

CITY OF SARATOGA SPRINGS, NEW YORK

FINANCIAL REPORT

December 31, 2010

CITY OF SARATOGA SPRINGS, NEW YORK

FINANCIAL REPORT

December 31, 2010

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

Mayor and Members of the City Council
City of Saratoga Springs, New York
Saratoga Springs, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, New York (City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2010, and the respective changes in its financial position and its cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 2 through 10 and the statement of revenues, expenditures, and changes in fund balance - budget and actual - general fund and the statement of revenues, expenditures, and changes in fund balance - budget and actual - debt service fund on pages 17 and 18 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements. The supplemental information on pages 47 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bollam Sheedy Torani & Co. LLP

Albany, New York
July 27, 2011

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

As management of the City of Saratoga Springs, New York (City), we offer the readers of the City's financial statements this narrative overview and analysis as of December 31, 2010. We encourage readers to consider the information presented here in conjunction with our financial statements, which can be found on pages 11 through 46 and our supplemental information which can be found on pages 47 through 49 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities on December 31, 2010, by \$31,955,485, representing net assets. Of this amount, \$36,541,296 represents the City's investment in capital assets net of related debt, and \$14,209,624 is restricted for future capital improvements, debt service, and other purposes. The remaining amount, which represents negative unrestricted net assets, is \$18,795,435.
- At December 31, 2010, the City's governmental funds reported a combined ending fund balance of \$12,371,527. Of this amount, \$10,914,945 of the fund balance was reserved for specific purposes. The combined unreserved fund balance was \$1,456,582.
- At the end of the current fiscal year, the unreserved and unappropriated fund balance of the General Fund was \$4,202,048.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government support, public safety, health, highways and streets, economic development, and culture and recreation. The business-type activities of the City include the Water and Sewer Funds and the City Center Authority.

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

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Debt Service Fund, and Community Development, all of which are considered to be major funds. Data from the other two governmental funds, the Downtown Special Assessment District (SAD) and the West Avenue Special Assessment District (WASAD) are combined into a single, aggregated presentation. The unreserved unappropriated fund balance as of December 31, 2010, for the SAD was \$295,263, and for the WASAD was \$28,856. SAD intends to use the accumulated fund balance for parking projects that benefit the District. The WASAD intends to use the accumulated fund balance to pay debt on outstanding bonds issued to finance improvements in the District. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund and Debt Service Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 13 through 18 of this report.

Proprietary funds. The City maintains enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer operations and the City Center Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations and the City Center Authority, all of which are considered to be major funds of the City.

The proprietary fund financial statements can be found on pages 19 through 21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City-owned programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 22 through 23 of this report.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 46 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$31,955,485 at December 31, 2010.

By far, the largest portion, \$36,541,296, of the City's net assets (115%) reflects its investment in capital assets (i.e., land, buildings, improvements, infrastructure, work in progress, and machinery and equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CONDENSED STATEMENTS OF NET ASSETS

	December 31,					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 19,298,057	\$ 26,058,380	\$ 13,965,924	\$ 14,268,968	\$ 33,263,981	\$ 40,327,348
Capital assets	55,197,380	49,709,591	17,633,373	7,863,388	72,830,753	57,572,979
Total assets	<u>74,495,437</u>	<u>75,767,971</u>	<u>31,599,297</u>	<u>22,132,356</u>	<u>106,094,734</u>	<u>97,900,327</u>
Long-term liabilities	49,216,277	43,888,353	8,546,325	7,908,259	57,762,602	51,796,612
Other liabilities	11,125,985	12,537,220	5,250,662	3,568,786	16,376,647	16,106,006
Total liabilities	<u>60,342,262</u>	<u>56,425,573</u>	<u>13,796,987</u>	<u>11,477,045</u>	<u>74,139,249</u>	<u>67,902,618</u>
Net assets:						
Invested in capital assets, net of related debt	25,889,996	19,871,360	10,651,300	1,254,577	36,541,296	21,125,937
Restricted	5,089,257	10,036,280	9,120,367	11,053,685	14,209,624	21,089,965
Unrestricted	<u>(16,826,078)</u>	<u>(10,565,242)</u>	<u>(1,969,357)</u>	<u>(1,652,951)</u>	<u>(18,795,435)</u>	<u>(12,218,193)</u>
Total net assets	<u>\$ 14,153,175</u>	<u>\$ 19,342,398</u>	<u>\$ 17,802,310</u>	<u>\$ 10,655,311</u>	<u>\$ 31,955,485</u>	<u>\$ 29,997,709</u>

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

The City experienced an increase in net assets during 2010 totaling \$1,957,777 from operations, as shown in the following statement:

	December 31,					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 3,038,214	\$ 3,423,401	\$ 7,009,187	\$ 6,164,915	\$ 10,047,401	\$ 9,588,316
Operating grants and contributions	1,440,483	1,388,473	-	-	1,440,483	1,388,473
Capital grants and contributions	3,652,687	2,286,295	8,370,657	2,108,474	12,023,344	4,394,769
General revenues:						
Property taxes	18,902,330	17,283,446	-	-	18,902,330	17,283,446
Other taxes	11,311,317	10,420,995	834,141	761,019	12,145,458	11,182,014
State aid and mortgage taxes	2,537,712	2,793,724	-	-	2,537,712	2,793,724
Other	246,422	164,347	140,019	170,836	386,441	335,183
Total revenues	<u>41,129,165</u>	<u>37,760,681</u>	<u>16,354,004</u>	<u>9,205,244</u>	<u>57,483,169</u>	<u>46,965,925</u>
Expenses:						
General government support:						
Mayor	1,200,714	1,395,746	-	-	1,200,714	1,395,746
Finance	1,853,204	1,772,607	-	-	1,853,204	1,772,607
Public works	5,760,838	1,200,476	-	-	5,760,838	1,200,476
Accounts	1,239,027	1,143,531	-	-	1,239,027	1,143,531
Other general government support	111,000	936,044	-	-	111,000	936,044
Public safety:						
Police	11,956,726	10,637,746	-	-	11,956,726	10,637,746
Fire	9,177,550	9,559,902	-	-	9,177,550	9,559,902
Other public safety	2,731,662	3,063,646	-	-	2,731,662	3,063,646
Health	17,708	17,864	-	-	17,708	17,864
Transportation	3,975,708	4,990,740	-	-	3,975,708	4,990,740
Economic opportunity & development	182,528	177,503	-	-	182,528	177,503
Culture and recreation	2,602,162	2,417,681	-	-	2,602,162	2,417,681
Home and community service	2,466,544	5,186,127	-	-	2,466,544	5,186,127
Civil service	76,113	76,239	-	-	76,113	76,239
Interest on long-term debt	1,373,369	1,412,671	-	-	1,373,369	1,412,671
Water	-	-	1,931,293	2,299,612	1,931,293	2,299,612
Sewer	-	-	3,724,157	3,405,683	3,724,157	3,405,683
City center authority	-	-	1,168,554	1,166,689	1,168,554	1,166,689
Total expenses	<u>44,724,853</u>	<u>43,988,523</u>	<u>6,824,004</u>	<u>6,871,984</u>	<u>51,548,857</u>	<u>50,860,507</u>
Transfers	(165,766)	125,171	165,766	(125,171)	-	-
Change in net assets	(3,761,454)	(6,353,013)	9,695,766	2,458,431	5,934,312	(3,894,582)
PRIOR PERIOD ADJUSTMENTS	(1,427,769)	2,586,876	(2,548,767)	567,585	(3,976,536)	3,154,461
NET ASSETS, beginning of year, as restated	<u>19,342,398</u>	<u>23,108,535</u>	<u>10,655,311</u>	<u>7,629,295</u>	<u>29,997,709</u>	<u>30,737,830</u>
NET ASSETS, end of year	<u>\$ 14,153,175</u>	<u>\$ 19,342,398</u>	<u>\$ 17,802,310</u>	<u>\$ 10,655,311</u>	<u>\$ 31,955,485</u>	<u>\$ 29,997,709</u>

