,463,080	1,255,756
Fees/Charges for Services	2,267,583	2,501,208	2,506,678	5,589,526	6,545,780	4,975,201	7,429,506	8,699,519	4,787,332	5,593,339
Fines & Forfeitures	-	-	-	-	-	-	427,554	514,587	480,309	456,796
Developer Contributions	-	-	-	-	-	-	-	-	-	-
Interest Earnings	223,094	56,812	98,172	66,551	89,897	74,332	89,800	190,746	289,201	528,099
Impact Fees	-	-	-	-	-	-	-	-	2,912,619	3,360,807
Other	29,966	203,803	2,041,161	534,896	81,909	79,846	47,459	110,180	101,372	346,534
Total Revenues	\$ 7,185,950	\$ 12,006,120	\$ 12,007,310	\$ 13,607,642	\$ 14,199,196	\$ 14,659,912	\$ 17,746,995	\$ 19,002,914	\$ 19,020,773	\$ 21,572,734
Expenditures										
General Government	1,137,079	1,211,931	1,256,561	1,919,556	2,294,465	2,118,559	2,266,424	2,345,329	2,462,576	2,287,597
Public Safety	2,915,047	5,122,624	4,613,424	4,582,135	5,392,426	5,295,083	5,724,366	6,276,346	6,554,146	8,113,915
Highways and Public Improvements	2,743,826	6,304,986	2,464,024	3,545,121	2,521,683	1,589,359	2,003,657	4,959,389	1,442,102	4,310,738
Parks and Recreation	830,865	1,627,197	2,264,012	2,665,475	953,329	1,379,264	2,777,486	3,961,206	2,501,142	8,842,946
Capital Expenditures	-	-	-	-	-	4,135,524	2,339,204	2,319,328	1,310,587	4,916,714
Debt Service:										
Principal Retirement	-	-	-	-	-	-	-	-	165,000	922,000
Intrest & Fiscal Charges	-	-	-	-	-	-	-	-	241,318	767,873
Capital Lease Payments	351,807	324,228	1,405,289	365,282	533,463	129,099	155,000	160,000	-	-
Bond Issuance Costs and Trustee Fees	-	-	114,617	291,000	291,800	292,332	137,882	133,171	197,504	-
Total Expenditures	\$ 7,978,624	\$ 14,590,966	\$ 12,117,927	\$ 13,368,569	\$ 11,987,166	\$ 14,939,220	\$ 15,404,019	\$ 20,154,769	\$ 14,874,375	\$ 30,161,783
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (792,674)	\$ (2,584,846)	\$ (110,617)	\$ 239,073	\$ 2,212,030	\$ (279,308)	\$ 2,342,976	\$ (1,151,855)	\$ 4,146,398	\$ (8,589,049)
Other Financing Sources (Uses)										
Proceeds From Obligations Under Capital Leases	-	69,021	21,400	119,100	-	211,322	120,119	8,043	-	-
Developer Reimbursement	-	-	-	-	-	-	-	-	-	(3,545,575)
Bond Proceeds	-	-	4,000,000	-	-	-	15,799	-	15,399,427	-
Bond Premium	-	-	134,193	-	-	-	-	-	-	-
Proceeds From Sales of Capital Assets	-	-	50,050	200,743	51,352	-	-	-	183,719	-
Transfers In	300,000	-	750,130	2,538,216	2,428,616	2,231,485	1,344,074	3,621,247	2,372,046	2,450,242
Transfers Out	-	(398,368)	(1,130,130)	(2,538,216)	(2,428,616)	(2,231,485)	(1,344,074)	(3,583,860)	(2,334,659)	(2,844,307)
Total Other Financing Sources (Uses)	\$ 300,000	\$ (329,347)	\$ 3,825,643	\$ 319,843	\$ 51,352	\$ 211,322	\$ 135,918	\$ 45,430	\$ 15,620,533	\$ (3,939,640)
Net Change in Fund Balances	\$ (492,674)	\$ (2,914,193)	\$ 3,715,026	\$ 558,916	\$ 2,263,382	\$ (67,986)	\$ 2,478,894	\$ (1,106,425)	\$ 19,766,931	\$ (12,528,689)
Ratio of Total Debt Service Expenditures to total non capital expenditures	4.6%	2.3%	14.3%	5.2%	7.4%	4.1%	2.3%	1.7%	4.7%	7.2%