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

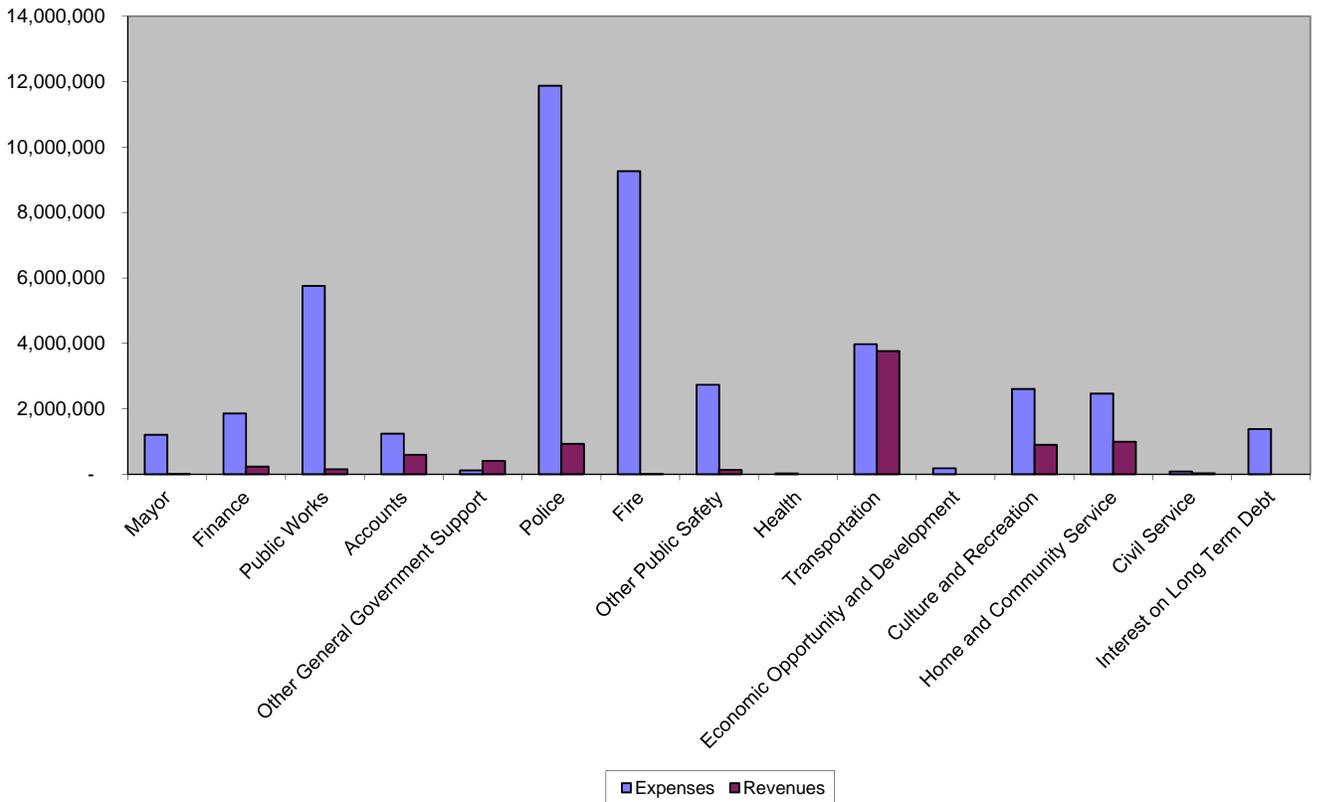
December 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

Governmental activities. Governmental activities decreased the City's net assets by \$5,189,222. The following chart shows the expenses and program revenues of the various governmental activities:

Expenses and Program Revenues - Governmental Activities



For the most part, increases in expenses were the result of an increase of the cost of services provided. The City's major governmental activities are financed almost entirely by real property taxes, non-property taxes, and other general revenues. To meet the demand for these services, the City increased property tax revenues by 8%. Sales tax receipts increased by 8% but State aid continued to decrease as well as mortgage taxes.

CITY OF SARATOGA SPRINGS, NEW YORK

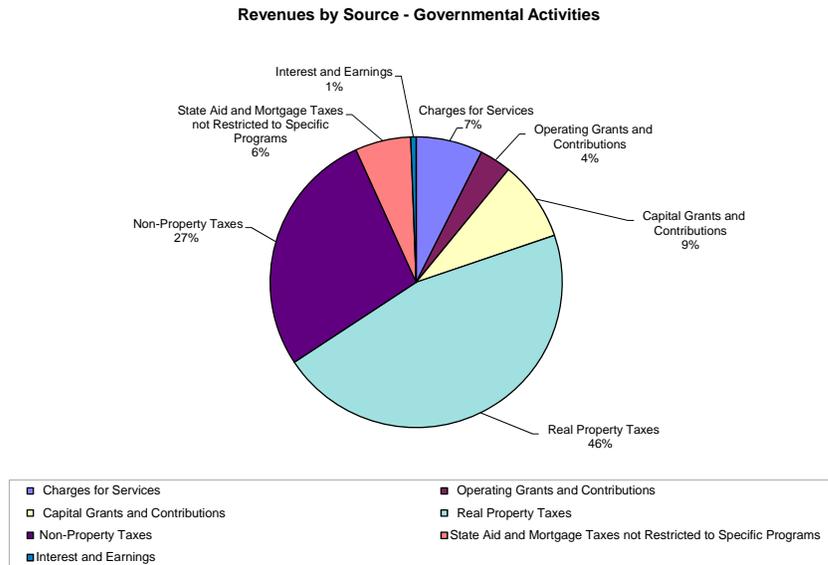
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

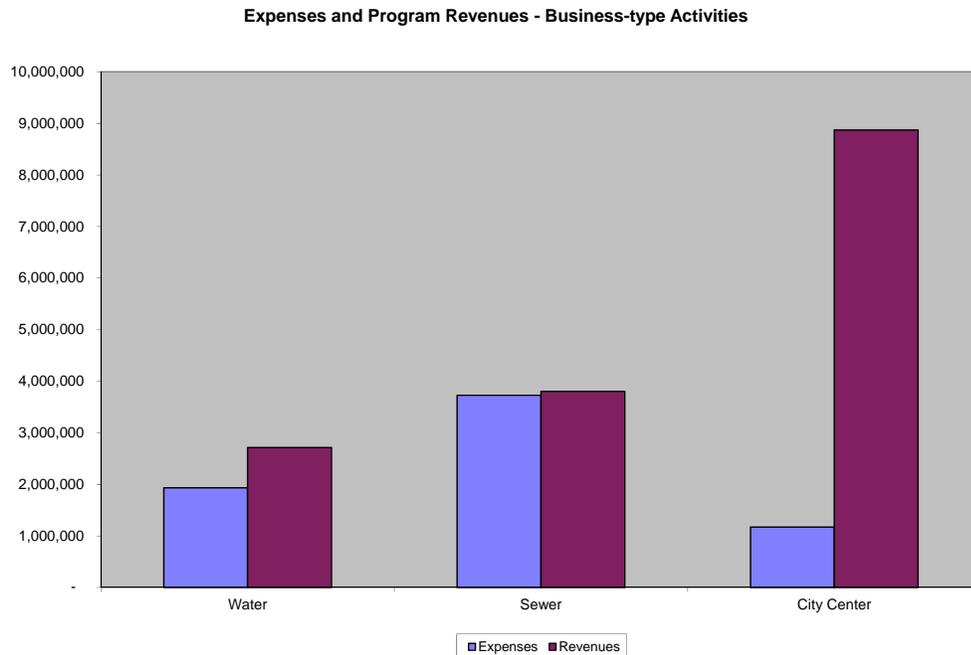
OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

The following chart shows revenues by source for all governmental activities, with general revenues totaling 81% and program revenues totaling 19%:



Business-type activities. Business-type activities increased the City's net assets by \$7,146,999. Key elements are as follows. The City Center Authority received grant funds from the New York State Dormitory Authority to construct an expansion project at the center.



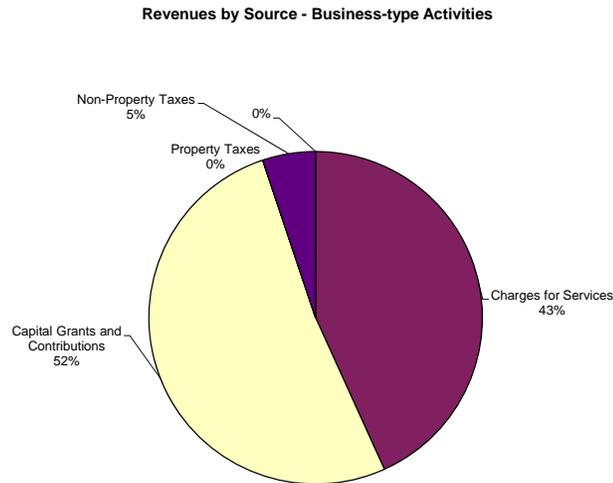
CITY OF SARATOGA SPRINGS, NEW YORK

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

Program revenues were sufficient to cover water and sewer activity expenses.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balances of \$12,371,527, a decrease of \$3,122,651 from the prior year. \$10,914,945 is reserved to indicate that it is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period of \$5,367,689, 2) pay for the capital improvements of \$3,238,333, 3) be held for future capital improvements of \$983,312, and 4) various other restrictions set by the City Council.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved unappropriated fund balance of the General Fund was \$4,202,048, while total fund balance reached \$7,011,858. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved unappropriated fund balance represents 12% of total General Fund expenditures, while total fund balance represents 21% of that same amount.

The overall fund balance of the City's General Fund increased by \$1,106,611 during the current fiscal year. Key factors in this operating deficit are as follows:

General Fund Revenues

1. Sales tax exceeded the budget by \$956,000.
2. Interest and penalties on property tax exceeded the budget by \$119,000.
3. Utilities tax exceeded the budget by \$93,000.
4. PILOT exceeded the budget by \$59,000.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued

General Fund Expenses

1. Personal Service actual expenses were \$632,000 less than budgeted. Primarily due to savings in labor lines for \$241,000, overtime for \$71,000, Fire Department for \$65,000, and Police Department for \$46,000.
2. Contracted Services expenses were \$918,000 less than budgeted. Primarily due savings in utilities of \$166,000, professional service for \$136,000, other supplies for \$102,000, unemployment insurance for \$93,000, and salt and sand for \$78,000.

The difference between the revised General Fund budget and actual amounts for revenues and transfers in was \$492,101. Various budget amendments during the year and reliance on unreserved unappropriated fund balances kept the City's actual revenue in line with the budget. The difference between the revised General Fund budget and actual amounts for expenditures and transfers out was \$1,598,712. A portion of various unexpended funds, \$5,367,689, was encumbered to 2010 for commitments made by the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$36,541,296 (net of accumulated depreciation and less outstanding debt). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, work-in-progress, and infrastructure assets, such as roads, streets, and water systems.

Major capital asset events that occurred during the current fiscal year included the following:

- Continued construction of Church Street, City Center, recreation facility, and the construction of Spring Run Trail.
- Completion of the water disinfection project, Gilbert Road Water District, and City-wide security system.

CAPITAL ASSETS

	December 31,					
	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,921,258	\$ 3,921,258	\$ 325,841	\$ 325,841	\$ 4,247,099	\$ 4,247,099
Buildings	13,863,581	13,863,581	749,195	749,195	14,612,776	14,612,776
Improvements other than building	5,939,302	5,288,598	483,792	483,792	6,423,094	5,772,390
Machinery and equipment	12,379,869	12,380,196	932,744	932,744	13,312,613	13,312,940
Infrastructure	47,361,898	47,259,338	14,466,751	12,679,317	61,828,649	59,938,655
Work in progress	14,956,674	8,538,783	13,048,176	4,852,830	28,004,850	13,391,613
Totals	98,422,582	91,251,754	30,006,499	20,023,719	128,429,081	111,275,473
Accumulated depreciation	43,225,202	41,542,163	12,373,126	12,160,331	55,598,328	53,702,494
Capital assets net of accumulated depreciation	<u>\$ 55,197,380</u>	<u>\$ 49,709,591</u>	<u>\$ 17,633,373</u>	<u>\$ 7,863,388</u>	<u>\$ 72,830,753</u>	<u>\$ 57,572,979</u>

Additional information on the City's capital assets can be found in Note 1j on page 29 and Note 3c on pages 32 and 33 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$36,289,457. Of this amount, \$35,904,150 comprises debt backed by the full faith and credit of the City, and \$385,307 is a special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

The City's total bonded debt increased by \$1,539,457 (4%) during the current fiscal year by new debt issued July 1, 2010.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

The City maintains an "AA" rating from Standard & Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average of the total assessed valuation. The current debt limitation for the City is \$244,675,921, which is significantly in excess of the City's outstanding general obligation debt. In addition, the City has a self-imposed limit of 2% of the five-year average total assessed value. The City's debt limitation is \$69,907,406, which is significantly in excess of the City's outstanding general obligation debt.

The City participates in the New York State and Local Retirement Systems for police and firefighters (PFRS) and all other employees (ERS). On October 15, 2004, the City opted to provide certain benefits to firefighters for past services under Section 384E of the PFRS plan. The total past service credit costs were \$1,011,118. The City opted to pay for this program over a ten-year term with interest starting the third year at 8% per annum. The unpaid balance of \$458,476 at December 31, 2010, is included in the financial statements as a governmental liability.

In December 2004, the City opted to amortize the 2004 ERS and PFRS retirement payment over a ten-year period. The principal amount amortized was \$397,330 for the ERS plan and \$654,365 for the PFRS plan. The first principal and interest payments were made February 1, 2006, with interest at 5% per annum. The unpaid principal amounts of \$222,998 for the ERS plan and \$366,894 for the PFRS plan are shown in the financial statements as governmental liabilities.

In accordance with the labor agreements between the City and its police officers signed October 27, 2006, the City was required to provide certain benefits to police personnel for past services under Section 384E and 384EB of the PFRS plan. The total past service credit cost was \$2,700,004 for 384E, \$351,235 for 384EB, and \$360,791 to reopen 384D. The City plans to pay for this program over a ten-year period with interest starting the second year at 8% per annum. The first installment was due February 1, 2008, for the City's 2007 fiscal year. The unpaid principal balance is \$1,939,760 for 384E, \$252,338 for 384EB, and \$259,191 for 384D.

Additional information on the City's long-term debt can be found in Note 11 on pages 29 and 30 and Note 3e on pages 35 through 38 of this report.

ECONOMIC FACTORS

The City is growing and thriving. The City is home to the Saratoga Race Course, one of the oldest and most prestigious thoroughbred horse racing tracks in the United States. Each summer, the racetrack operates a six-week schedule of races that attracts world-class horses to participate in the various graded events. Operation of the racetrack is a key factor in the area's successful tourism industry, which allows the City to generate additional revenues from sales tax, hotel occupancy tax, and other similar non-property taxes and fees. The City's residential and commercial tax base grew at a rate of 2% in 2010. The City has added hotels, office buildings, condominiums, and many residences in the past year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Commissioner of Finance, 474 Broadway, Saratoga Springs, New York 12866-2296.

CITY OF SARATOGA SPRINGS, NEW YORK

**GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS**

	December 31, 2010		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 3,891,337	\$ 408,307	\$ 4,299,644
Cash and cash equivalents, restricted	5,089,257	9,120,367	14,209,624
Investments, restricted	17,260	845	18,105
Receivables, net of uncollectibles	8,291,479	4,381,271	12,672,750
Inventories	-	47,659	47,659
Prepaid expenses	1,723	7,475	9,198
Due from business-type activities	1,955,761	-	1,955,761
Due from fiduciary funds	63	-	63
Accrued interest	51,177	-	51,177
Total current assets	<u>19,298,057</u>	<u>13,965,924</u>	<u>33,263,981</u>
NONCURRENT ASSETS			
Capital assets, net	55,197,380	17,633,373	72,830,753
Total assets	<u>74,495,437</u>	<u>31,599,297</u>	<u>106,094,734</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and other current liabilities	5,148,386	2,342,789	7,491,175
Current maturities on long-term liabilities	4,419,669	628,870	5,048,539
Due to governmental activities	-	1,955,761	1,955,761
Accrued interest payable	1,557,930	323,242	1,881,172
Total current liabilities	<u>11,125,985</u>	<u>5,250,662</u>	<u>16,376,647</u>
NONCURRENT LIABILITIES			
Long-term liabilities, less current maturities	30,584,756	6,941,125	37,525,881
Other postemployment liability	18,631,521	1,605,200	20,236,721
Total liabilities	<u>60,342,262</u>	<u>13,796,987</u>	<u>74,139,249</u>
NET ASSETS			
Invested in capital assets, net of related debt	25,889,996	10,651,300	36,541,296
Restricted for			
Capital improvements	983,311	7,738,189	8,721,500
Debt service	1,509,953	-	1,509,953
Water line extension projects	-	622,240	622,240
Special district	1,957	-	1,957
Capital projects	2,515,733	759,938	3,275,671
Other purposes	78,303	-	78,303
Unrestricted	<u>(16,826,078)</u>	<u>(1,969,357)</u>	<u>(18,795,435)</u>
Total net assets	<u>\$ 14,153,175</u>	<u>\$ 17,802,310</u>	<u>\$ 31,955,485</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES