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

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

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Fees	Energy Taxes	Total
2009	\$ 1,929,926	\$ 1,446,985	\$ 141,716	\$ 450,148	3,968,775
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
2015	2,844,496	2,939,652	207,142	877,695	6,868,985
2016	2,668,123	2,939,653	212,143	953,656	6,773,575
2017	2,649,626	3,639,272	227,184	1,003,254	7,519,336
2018	2,643,303	4,146,681	223,362	1,019,126	8,034,490
					0%
					-
					-

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

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

Calendar Year	Residential Property	Commerical Property	Miscellaneous Property	Total Assessed Value	Total Taxable Assessed Value
2008	932,667,853	62,553,999	49,865,634	1,045,087,486	1,017,244,323
2009	761,281,348	108,869,886	54,449,296	924,600,530	895,096,173
2010	677,853,887	112,726,260	56,471,741	847,051,888	818,019,054
2011	613,123,034	104,439,630	39,673,599	757,236,263	744,534,001
2012	554,081,621	88,261,615	134,695,645	777,038,881	763,106,508
2013	625,910,515	90,163,478	115,855,901	831,929,894	818,244,896
2014	826,502,262	111,913,600	122,397,289	1,060,813,151	969,656,009
2015	842,160,029	91,446,400	139,318,209	1,072,924,638	1,885,166,371
2016	999,046,165	97,612,900	161,893,154	1,258,552,219	1,296,364,927
2017	1,181,544,415	121,605,600	213,810,120	1,516,960,135	1,562,170,172

Source: Utah State Tax Commission and Utah County Treasurer

<http://propertytax.utah.gov/property-tax-rates/year-end-values-by-entity>

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

Calendar Year	Residential Property	Commerical Property	Miscellaneous Property	Fee-In-Lieu Value	Total Assessed Value
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
2014	826,505,262	111,913,600	131,237,187	15,728,392	969,656,099
2015	892,160,029	91,446,400	139,318,209	15,640,297	1,155,908,456
2016	999,046,165	97,612,900	161,893,154	37,812,708	1,296,364,927
2017	1,181,544,415	121,605,600	213,810,120	18375999	1,535,336,134

Source: Utah State Tax Commission

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

	Calendar Year				
	2013	2014	2015	2016	2017
Retail Trade	112,342,890	113,167,547	120,493,315	134,903,638	141,021,664
Accommodation and Food Services	16,782,513	20,963,103	23,056,127	24,272,362	25,687,334
Utilities	12,491,830	12,964,613	13,545,560	14,520,668	14,750,136
Information	8,205,139	9,472,286	9,232,412	9,020,018	9,130,021
Wholesale Trade	2,179,487	2,481,843	7,257,027	3,880,350	4,160,248
Motor Vehicle Sales Tax	5,901,951	6,435,003	6,346,056	7,645,128	8,128,123
Other Services (except Public Administration)	2,123,710	2,342,173	3,142,629	5,592,281	5,907,622
Miscellaneous	1,153,018	1,929,795	2,323,817	7,980,524	6,687,151
All others	9,171,516	5,360,641	6,575,124	9,604,431	8,843,201
Total	\$ 175,119,018	\$ 175,117,004	\$ 191,972,067	\$ 217,419,400	\$ 224,315,500
City direct sales tax rate	2.20%	2.20%	2.20%	2.20%	2.20%

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

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

Schedule 9

CITY OF SARATOGA SPRINGS, UTAH

Direct and Overlapping Property Tax Rates

Last Ten Calendar Years

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

Calendar Year	City Direct Rate	Overlapping Rates					Total Levy for Saratoga Springs Residents
		Utah County Levy	Local Assessment Levy	State Assessment/Collecting	Cent Ut Levy	Alpine School District	
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	0.000447	0.008699	0.013166
2014	0.002233	0.000916	0.000022	0.000013	0.000447	0.008096	0.011727
2015	0.002083	0.000870	0.000028	0.000228	0.000405	0.008070	0.011684
2016	0.001994	0.000834	0.000025	0.000190	0.000400	0.007718	0.011161
2017	0.001731	0.000732	0.000170	0.000200	0.000419	0.001731	0.010094