Functions/Programs	Year Ended December 31, 2010					
	Expenses	Program Revenue			Net (Expenses) Revenues And Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
GOVERNMENTAL ACTIVITIES						
General Government Support						
Mayor	\$ 1,200,714	\$ 4,800	\$ -	\$ -	\$ (1,195,914)	\$ (1,195,914)
Finance	1,853,204	198,746	35,364	-	(1,619,094)	(1,619,094)
Public Works	5,760,838	103,162	45,554	-	(5,612,122)	(5,612,122)
Accounts	1,239,027	572,416	20,710	-	(645,901)	(645,901)
Other general government support	111,000	7,276	-	393,906	290,182	290,182
Public Safety						
Police	11,956,726	689,109	235,000	-	(11,032,617)	(11,032,617)
Fire	9,177,550	6,357	-	-	(9,171,193)	(9,171,193)
Other public safety	2,731,662	129,272	-	-	(2,602,390)	(2,602,390)
Health	17,708	-	-	-	(17,708)	(17,708)
Transportation	3,975,708	-	505,679	3,258,781	(211,248)	(211,248)
Economic opportunity and development	182,528	-	-	-	(182,528)	(182,528)
Culture and recreation	2,602,162	901,074	-	-	(1,701,088)	(1,701,088)
Home and community service	2,466,544	395,997	598,176	-	(1,472,371)	(1,472,371)
Civil service	76,113	30,005	-	-	(46,108)	(46,108)
Interest on long-term debt	1,373,368	-	-	-	(1,373,368)	(1,373,368)
Total governmental activities	<u>44,724,852</u>	<u>3,038,214</u>	<u>1,440,483</u>	<u>3,652,687</u>	<u>(36,593,468)</u>	<u>(36,593,468)</u>
BUSINESS-TYPE ACTIVITIES						
Water	1,931,293	2,693,405	-	16,460	-	778,572
Sewer	3,724,157	3,799,572	-	-	-	75,415
City Center Authority	1,168,554	516,210	-	8,354,197	-	7,701,853
Total business-type activities	<u>6,824,004</u>	<u>7,009,187</u>	<u>-</u>	<u>8,370,657</u>	<u>-</u>	<u>8,555,840</u>
Total government	\$ 51,548,856	\$ 10,047,401	\$ 1,440,483	\$ 12,023,344	\$ (36,593,468)	\$ 8,555,840
GENERAL REVENUES:						
Real property tax and related tax items				\$ 18,902,330	\$ -	\$ 18,902,330
Non-property taxes				11,311,317	834,141	12,145,458
Other general revenue items				115,716	114,082	229,798
Interest earnings				130,705	25,937	156,642
State aid and mortgage taxes not restricted to specific purposes				2,537,712	-	2,537,712
Total general revenues				<u>32,997,780</u>	<u>974,160</u>	<u>33,971,940</u>
TRANSFERS						
Transfer from governmental to business-type activities				(165,766)	165,766	-
Total general revenues and transfers				<u>32,832,014</u>	<u>1,139,926</u>	<u>33,971,940</u>
CHANGE IN NET ASSETS						
				<u>(3,761,454)</u>	<u>9,695,766</u>	<u>5,934,312</u>
NET ASSETS, beginning of year						
				<u>19,342,398</u>	<u>10,655,311</u>	<u>29,997,709</u>
Prior Period Adjustments						
Bond proceeds, Water and Sewer and payments, Water				-	(693,545)	(693,545)
Bond interest adjustment				(101,172)	-	(101,172)
Reclassification of various accounts				(28,647)	-	(28,647)
Bonds payable, beginning of year, Sewer				-	(1,291,912)	(1,291,912)
Revolving loan adjustments				(4,068)	-	(4,068)
Capital project reserves adjustment, Water				-	(1,075,557)	(1,075,557)
Capital project reserves adjustment - current year, Water				(260,144)	260,144	-
Write off prior years bad checks, General				(2,100)	-	(2,100)
Retirement amortization				(471,236)	252,103	(219,133)
Federal revenue adjustment Capital				(560,402)	-	(560,402)
NET ASSETS, beginning of year, as restated				<u>17,914,629</u>	<u>8,106,544</u>	<u>26,021,173</u>
NET ASSETS, end of year				\$ 14,153,175	\$ 17,802,310	\$ 31,955,485

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS

	December 31, 2010					
	General	Capital	Debt Service	Special Revenue Funds		Total Governmental Funds
				Community Development	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 3,296,887	\$ -	\$ -	\$ 257,068	\$ 337,382	\$ 3,891,337
Cash, special reserves	1,061,615	3,238,333	1,509,953	-	1,957	5,811,858
Investments, restricted	17,260	-	-	-	-	17,260
Receivables, net	5,111,705	5,400	600	279,635	-	5,397,340
Receivables from other governments	1,866,825	1,235,769	150	25,946	-	3,128,690
Prepaid expenses	1,722	-	-	-	-	1,722
Due from other funds	2,495,244	-	-	-	-	2,495,244
	\$ 13,851,258	\$ 4,479,502	\$ 1,510,703	\$ 562,649	\$ 339,339	\$ 20,743,451
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 866,333	\$ 356,369	\$ 100	\$ 25,946	\$ 15,220	\$ 1,263,968
Due to other funds	-	269,246	265,252	4,922	-	539,420
Due to other governments	3,127,430	-	-	376	-	3,127,806
Deferred tax revenue	1,544,933	-	-	-	-	1,544,933
Deferred revenue	1,300,705	315,457	-	279,636	-	1,895,798
Total liabilities	6,839,401	941,072	265,352	310,880	15,220	8,371,925
Fund balance:						
Reserved for:						
Encumbrances	1,748,195	3,619,494	-	-	-	5,367,689
Capital reserve	983,311	-	-	-	-	983,311
Debt	-	-	1,245,351	-	-	1,245,351
Capital improvements	-	3,238,333	-	-	-	3,238,333
Other reserves	78,303	-	-	-	1,957	80,260
Unreserved:						
Appropriated for 2010	-	-	-	-	-	-
Unappropriated	4,202,048	(3,319,397)	-	251,769	322,162	1,456,582
Total fund balance	7,011,857	3,538,430	1,245,351	251,769	324,119	12,371,526
	\$ 13,851,258	\$ 4,479,502	\$ 1,510,703	\$ 562,649	\$ 339,339	\$ 20,743,451

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK

**RECONCILIATION OF THE TOTAL FUND BALANCES SHOWN IN
THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

	<u>December 31, 2010</u>
Total fund balances in the fund financial statements for the governmental funds.	\$ 12,371,527
This amount differs from the amount of net assets shown in the statement of net assets due to the following:	
Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation	55,197,380
Long-term liabilities for bonded debt are included as liabilities in the government-wide statements and are deducted.	(29,307,384)
Long-term liabilities for past service costs for retirement plans and amortization for retirement plans are included as liabilities in the government-wide statements and are deducted.	(2,071,641)
Business-type activity bonds are deducted from the restricted cash assets in the government-wide statements.	(764,457)
Business-type activity capital project reserves are added to the government-wide statements.	41,856
Long-term liabilities for the lease obligations by the City are included as liabilities in the government-wide statements and are deducted.	(1,429,287)
Long-term liabilities for other postemployment benefit obligations by the City are included as liabilities in the government-wide statements and are deducted.	(18,631,521)
Accrued interest on property, school taxes and community development loans on receivables for revenues earned, measurable, but not available and are added.	51,177
Deferred revenue and deferred tax revenue are added to the government wide statements as revenue.	3,440,731
Internal balances between governmental funds are deducted from the government wide statements and the net effect is zero.	-
Net receivables for revenues earned, measurable but not available to provide financial resources are included in the government-wide statements as assets and are added.	(234,551)
Other current liabilities for compensated absences are included in the government-wide statements as liabilities and are deducted.	(3,213,049)
Current liabilities for interest payable on long-term debt are included in the government-wide statements as liabilities and are deducted.	<u>(1,297,606)</u>
Total net assets, end of year	<u>\$ 14,153,175</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended December 31, 2010

	Special Revenue Funds					
	General	Capital	Debt Service	Community Development	Other Governmental Funds	Total Governmental Funds
REVENUES						
Real property taxes and tax items	\$ 16,419,812	\$ -	\$ 2,209,687	\$ -	\$ 109,870	\$ 18,739,369
Non-property taxes	11,311,352	-	-	-	-	11,311,352
Departmental income	1,435,656	-	-	36,366	-	1,472,022
Intergovernmental charges	249,179	-	-	-	-	249,179
Use of money and property	421,022	74,290	36,813	14,795	650	547,570
Licenses and permits	154,763	-	-	-	-	154,763
Fines and forfeitures	672,504	-	-	-	-	672,504
Sale of property and compensation for loss	385,067	-	-	-	-	385,067
Miscellaneous	197,009	-	-	-	-	197,009
State aid	3,375,398	3,335	7,582	-	-	3,386,315
Federal aid	272,006	2,939,989	-	585,176	-	3,797,171
Total revenues	<u>34,893,768</u>	<u>3,017,614</u>	<u>2,254,082</u>	<u>636,337</u>	<u>110,520</u>	<u>40,912,321</u>
EXPENDITURES						
Current:						
<i>General Government Support</i>						
Mayor	924,873	-	-	-	-	924,873
Finance	1,662,763	-	25,787	-	-	1,688,550
Public Works	3,193,789	-	-	-	-	3,193,789
Accounts	1,087,261	-	-	-	-	1,087,261
Unallocated insurance	604,162	-	-	-	-	604,162
Other general government support	39,810	-	-	-	-	39,810
<i>Public Safety</i>						
Police	9,097,137	-	-	-	-	9,097,137
Fire	7,324,545	-	-	-	-	7,324,545
Other public safety	2,320,185	-	-	-	-	2,320,185
Health	17,765	-	-	-	-	17,765
Transportation	4,129,819	-	-	-	-	4,129,819
Economic opportunity and development	138,615	-	-	-	43,913	182,528
Culture and recreation	1,959,304	-	-	-	-	1,959,304
Home and community service	830,388	-	-	574,170	-	1,404,558
Civil Service	68,801	-	-	-	-	68,801
Employee benefits	-	-	-	-	-	-

<i>Debt Service</i>						
Principal	79,274	-	1,594,878	-	12,969	1,687,121
Interest	74,233	-	1,336,799	-	3,426	1,414,458
<i>Capital Outlay</i>						
Mayor	-	-	-	-	-	-
Finance	-	-	-	-	-	-
Public works	-	148,565	-	-	-	148,565
Accounts	-	-	-	-	-	-
Other general government support	-	63,047	-	-	-	63,047
<i>Public Safety</i>						
Police	-	5,804	-	-	-	5,804
Fire	-	27,713	-	-	-	27,713
Other public safety	-	10,000	-	-	-	10,000
Transportation	-	3,401,729	-	-	-	3,401,729
Culture and recreation	-	-	-	-	-	-
Economic opportunity and development	-	-	-	-	-	-
Culture and recreation	-	3,114,188	-	-	-	3,114,188
Home and community service	-	1,492,951	-	-	-	1,492,951
Civil service	-	-	-	-	-	-
Total expenditures	<u>33,552,724</u>	<u>8,263,997</u>	<u>2,957,464</u>	<u>574,170</u>	<u>60,308</u>	<u>45,408,663</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from serial bonds	-	1,539,457	-	-	-	1,539,457
Interfund transfers in	61,604	92,608	1,236,788	-	-	1,391,000
Interfund transfers out	(296,037)	(1,149,622)	-	(61,604)	(49,503)	(1,556,766)
Total other financing sources and uses	<u>(234,433)</u>	<u>482,443</u>	<u>1,236,788</u>	<u>(61,604)</u>	<u>(49,503)</u>	<u>1,373,691</u>
NET CHANGE IN FUND BALANCE	<u>1,106,611</u>	<u>(4,763,940)</u>	<u>533,406</u>	<u>563</u>	<u>709</u>	<u>(3,122,651)</u>
FUND BALANCE, beginning of year	5,907,346	8,862,771	711,945	255,274	323,410	16,060,746
Prior period adjustment	(2,100)	(560,401)	-	(4,068)	-	(566,569)
FUND BALANCE, beginning of year, as restated	<u>5,905,246</u>	<u>8,302,370</u>	<u>711,945</u>	<u>251,206</u>	<u>323,410</u>	<u>15,494,177</u>
FUND BALANCE, end of year	<u>\$ 7,011,857</u>	<u>\$ 3,538,430</u>	<u>\$ 1,245,351</u>	<u>\$ 251,769</u>	<u>\$ 324,119</u>	<u>\$ 12,371,526</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE CHANGE IN NET ASSETS SHOWN IN THE STATEMENT OF ACTIVITIES**

		Year Ended December 31, 2010						
Net Change in Fund Balances shown for total governmental funds.		\$ (3,122,651)						
This amount differs from the change in net assets shown in the statement of activities because of the following:								
Capital outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which expenditures for acquisition of capital assets exceeded depreciation expense for the period.	<table border="0"> <tr> <td>Capital expenditures</td> <td align="right">7,170,829</td> <td></td> </tr> <tr> <td>Depreciation expense</td> <td align="right"><u>1,683,041</u></td> <td align="right">5,487,788</td> </tr> </table>	Capital expenditures	7,170,829		Depreciation expense	<u>1,683,041</u>	5,487,788	
Capital expenditures	7,170,829							
Depreciation expense	<u>1,683,041</u>	5,487,788						
Major revenues are recorded in the governmental funds when they become susceptible to accrual, that is when they are earned, measurable, and available to provide current financial resources. In the statement of activities, major revenues are recognized when they are earned and measurable, regardless of when they become available. This is the amount by which earned revenues for the current period exceeded the amount of prior year earned revenues not recognized as being available until the current period.	<table border="0"> <tr> <td>Current year revenues</td> <td align="right">12,312</td> <td></td> </tr> <tr> <td>Prior year revenues</td> <td align="right"><u>261,967</u></td> <td align="right">(249,655)</td> </tr> </table>	Current year revenues	12,312		Prior year revenues	<u>261,967</u>	(249,655)	
Current year revenues	12,312							
Prior year revenues	<u>261,967</u>	(249,655)						
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; i.e., deferred revenue.	<table border="0"> <tr> <td>Current year revenues</td> <td align="right">3,440,731</td> <td></td> </tr> <tr> <td>Prior year revenues</td> <td align="right"><u>2,974,234</u></td> <td align="right">466,497</td> </tr> </table>	Current year revenues	3,440,731		Prior year revenues	<u>2,974,234</u>	466,497	
Current year revenues	3,440,731							
Prior year revenues	<u>2,974,234</u>	466,497						
Payments on retirement system debt are shown as expenditures in the governmental funds. These payments are shown in the statement of net assets as a reduction of the related liabilities, and not shown as expenses in the statement of activities. This is the principal payment amount for the current year.		476,944						
Other postemployment obligations are not reported in the governmental funds. This liability is shown in the statement of net assets as a non-current liability and in the statement of activities as an expense.		(7,054,049)						
Bond and lease principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net assets as a reduction of the related liabilities, and not shown as expenses in the statement of activities. This is the payment amount for the current year.		1,631,462						
Receipt of bond proceeds is recorded as a financing source in the governmental funds. These proceeds are shown in the statement of net assets as an increase in related liabilities. This is the amount of bonds issued and proceeds received during the current year.		(1,539,457)						
Certain expenditures for interest on debt are recorded in the governmental funds when the payments are due. In the statement of activities, these costs are allocated over the applicable time period that they pertain to. This is the amount by which the current period expenditures exceed the costs allocated over the applicable periods.	<table border="0"> <tr> <td>2010 Current year expenditures</td> <td align="right">1,338,785</td> <td></td> </tr> <tr> <td>2011 Allocated expenses</td> <td align="right"><u>1,297,696</u></td> <td align="right">41,089</td> </tr> </table>	2010 Current year expenditures	1,338,785		2011 Allocated expenses	<u>1,297,696</u>	41,089	
2010 Current year expenditures	1,338,785							
2011 Allocated expenses	<u>1,297,696</u>	41,089						
Payments for compensated absences are shown in the governmental funds when they are due. In the statement of activities, these costs are reported during the period the liabilities are incurred, regardless of when they are due and payable. This amount represents the difference between the the expenditures recorded in the current year for payments due on prior year liabilities and the expenses incurred during the current year that have not been paid.	<table border="0"> <tr> <td>2009 Current year expenditures</td> <td align="right">3,313,627</td> <td></td> </tr> <tr> <td>2010 Expenses incurred during current year</td> <td align="right"><u>3,213,049</u></td> <td align="right">100,578</td> </tr> </table>	2009 Current year expenditures	3,313,627		2010 Expenses incurred during current year	<u>3,213,049</u>	100,578	
2009 Current year expenditures	3,313,627							
2010 Expenses incurred during current year	<u>3,213,049</u>	100,578						
Interfund transactions are eliminated in the statement of net assets and the statement of activities. The amounts offset and have a zero effect of operations.	<table border="0"> <tr> <td>Transfers in</td> <td align="right">1,391,000</td> <td></td> </tr> <tr> <td>Transfers out</td> <td align="right"><u>1,391,000</u></td> <td align="right">-</td> </tr> </table>	Transfers in	1,391,000		Transfers out	<u>1,391,000</u>	-	
Transfers in	1,391,000							
Transfers out	<u>1,391,000</u>	-						
Change in net assets of governmental activities shown in the statement of activities.		<u>\$ (3,761,454)</u>						

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Revised - Positive (Negative)
	Adopted	Revised		
REVENUES				
Real property taxes and tax items	\$ 16,560,723	\$ 17,617,975	\$ 16,419,812	\$ (1,198,163)
Non-property taxes	10,109,808	10,209,392	11,311,352	1,101,960
Departmental income	1,376,765	1,490,574	1,435,656	(54,918)
Intergovernmental charges	268,356	245,287	249,179	3,892
Use of money and property	402,000	402,000	421,022	19,022
Licenses and permits	112,900	112,900	154,763	41,863
Fines and forfeitures	702,000	727,064	672,504	(54,560)
Sale of property and compensation for loss	302,981	385,040	385,067	27
Miscellaneous	1,937,500	696,113	197,009	(499,104)
State aid	3,574,840	3,265,986	3,375,398	109,412
Federal aid	45,100	379,897	272,006	(107,891)
Total revenues	<u>35,392,973</u>	<u>35,532,228</u>	<u>34,893,768</u>	<u>(638,460)</u>
EXPENDITURES				
General government support	5,001,642	7,510,362	7,581,459	(71,097)
Public safety	12,311,803	19,211,524	18,741,867	469,657
Health	107,865	137,510	17,765	119,745
Transportation	3,859,825	6,530,802	4,129,819	2,400,983
Economic opportunity and development	130,150	129,590	138,615	(9,025)
Culture and recreation	2,105,485	2,303,924	1,959,304	344,620
Home and community service	967,843	1,082,592	830,388	252,204
Employee benefits	10,437,643	-	-	-
Debt service	462,903	166,974	153,507	13,467
Total expenditures	<u>35,385,159</u>	<u>37,073,278</u>	<u>33,552,724</u>	<u>3,520,554</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	54,500	54,500	61,604	7,104
Interfund transfers out	(62,314)	(296,108)	(296,037)	71
Total other financing sources (uses)	<u>(7,814)</u>	<u>(241,608)</u>	<u>(234,433)</u>	<u>7,175</u>
Net change in fund balance (actual) and appropriated fund balance (budget)	<u>-</u>	<u>(1,782,658)</u>	<u>1,106,611</u>	<u>(4,151,839)</u>
FUND BALANCE, beginning of year	5,907,346	5,907,346	5,907,346	5,907,346
Prior period adjustment	(2,100)	(2,100)	(2,100)	(2,100)
FUND BALANCE, beginning of year, as restated	<u>5,905,246</u>	<u>5,905,246</u>	<u>5,905,246</u>	<u>5,905,246</u>
FUND BALANCE, end of year	<u>\$ 5,905,246</u>	<u>\$ 4,122,588</u>	<u>\$ 7,011,857</u>	<u>\$ 1,753,407</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - DEBT SERVICE FUND**