Source: Utah County Assessors Office

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

http://www.utahcounty.gov/Dept/Treas/TaxRates/TaxRatesYear.asp?tax_year=2016&button=Search

Schedule 10

CITY OF SARATOGA SPRINGS, UTAH

Direct and Overlapping Sales Tax Rate

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Utah County</u>	<u>State of Utah</u>	<u>Total</u>
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
2015	1.80	0.25	4.70	6.75
2016	1.80	0.25	4.70	6.75
2017	1.80	0.25	4.70	6.75
2018	1.80	0.25	4.70	6.75

Source: Utah State Tax Commission

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

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

	2017			2016			
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Total Parcels</u>	<u>Rank</u>	<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Total Parcels</u>	<u>Rank</u>
Aldara Apartments	19,823,422	1	1	Aldara Apartments	19,417,365	1	1
Wal- Mart	15,887,204	1	2	Wal- Mart	15,262,500	1	2
McLaughlin, Scott	14,583,521	15	3	McLaughlin, Scott	14,466,215	15	3
SCP Fox Hollow	10,000,600	28	4	SCP Fox Hollow	10,000,600	28	4
Questar Gas (Dominion)	9,701,203	1	5	Questar Gas (Dominio	9,695,430	1	5
Wasatch Land Company	8,628,450	94	6	Wasatch Land Compar	8,686,960	94	6
Woodside Homes of Utah	8,598,550	106	7	Woodside Homes of U	8,582,240	106	7
Pacificorp	8,598,502	1	8	Pacificorp	8,581,310	1	8
D R Horton	8,166,302	174	9	D R Horton	8,160,786	174	9
Stations West	8,051,280	6	10	Stations West	8,042,200	6	10
	112,039,034	427			110,895,606	427	

Source: Utah County Treasurer and City Finance Department

Note: No other information available at this time.

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

Tax Year End 12/31	Total Taxes Levied	Treasurer's Relief (1)	Net Taxes Assessed	Current Collections	Delinquent, Personal Property, and Misc. Collections (2)	Total Collections	% of Current Collections to Net Taxes Assessed	% of Total Collections to Net Taxes Assessed (3)
2010	2,246,026	14,729	2,231,297	1,934,821	520,414	2,455,235	86.71%	110.04%
2011	2,322,946	19,180	2,303,766	2,079,374	575,767	2,655,141	90.26%	115.25%
2012	2,330,527	15,364	2,315,163	2,134,668	678,428	2,813,096	92.20%	121.51%
2013	2,300,968	151,612	2,149,356	2,149,356	226,980	2,376,336	100.00%	110.56%
2014	2,888,902	156,192	2,732,710	2,132,709	193,021	2,325,730	78.04%	85.11%
2015	2,409,970	111,248	2,298,722	2,292,722	142,890	2,435,612	99.74%	105.96%
2016	2,586,315	162,703	2,423,612	2,423,612	103,163	2,526,775	100.00%	104.26%
2017	2,840,276	196,973	2,643,303	2,643,303	490,547	3,133,850	100.00%	118.56%

Source: Utah County Treasurer

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

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

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

Fiscal Year	Governmental Activities			Business-Type Activities						Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Sales Tax Revenue Bonds	Special Assessment Bonds	Capital Leases	Water Interim Warrant Certificate	Water Revenue Bonds	Sewer Revenue Bonds	Special Assessment Bonds	Culinary Water System Contract Payable	Capital Leases			
2009	-		2,199,243	6,122,986	4,842,595		-	16,942,750	81,172	30,188,746	7.82%	2,041
2010	-		1,895,779	- (9)	5,458,595		4,669,539 (9)	16,460,750	100,914	28,585,577	6.41%	1,731
2011	4,000,000 (10)		549,948 (10)	-	5,193,000		4,601,000	15,971,500	68,123	30,383,571	6.73%	1,709
2012	3,860,000		382,431		4,918,000		3,114,374 (11)	15,003,460	37,974	27,316,239	6.07%	1,526
2013	3,835,270		349,923		4,634,000		2,898,500	13,946,960	17,267	25,681,920	4.58%	1,212
2014	3,565,000		376,227 (12)		4,340,000		2,110,000	13,334,960	6,325	23,732,512	5.20%	1,193
2015	3,410,000		373,755		9,995,000 (13)		1,957,000	12,658,960	4,612	28,399,327	5.77%	1,166
2016	3,250,000		219,583		9,575,000		1,837,000	11,526,540	2,983	26,411,106	5.12%	1,180
2017	12,865,000 (15)	5,300,000 (14)	108,543		18,855,000 (14)		1,515,000	10,365,660	1,120	49,010,323	7.42%	2,085
2018	12,365,000	4,878,000	17,360		18,265,000	9,970,000 (16)	1,375,000	8,779,750	-	55,650,110	7.95%	2,354

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) The City Entered into capital lease agreements for police vehicles for \$211,322 in fiscal year 2014.

(13) The City entered into capital lease agreements for police vehicles for \$120,000 and issued water revenue bond \$9,995,000 retirin all issues of water bonds, in fiscal year 2015.

(14) The City issued Water Revenue Bonds for \$9,710,000 and Special Assessment Bonds for \$5,300,000 in 2016

(15) The City issued Sales Tax Revenue Bonds for \$9,780,000 in 2017

(16) The City issued Sewer Revenue Bonds for \$9,970,000 in 2018

Schedule 14
City of Saratoga Springs
Legal Debt Margin Information
Last Ten Calendar Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 41,803,499	\$ 36,984,021	\$ 33,882,076	\$ 30,289,451	\$ 31,081,555	\$ 40,873,471	\$ 46,402,900	\$ 46,192,426	\$ 52,067,207	\$63,029,814
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 41,803,499	\$ 36,984,021	\$ 33,882,076	\$ 30,289,451	\$ 31,081,555	\$ 40,873,471	\$ 46,402,900	\$ 46,192,426	\$ 52,067,207	\$63,029,814
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 2017

Total assessed value	<u>\$ 1,575,745,340</u>
Debt limit - 4% of total assessed value	63,029,814
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 63,029,814</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 limitaion may be offset by resources set aside for the repayment of the principal that are externally restricted.

Schedule 15

CITY OF SARATOGA SPRINGS, UTAH

Direct and Overlapping Governmental Activities Debt

As of June 30 2018

Government Unit	Debt Outstanding	Estimated %	Estimated Share of Overlapping Debt
Alpine School District	\$ 497,269,589	5%	24,863,479
CUWCD	800,000,000	3%	24,000,000
Subtotal, Overlapping debt	1,297,269,589	8%	48,863,479
 Saratoga Springs Direct Debt	 71,509,752		 71,509,752
Total Direct and overlapping debt	\$ 1,368,779,341		\$ 120,373,231

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. Source: Utah State Auditor, Utah State Tax Commission

Schedule 16
City of Saratoga Springs
Pledged-Revenue Coverage
Last Ten Fiscal Years

2011 Sales Tax Bond & 2017 Sales Tax Bond				2012 Special Assessment Bond			2014 Water Revenue Bond & 2016 Water Revenue Bond									
Debt Service							Debt Service			Debt Service						
Sales Tax Revenues	Principal	Interest	Coverage	SID Fees	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Water Revenues	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	
2009	\$ 1,495,026.92	N/A	N/A	N/A	\$ -	\$ 22,921.27	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
2010	\$ 1,723,050.95	N/A	N/A	N/A	\$ 3,696,125.34	\$ 1,706.51	\$ 3,694,418.83	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
2011	\$ 1,881,168.00	N/A	N/A	N/A	\$ 447,832.24	\$ 22,644.00	\$ 425,188.24	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
2012	\$ 2,162,610.27	\$ 140,000	\$ 148,500	7.5	\$ 1,631,518.92	\$ 207,479.96	\$ 1,424,038.96	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
2013	\$ 2,360,543.79	\$ 145,000	\$ 144,300	8.2	\$ 713,047.12	\$ 35,682.99	\$ 677,364.13	\$ 157,374.34	\$ 23,357.81	3.7	N/A	N/A	N/A	N/A	N/A	
2014	\$ 2,653,278.10	\$ 150,000	\$ 139,950	9.2	\$ 339,994.97	\$ 36,320.56	\$ 303,674.41	\$ 159,000.00	\$ 25,134.50	1.6	\$ 4,084,565	\$ 1,782,803.17	\$ 2,301,762.10	N/A	N/A	
2015	\$ 2,939,652.89	\$ 155,000	\$ 135,450	10.1	\$ 248,540.78	\$ 10,310.00	\$ 238,230.78	\$ 160,000.00	\$ 28,819.40	1.3	\$ 4,874,198	\$ 1,960,760.27	\$ 2,913,437.67	\$ -	\$ 158,291	18.4
2016	\$ 3,215,928.54	\$ 160,000	\$ 130,800	11.1	\$ 297,185.17	\$ 13,828.00	\$ 283,357.17	\$ 162,000.00	\$ 35,613.00	1.4	\$ 6,778,818	\$ 2,470,413.59	\$ 4,308,404.68	\$ 420,000	\$ 272,425	6.2
2017	\$ 3,639,272.01	\$ 165,000	\$ 126,000	12.5	\$ 372,019.65	\$ 9,098.00	\$ 362,921.65	\$ 164,000.00	\$ 37,387.60	1.8	\$ 6,234,326	\$ 2,649,500.57	\$ 3,584,825.20	\$ 430,000	\$ 263,925	5.2
2018	\$ 4,146,681.00	\$ 500,000	\$ 463,058	4.3	\$ 166,047.31	\$ 1,750.00	\$ 164,297.31	\$ 140,000.00	\$ 47,646.64	0.9	\$ 7,593,872	\$ 4,333,689.00	\$ 3,260,183.00	\$ 590,000	\$ 572,474	2.8