	Year Ended December 31, 2010			
	Budgeted Amounts		Actual	Variance with Revised
	Adopted	Revised	Amounts	- Positive (Negative)
REVENUES				
Real property taxes and tax items	\$ 2,378,806	\$ 2,378,806	\$ 2,209,867	\$ (168,939)
Use of money and property	25,500	25,500	36,813	11,313
State aid	-	7,582	7,582	-
Total revenues	<u>2,404,306</u>	<u>2,411,888</u>	<u>2,254,262</u>	<u>(157,626)</u>
EXPENDITURES				
General government support	40,000	41,575	25,787	15,788
Debt service, principal	1,374,927	2,790,497	1,594,878	1,195,619
Debt service, interest	1,101,194	1,417,088	1,336,799	80,289
Total expenditures	<u>2,516,121</u>	<u>4,249,160</u>	<u>2,957,464</u>	<u>1,291,696</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	<u>111,815</u>	<u>1,157,685</u>	<u>1,236,788</u>	<u>79,103</u>
Net change in fund balance (actual) and appropriated fund balance (budget)	-	(679,587)	533,586	(1,370,219)
FUND BALANCE, beginning of year	<u>711,945</u>	<u>711,945</u>	<u>711,945</u>	<u>711,945</u>
FUND BALANCE, end of year	<u><u>\$ 711,945</u></u>	<u><u>\$ 32,358</u></u>	<u><u>\$ 1,245,531</u></u>	<u><u>\$ (658,274)</u></u>

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

	December 31, 2010			
	Water Activities	Sewer Activities	City Center Activities	Total
ASSETS				
CURRENT ASSETS				
Cash and equivalents	\$ 129,348	\$ 237,312	\$ 41,647	\$ 408,307
Cash and cash equivalents, restricted	1,382,178	-	7,739,034	9,121,212
Receivables, net of allowance	1,067,584	1,598,439	1,715,248	4,381,271
Inventories	32,407	15,252	-	47,659
Prepaid expenses	-	-	7,475	7,475
Total current assets	2,611,517	1,851,003	9,503,404	13,965,924
NONCURRENT ASSETS				
Capital assets, net	5,195,730	488,388	11,949,255	17,633,373
Total assets	7,807,247	2,339,391	21,452,659	31,599,297
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and other current liabilities	146,598	44,786	2,126,286	2,317,670
Current maturities on long-term liabilities	497,011	66,862	64,997	628,870
Due to governmental activities	780,835	1,174,926	-	1,955,761
Accrued interest payable	260,508	62,173	561	323,242
Total current liabilities	1,684,952	1,348,747	2,191,844	5,225,543
NONCURRENT LIABILITIES				
Long-term liabilities, less current maturities	5,487,573	1,328,920	124,632	6,941,125
Other post-employment liability	1,029,920	575,280	-	1,605,200
Total liabilities	8,202,445	3,252,947	2,316,476	13,771,868
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	(508,400)	(789,555)	11,949,255	10,651,300
Restricted for				
Capital improvements	-	-	7,738,189	7,738,189
Water line extension projects	622,240	-	-	622,240
Capital projects	759,938	-	-	759,938
Unrestricted	(1,268,976)	(124,001)	(576,380)	(1,969,357)
Total net assets (deficit)	\$ (395,198)	\$ (913,556)	\$ 19,111,064	\$ 17,802,310

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS**

	Year Ended December 31, 2010			Total
	Water	Sewer	City Center	
OPERATING REVENUES				
Water sales	\$ 2,693,405	\$ -	\$ -	\$ 2,693,405
Sewer sales	-	3,799,572	-	3,799,572
Capital grants and contributions	16,460	-	8,354,197	8,370,657
Facility charges	-	-	516,210	516,210
Total operating revenues	<u>2,709,865</u>	<u>3,799,572</u>	<u>8,870,407</u>	<u>15,379,844</u>
OPERATING EXPENSES				
Costs of sales and services	1,032,500	3,167,463	386,755	4,586,718
Administration	527,804	484,167	772,184	1,784,155
Interest	178,510	61,826	-	240,336
Depreciation	192,479	10,701	9,615	212,795
Total operating expenses	<u>1,931,293</u>	<u>3,724,157</u>	<u>1,168,554</u>	<u>6,824,004</u>
Operating income	<u>778,572</u>	<u>75,415</u>	<u>7,701,853</u>	<u>8,555,840</u>
NONOPERATING REVENUES				
Hotel occupancy tax	-	-	834,141	834,141
Other general revenue items	21,908	4,143	88,031	114,082
Transfer from governmental funds	37,337	-	128,429	165,766
Interest and earnings	744	-	25,193	25,937
Total nonoperating revenues	<u>59,989</u>	<u>4,143</u>	<u>1,075,794</u>	<u>1,139,926</u>
CHANGE IN NET ASSETS	<u>838,561</u>	<u>79,558</u>	<u>8,777,647</u>	<u>9,695,766</u>
NET ASSETS, beginning of year	<u>171,545</u>	<u>165,684</u>	<u>10,318,082</u>	<u>10,655,311</u>
PRIOR PERIOD ADJUSTMENTS				
Capital project reserves adjustment, current year	260,144	-	-	260,144
Capital project reserves adjustment	(1,066,007)	(9,550)	-	(1,075,557)
Bond proceeds and payments	(660,045)	(33,500)	-	(693,545)
Bonds payable, beginning of year	-	(1,291,912)	-	(1,291,912)
Retirement amortization	60,604	176,164	15,335	252,103
	<u>(1,405,304)</u>	<u>(1,158,798)</u>	<u>15,335</u>	<u>(2,548,767)</u>
NET ASSETS, beginning of year, as restated	<u>(1,233,759)</u>	<u>(993,114)</u>	<u>10,333,417</u>	<u>8,106,544</u>
NET ASSETS, end of year	<u>\$ (395,198)</u>	<u>\$ (913,556)</u>	<u>\$ 19,111,064</u>	<u>\$ 17,802,310</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

	Year Ended December 31, 2010			
	Water	Sewer	City Center Authority	Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Charges for services	\$ 2,693,405	\$ 3,799,572	\$ 516,210	\$ 7,009,187
Grants, contributions, and other revenues	16,460	-	8,379,386	8,395,846
Payments to contractors and suppliers	(1,032,500)	(3,167,463)	(386,755)	(4,586,718)
Payments to employees, payroll taxes, and benefits	(527,804)	(484,167)	(772,184)	(1,784,155)
	<u>1,149,561</u>	<u>147,942</u>	<u>7,736,657</u>	<u>9,034,160</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond proceeds	764,457	-	-	764,457
Loss on disposal of assets	69,106	-	-	69,106
Purchase of capital assets	(2,548,173)	-	(8,879,831)	(11,428,004)
Payment on bonds	(64,337)	(24,858)	-	(89,195)
Interest paid	(142,875)	(62,999)	-	(205,874)
	<u>(1,921,822)</u>	<u>(87,857)</u>	<u>(8,879,831)</u>	<u>(10,889,510)</u>
CASH FLOWS PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Hotel occupancy taxes	-	-	834,141	834,141
Miscellaneous	59,245	4,143	216,460	279,848
	<u>59,245</u>	<u>4,143</u>	<u>1,050,601</u>	<u>1,113,989</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES				
Interest received	744	-	25,193	25,937
Allocation to restricted cash and cash equivalents	722,601	(44,533)	(6,396)	671,672
	<u>723,345</u>	<u>(44,533)</u>	<u>18,797</u>	<u>697,609</u>
Net increase (decrease) in cash and cash equivalents	10,329	19,695	(73,776)	(43,752)
CASH AND CASH EQUIVALENTS, beginning of year	119,019	217,617	115,423	452,059
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 129,348</u>	<u>\$ 237,312</u>	<u>\$ 41,647</u>	<u>\$ 408,307</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ 778,572	\$ 75,415	\$ 7,701,853	\$ 8,555,840
Depreciation expense	192,479	10,701	9,615	212,795
(Increase) decrease in				
Receivables, net of allowance	(177,900)	(325,726)	(1,164,443)	(1,668,069)
Inventories	(15,060)	-	-	(15,060)
Restricted cash	308,936	293,912	(320,889)	281,959
Prepaid expenses	-	-	9,947	9,947
Increase (decrease) in				
Accounts payable and other liabilities	97,900	(40,668)	1,499,707	1,556,939
Due to other funds	(35,366)	134,308	867	99,809
Net cash provided by operating activities	<u>\$ 1,149,561</u>	<u>\$ 147,942</u>	<u>\$ 7,736,657</u>	<u>\$ 9,034,160</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