2018 Sewer Revenue Bonds						
			Debt Service			
Sewer Revenues	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	
2009	N/A	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A	N/A	N/A
2018	\$ 4,741,279	\$ 1,568,774	\$ 3,172,505	\$ -	\$ -	#DIV/0!

Source: City Finance Department

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

Water and Sewer Revenues includes investment earnings, charges for services, and impact fees. Operating expenses do not include interest.

Schedule 17
CITY OF SARATOGA SPRINGS, UTAH
Demographic Statistics

Census:	City of Saratoga Springs	Personal Income	Per Capita Income	Median Age	Unemployment Rate
Year					
2005	11,241	277,225,542	24,662	24.8	2.90
2006	13,039	340,213,588	26,092	25.2	2.50
2007	14,788	399,497,820	27,015	25.6	3.40
2008	16,516	419,572,464	25,404	25.9	7.30
2009	17,781	447,032,121	25,141	26.1	7.90
2010	18,299	474,366,480	25,923	22.6	6.50
2011	21,137	583,888,488	27,624	22.6	5.50
2012	23,207	532,104,777	22,929	24.2	3.60
2013	24,356	492,234,760	20,210	24.3	3.40
2014	26,652	515,863,728	20,210	24.1	3.20
2015	27,763	613,201,381	21,070	24.6	3.00
2016	28,121	660,865,127	23,501	22.1	3.90
2017	29,608	699,853,104	23,637	20.0	3.90

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

Notes: (1) Percentages for Utah County

Schedule 18
CITY OF SARATOGA SPRINGS, UTAH
PRINCIPAL EMPLOYERS
Current and 9 years ago

2017

2009

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Alpine School District	500-999	1
Smiths Marketplace	250-499	2
Walmart Super Center	250-499	2
Saratoga Springs City	100-249	4
Dean Fluor, LLC	50-100	5
Lakeview Academy	50-100	5
McDonalds	50-99	7
Arctic Circle	50-99	7
Vasa Fitness	50-99	7
Riding Siding	1-49	10

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Alpine School District	350	1
Wal-Mart	300	2
City of Saratoga Springs	200	2
Smith's Food and Drug	120	4
Lakeview Academy	60	5
McDonalds	40	5
Arctic Circle	40	5

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

Function	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General government											
Administration	10.8	6.8	7.1	7.7	7.3	7.5	8.5	8.2	10.0	7.7	7.3
Attorney		0.5	0.5	0.5	1.5	1.5	2.5	2.1	2.9	3.1	3.1
Planning	4.8	3.0	1.0	2.0	2.0	3.0	3.5	3.7	4.6	5.4	5.1
Courts		1.0	1.0	2.0	2.4	2.4	3.0	2.0	3.0	2.5	2.0
Public Safety											
Police (1)	22.9	22.3	25.3	33.9	36.0	36.0	34.5	37.9	42.0	47.0	50.9
Fire	16.8	19.1	18.3	21.0	22.5	22.5	16.0	23.3	17.5	20.0	21.3
Building inspection	7.0	5.0	4.0	4.0	3.0	4.0	5.0	5.0	8.6	8.7	8.7
Public Works											
Public Works	1.0	1.0	1.0	1.0	2.4	2.4	6.0	4.0	5.5	5.4	5.5
Engineering	8.1	4.5	7.4	7.0	6.7	7.7	6.5	5.1	5.0	4.0	4.0
Highways and streets	4.1	3.0	3.0	2.0	2.0	2.0	4.0	4.3	7.0	10.8	8.0
Water	6.6	5.7	4.7	5.7	5.0	5.0	5.5	8.0	8.8	9.4	10.0
Sewer	1.3	1.3	0.3	2.3	3.0	3.0	3.0	2.5	2.8	1.7	2.8
Parks and recreation	3.8	3.7	3.7	5.5	7.8	8.8	2.5	11.7	16.53	21.21	18.4
Other											24.13
Total	87.2	76.9	77.3	94.6	101.6	105.8	100.5	117.77	134.23	147.1	146.9

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, UTAH
OPERATION INDICATORS BY FUNCTION
Current Year

	<u>2018</u>
Fire Protection	
Number of Full-time employees	22
Number of Part-time employees	18
Fire calles for service	334
Medical Calls for Service	877
Police Protection	
Number of Officers	46
Police calls for service	17,364
Municipal Water Services	
Number of connections	9166
Gallons billed/day	1,156,726
Municipal Sewer Services	
Number of connections	9166
Municipal Refuse Services	
Number of first cans	6408
Number of second cans	1646
Number of recycle cans	3403
Business Licenses	
Number of licenses issued	509
Building and Construction	
Number of building permits issued	1116
Number of residential units- single family	471
Number of residential units- multi-family	149
Parks & Recreation	
Number of football participants	413
Number of basketball participants	1860
Number of soccer participants	2900
Number of baseball participants	795
Number of volleyball participants	533
All Others	306

Source: City Departments

Schedule 20
CITY OF SARATOGA SPRINGS, UTAH
CAPITAL ASSETS BY FUNCTION
Current Year

	<u>2018</u>
Streets	
Number of lane miles	213
Number of street lights	2161
Fire Protection	
Number of Stations	2
Number of hydrants	1555
Number of fire pumping vehicles	3
Police Protection	
Number of stations	1
Education	
Number of high schools	1
Number of junior high schools	1
Number of elementary schools	7
Municipal Water Facilities	
Miles of water mains	254.5
Municipal Sewer Facilities	
Miles of sewer mains	114
Parks & Recreation	
Number of parks	30
Park and open space acreage	296