	<u>December 31, 2010</u>	
	<u>Agency Funds</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash	<u>\$ 819,525</u>	<u>\$ 34,901</u>
LIABILITIES		
Accounts payable	796,829	-
Due to other governments	22,633	-
Due to other funds	63	-
Total liabilities	<u>819,525</u>	<u>-</u>
NET ASSETS	<u>\$ -</u>	<u>\$ 34,901</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

	<u>December 31, 2010</u>
	<u>Private Purpose Trust</u>
ADDITIONS	
Private donations	\$ 1,250
Interest earnings	43
Total additions	<u>1,293</u>
DEDUCTIONS	
Culture and recreation	<u>762</u>
CHANGE IN NET ASSETS	531
NET ASSETS, beginning of year	<u>34,370</u>
NET ASSETS, end of year	<u>\$ 34,901</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Saratoga Springs, New York (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statement follows.

a. Reporting Entity

The City of Saratoga Springs, New York was incorporated as a City in 1915 and is governed by its Charter, City Local Laws, General City Law, and other general laws of the State of New York. The City is a municipal corporation governed by a five-member elected Council, one Mayor, and four Commissioners. Each Commissioner serves as the head of a department: Finance, Public Works, Public Safety, and Accounts. The Mayor serves as Chief Executive Officer, and the Commissioner of Finance serves as the Chief Fiscal Officer. The City provides water, sewer, police and fire protection, highway and street, cultural and recreational, public improvement, planning and zoning, and general administrative services to the residents of the City.

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 GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Excluded from the reporting entity:

The City of Saratoga Springs School District

The City of Saratoga Springs School District (District) was created by State legislation that designates the School Board as the governing authority. School Board members are elected by the qualified voters of the District. The School Board designates management and exercises complete responsibility for all fiscal matters. The City Council exercises no oversight over school operations.

The Saratoga Springs Housing Authority

The Saratoga Springs Housing Authority's (Housing Authority) governing board is appointed by the Chief Executive Officer of the City. The City provides no subsidy to the Housing Authority nor is it responsible for debt or operating deficits of the Housing Authority. The Housing Authority's debt is essentially supported by operating revenues of the Housing Authority and is not guaranteed by the City. The City does not appoint management of the Housing Authority nor does it approve the Authority's budget, contracts, or hiring staff. The City has no oversight responsibility for funds of the Housing Authority.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. Government-wide and Fund Financial Statements

The governmental reporting model includes the following sections: Management's Discussion and Analysis, Government-wide Financial Statements, and Fund Financial Statements.

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

The statement of net assets presents the financial condition of the City's activities at year-end. 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 with a specific function or segment. Program revenues include

1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The statement of activities identifies the net expense or revenue from each activity, and identifies the amount of general revenues needed to help finance the specific activities.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. A fund is a separate accounting entity with a self-balancing set of accounts.

c. Use of Estimates

In preparing the financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financial uses) in net current assets.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Under the modified accrual basis of accounting, governmental fund revenues are recognized when susceptible to accrual (i.e., as soon as they are both measurable and available). "Measurable" means the amount of the transaction can be reasonably determined, and "available" means the related cash resources are collectible within the current period or soon enough thereafter to be used to pay current liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, water and sewer rents, sales taxes, mortgage taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash, i.e., fines, permits, and parking meter revenues.

The City also reports deferred revenue on its fund financial statements for certain revenues other than property taxes. Deferred revenues arise when potential revenue does not meet both of the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue recognized.

Governmental fund expenditures are recorded when the fund liability is incurred except that:

- Payments for acquisition of inventory type items are recorded as expenditures when the related amounts are due and payable. This method is generally referred to as the "purchase" method, as opposed to the "consumption" method used in the government-wide financial statements.
- Principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensation time, which vest or accumulate with eligible employees are recorded as expenditures in the payroll period that the credits are used by employees.
- Costs of acquiring capital assets are recorded as expenditures when the related acquisition amounts are due and payable.

e. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The activities of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations or limitations. The City's fund types are as follows:

Fund Types

Governmental Funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The City's governmental funds are as follows:

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. *Fund Accounting* - Continued

Fund Types - Continued

- i. The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund operates within the financial limits of an annual budget adopted by the City Council.
- ii. The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- iii. The *Capital Project Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Financing is generally provided from proceeds of bonds, notes, federal and state grants, and transfers from other governmental funds.
- iv. *Special Revenue Funds* are used to account for specific revenues (other than those generated for major capital projects) that are legally restricted to expenditures for particular purposes. The Special Grant Fund is used to account for federally-funded community development block grants, revolving loan funds, and other federally-funded programs. The City has two special districts: the Down City Special Assessment District (SAD) and the West Avenue Special Assessment District (WASAD). Both were established to make improvements within the boundaries of the applicable districts and are funded by special assessments on the property owners within each district.

Proprietary Funds represent the City's business-type activities and include Enterprise Funds. Enterprise funds are used to report activities for which fees are charged to external customers for goods and services provided, and the City's fee pricing policies are established to recover costs of providing such service, including capital costs such as depreciation or debt service. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City maintains the following enterprise funds:

- i. The *Water Fund* is used to report operations of the City's water treatment and supply facilities that provide drinking water to all City residents, as well as to certain local communities outside the City's corporate boundaries. Users of the water system, inside and outside the City limits, are charged a user fee to pay for the operation of the Water Fund. The fund also records revenues and expenses associated with extending the water line. A water service connection fee is collected when a new user taps into the system, and the revenue is reserved to expanding the system.
- ii. The *Sewer Fund* is used to report operations of the City's wastewater treatment facilities and sanitary sewer system that is provided to all City residents. The sewer system infrastructure is owned by the Saratoga County Sewer District. Users of the sewer system are charged a fee based on an annual bill from the Saratoga County Sewer District.
- iii. The *City Center Authority Fund* (Authority) accounts for the day-to-day business operations of the convention and tourism center. The Authority was created by State legislation for the purpose of operating and maintaining the Saratoga City Center (City Center). The execution of the daily operations of the City Center rests with the Authority. The City Council maintains fiscal control over the Authority through various aspects of State legislation and, therefore, has included the financial position as well as the operations of the City Center in the City's financial statements.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Fund Accounting - Continued

Fiduciary Funds are used to report resources that are held by the City in a trustee or agency capacity for others and cannot be used to support the City's own programs. The City maintains agency funds to account for assets that the City holds on behalf of others as their agent. The City maintains a private purpose trust fund to account for private donations to support a veterans' memorial in Congress Park.

In addition to the various funds, the City also maintains schedules of non-current governmental assets and non-current governmental liabilities. Non-current governmental assets include capital assets used in governmental activities, and non-current governmental liabilities include bonds, retirement system debt, accumulated sick and compensatory time, and other long-term debt used to finance governmental activities. These non-current governmental assets and liabilities are included under governmental activities in the government-wide statement of net assets.

f. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits, time deposits, and short-term investments with a maturity date within three months of the date acquired by the City, and cash on hand.

The City's investment policies are governed by New York State statutes. In addition, the City has its own investment policy. In accordance with New York State statutes and the City's investment policy, City monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City is authorized to use demand deposits, time deposits, and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States agencies, and obligations of New York State or its localities.

Investments are stated at fair market value.

g. Interfund Receivables/Payables

During the year, transactions often occur between the various funds. Transactions considered loans or advances to be repaid are recorded as current assets and liabilities in the fund financial statements as either "due to or due from other funds." In the government-wide financial statements, amounts due to and from the same activities are eliminated. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

h. Receivables

All property and school tax receivables are shown net of an allowance for uncollectibles. The property and school tax receivables allowance is equal to 9% of outstanding property and school taxes at December 31, 2010. Water and sewer rents not collected by year end are relieved on the subsequent year's tax roll.

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on January 1 and are payable in four installments on the first of March, June, September, and December. The City bills and collects its own property taxes and also collects taxes for Saratoga County and the delinquent taxes for the School District. City property tax revenues are recognized when levied to the extent that they result in current receivables.

i. Inventory

Inventory in the proprietary funds is valued at the lower of cost (first-in, first-out method) or net realizable value. Inventory consists of expendable supplies held for consumption.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

j. Restricted Assets

Certain resources of the governmental and proprietary funds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts, and the City Council limits their use.

k. Capital Assets, Net

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements	20
Streets/roads	25
Sewer and water infrastructure	75
Other infrastructure	25-30
Equipment	5-20

l. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick pay benefits. All sick pay is accrued when incurred in the government-wide financial statements. Expenditures for these amounts are reported in governmental funds when paid to employees.

m. Long-Term Obligations

In the government-wide financial statements, 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. Bonds payable are reported net of applicable bond premium or discount, if any.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

m. Long-Term Obligations - Continued

The City's special assessment districts, SAD and WASAD, have outstanding bonded debt. SAD currently makes the annual debt payment on the Putnam Street parking deck project when due and has an arrangement with the City for reimbursement in the event there is default by a taxpayer. WASAD is repaying its 50% share of the betterment on the West Avenue improvement project debt on an extended payment plan. The City makes the debt payment annually, and WASAD reimburses the City every year at a lower amount than the actual debt, but when the bond is fully paid off, WASAD will continue reimbursing the City for its portion of the bond.

n. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for a specific purpose.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

a. Legal Compliance and Budgets

The City's budget adoption process is described in the City Charter. The Mayor and the Commissioners present their budget requirements for the following fiscal year to the Commissioner of Finance on or before October 1 each year for the General, Debt Service, Water, Sewer, Special Assessment Districts, and City Center funds. The Commissioner of Finance then prepares a proposed budget for the forthcoming year and submits it to the City Council on or before the third Monday in October. After receiving the proposed budget, the City Council establishes a date, time, and place for a public hearing with public notice duly advertised of such hearing. At a regular or special meeting held after the public hearing but not later than the 30th day of November, the City Council adopts, or amends and adopts, the budget for the ensuing fiscal year. During the year, several supplementary appropriations are usually necessary.

Budgets for the Special Grant Fund are adopted for each federal program as they occur, and generally on a federal program year. Budgets for major capital projects are adopted on an as needed basis and remain in effect for the life of the project. Generally, major capital projects are financed by bonds, capital grants, and/or other applicable financing sources. Current appropriations for capital expenditures are adopted according to the above-described timetable.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

b. Excess of Expenditures Over Appropriations

Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

a. Cash, Cash Equivalents, and Investments

Collateral

New York State statutes require the City to collateralize its cash deposits in excess of the Federal Deposit Insurance Corporation limit of \$350,000 (\$100,000 on demand deposits and \$250,000 on time deposits and other cash accounts). This collateral is to be in the form of state and local government securities held in trust for and pledged to secure the City's deposits. The City's deposits were adequately insured or collateralized as of December 31, 2010.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

a. Cash, Cash Equivalents, and Investments - Continued

Cash and Cash Equivalents, Restricted

The City had restricted cash and cash equivalents for governmental activities, comprised of the following:

Debt service	\$ 1,509,953
Special assessment district purposes	1,957
Capital projects	983,312
Capital improvements	2,515,732
Council designated purposes	<u>78,303</u>
 Total restricted cash and cash equivalents	 <u><u>\$ 5,089,257</u></u>

The City had restricted cash and cash equivalents for business-type activities, comprised of the following:

City Center capital improvements	\$ 7,738,189
Water capital projects	<u>1,382,178</u>
 Total restricted	 <u><u>\$ 9,120,367</u></u>

Investments, Restricted

The City's General Fund had an investment balance of \$17,260 as of December 31, 2010. This consisted of a workers' compensation bond on deposit with New York State.

b. Receivables

Receivables at year-end for the City's governmental and business-type activities, categorized by individual fund in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

Receivables	General	Capital	Debt Service	Special Grant	Water	Sewer	City Center Authority	Total
City and county taxes	\$ 928,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 928,852
School taxes	788,092	-	-	-	-	-	-	788,092
Tax sales	1,167,196	-	-	-	-	-	-	1,167,196
Water rents	-	-	-	-	1,131,620	-	-	1,131,620
Sewer rents	-	-	-	-	-	1,695,204	-	1,695,204
Accounts	2,261,731	5,400	600	-	3,000	-	13,562	2,284,293
Rehabilitation loans	-	-	-	295,143	-	-	-	295,143
State and federal	1,654,740	1,235,769	-	25,946	-	-	1,511,930	4,428,385
Other governments	212,085	-	150	-	-	-	189,756	401,991
Total net receivables	<u>7,012,696</u>	<u>1,241,169</u>	<u>750</u>	<u>321,089</u>	<u>1,134,620</u>	<u>1,695,204</u>	<u>1,715,248</u>	<u>13,120,776</u>
Allowance for uncollectible accounts	<u>(268,717)</u>	<u>-</u>	<u>-</u>	<u>(15,508)</u>	<u>(67,036)</u>	<u>(96,765)</u>	<u>-</u>	<u>(448,026)</u>
Total net receivables	<u><u>\$ 6,743,979</u></u>	<u><u>\$ 1,241,169</u></u>	<u><u>\$ 750</u></u>	<u><u>\$ 305,581</u></u>	<u><u>\$ 1,067,584</u></u>	<u><u>\$ 1,598,439</u></u>	<u><u>\$ 1,715,248</u></u>	<u><u>\$ 12,672,750</u></u>

These receivables are shown in the statement of net assets as follows:

Receivables net of allowances	
Governmental activities	\$ 8,291,479
Business-type activities	<u>4,381,271</u>
Total	<u><u>\$ 12,672,750</u></u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

c. Capital Assets

Capital asset activity, as adjusted, was as follows:

Governmental Activities	Year Ended December 31, 2010			Balance December 31, 2010
	Balance January 1, 2010	Additions/ Adjustment	Retirements/ Reclassifications	
Capital assets not being depreciated				
Land	\$ 3,921,258	\$ -	\$ -	\$ 3,921,258
Work in progress	8,538,780	7,113,998	(696,107)	14,956,671
Total capital assets not being depreciated	<u>12,460,038</u>	<u>7,113,998</u>	<u>(696,107)</u>	<u>18,877,929</u>
Depreciable capital assets				
Buildings	13,863,581	-	-	13,863,581
Improvements	5,288,597	650,705	-	5,939,302
Machinery, equipment, and vehicles	12,380,196	155,418	(155,744)	12,379,870
Infrastructure	47,259,338	145,339	(42,779)	47,361,898
Total depreciable capital assets	<u>78,791,712</u>	<u>951,462</u>	<u>(198,523)</u>	<u>79,544,651</u>
Less accumulated depreciation				
Buildings	5,355,873	284,566	-	5,640,439
Improvements other than buildings	2,398,573	224,640	-	2,623,213
Machinery, equipment, and vehicles	7,970,911	772,642	(109,624)	8,633,929
Infrastructure	25,816,802	534,657	(23,840)	26,327,619
Total accumulated depreciation	<u>41,542,159</u>	<u>1,816,505</u>	<u>(133,464)</u>	<u>43,225,200</u>
Net depreciable capital assets	<u>37,249,553</u>	<u>(865,043)</u>	<u>(65,059)</u>	<u>36,319,451</u>
Total net capital assets governmental activities	<u>\$ 49,709,591</u>	<u>\$ 6,248,955</u>	<u>\$ (761,166)</u>	<u>\$ 55,197,380</u>

Business-type Activities	Year Ended December 31, 2010			Balance December 31, 2010
	Balance January 1, 2010	Additions/ Adjustment	Retirements/ Reclassifications	
<u>Water Activity</u>				
Capital assets not being depreciated				
Land	\$ 325,841	\$ -	\$ -	\$ 325,841
Work in progress	1,816,732	760,739	(1,470,344)	1,107,126
Total capital assets not being depreciated	<u>2,142,573</u>	<u>760,739</u>	<u>(1,470,344)</u>	<u>1,432,967</u>
Depreciable capital assets				
Buildings	749,195	-	-	749,195
Improvements	306,064	-	-	306,064
Machinery, equipment, and vehicles	707,945	-	-	707,945
Infrastructure	12,338,317	1,787,434	-	14,125,751
Total depreciable capital assets	<u>14,101,521</u>	<u>1,787,434</u>	<u>-</u>	<u>15,888,955</u>
Less accumulated depreciation				
Buildings	202,261	9,024	-	211,285
Improvements	23,230	11,287	-	34,517
Machinery, equipment, and vehicles	291,996	16,219	-	308,215
Infrastructure	11,416,227	155,948	-	11,572,175
Total accumulated depreciation	<u>11,933,714</u>	<u>192,478</u>	<u>-</u>	<u>12,126,192</u>
Net depreciable capital assets	<u>2,167,807</u>	<u>1,594,956</u>	<u>-</u>	<u>3,762,763</u>
Total net capital assets water activities	<u>\$ 4,310,380</u>	<u>\$ 2,355,695</u>	<u>\$ (1,470,344)</u>	<u>\$ 5,195,730</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

c. Capital Assets - Continued

Business-type Activities	Year Ended December 31, 2010			Balance December 31, 2010
	Balance January 1, 2