Source: City Departments

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

	Fiscal Year Ended June 30		2016	2017	2018
	2014	2015			
ASSETS					
Cash and Investments	\$24,177,117	\$28,510,379	\$39,461,737	\$39,609,385	\$44,883,339
Receivables (not of allowances for uncollectables)	1,644,369	2,867,139	1,739,455	1,096,218	3,392,264
Prepaid and inventories	56,166	36,955	18,477		120,000
Deferred charges					
Restricted cash and investments	646,003	2,814,571	2,787,320	3,391,770	19,861,313
Due from other funds	1,661,426	4,766,668	4,083,136	3,789,823	
Due from other governmental units	2,010,708	2,187,081	2,396,502	2,396,502	2,897,153
Speical Assessment Receivable					2,544,927
Pension assets		43,059	6,995	4,648	114,164
Capital assets					
Land	18,720,913	20,201,852	20,201,852	21,265,004	25,437,888
Water Rights	15,231,188	15,699,164	15,720,925	15,954,480	16,212,529
Construction in progress	4,939,031	3,094,850	418,799	4,945,709	11,365,077
Capital assets not of accumulated depreciation					
Buildings and systems	4,872,532	4,586,050	4,299,569	4,027,788	6,265,925
Improvements other than buildings					
Machinery and equipment	2,578,304	2,717,062	2,755,463	2,094,599	7,978,860
Infrastructure	135,270,979	142,400,266	62,887,291	59,819,294	289,900,475
Accumulated Depreciation					(105,832,938)
Deferred outflows of resources					
Pension related deferred outflows		503,540	1,489,687		2,605,063
Total Assets	<u>\$211,808,736</u>	<u>\$230,428,636</u>	<u>\$158,267,208</u>	<u>\$158,395,220</u>	<u>\$327,746,039</u>
LIABILITIES					
Accounts Payable	\$2,093,885	\$2,432,336	\$2,667,915	\$750,027	\$5,382,664
Accrued interest payable	97,370	304,689	335,642	364,000	180,198
Due to other funds	1,396,275	4,766,668	4,083,136	149,461	415,858
Deposits	2,264,122	3,044,350	8,418,144	4,626,197	8,005,219
Unearned revenue					
Nonconcurrent Liability					
Net pension Liability		1,719,308	2,255,727	3,076,126	
Due or payable within one year	1,897,221	2,176,142	2,152,177	3,063,900	3,364,057
Due or payable after one year	22,264,127	26,696,981	24,787,422	47,241,272	55,780,695
Total Liabilities	<u>\$30,013,000</u>	<u>\$41,140,474</u>	<u>\$44,700,163</u>	<u>\$59,270,983</u>	<u>\$73,128,691</u>
Deferred inflows of resources					
Pension related deferred inflows		\$301,724	\$340,125		\$1,628,073
Property tax levied for future years					2,897,153.00
NET POSITION					
Net investment in capital assets	158,256,666	160,347,239	190,585,917	223,940,044	223,665,022
Restricted for debt service		2,814,857	2,787,320	5,926,731	
Restricted for capital improvements					
Restricted for roads	95,687				
Unrestricted	23,443,383	25,824,628	30,566,807	31,989,284	26,427,100
Total net assets	<u>181,795,736</u>	<u>189,288,448</u>	<u>224,280,169</u>	<u>261,856,059</u>	<u>254,617,348</u>
Total liabilities and net assets	<u>\$211,808,736</u>	<u>\$230,428,922</u>	<u>\$268,980,332</u>	<u>\$321,127,042</u>	<u>\$327,746,039</u>

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



GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council
City of Saratoga Springs
Saratoga Springs, Utah

We have audited, in accordance with the 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 City of Saratoga Springs (the City), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Saratoga Springs’s 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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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 a 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. 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.

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 which might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatements, 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 instance 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.

Gilbert & Stewart

GILBERT & STEWART, CPA PC
Provo, Utah
November 5, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE***

Honorable Mayor and Members of the City Council
City of Saratoga Springs
Saratoga Springs, Utah

Report On Compliance

We have audited the City of Saratoga Springs' (the City) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2018.

State compliance requirements were tested for the year ended June 30, 2018 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Public Treasurer's Bond
- Cash Management
- Tax Levy Revenue Recognition

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the Cities compliance based on our audit of the state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the Cities 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the Cities compliance with those requirements.

Opinion on Compliance

In our opinion, the City of Saratoga Springs' complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2018.

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 our letter to management dated November 5, 2018 as items 2018-1. Our opinion on compliance is not modified with respect to these matters.

The Cities response to the noncompliance findings identified in our audit is described in the accompanying letter to management dated November 5, 2018 as items 2018-1. The Cities 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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cities internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 Cities 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 to detect and correct noncompliance with a state 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 state 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 state 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. 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 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.

Gilbert & Stewart

GILBERT & STEWART, CPA PC
Provo, Utah
November 5, 2018

Utah State Legal Compliance Findings – Current Year:

18-1 General Compliance - Budgetary Compliance

Finding: Utah State law prohibits the City from incurring expenditures in excess of those budgeted. We noted the City had expenditures in excess of appropriations as follows:

<u>Other Funds (by Fund)</u>	
Debt service – Special Service Area	\$ 3,565,073

Recommendation: We recommend that the City budgets expenditures appropriately.

City’s Response: The City will start budgeting expenditures more appropriately.

Utah State Legal Compliance Findings – Prior Year:

No Findings

We wish to express our appreciation to the City personnel for the friendly and enthusiastic help extended to us during the course of our examination.

This information is intended solely for the use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties. If you have any questions concerning the above items, we will be happy to discuss them with you.

Sincerely,

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants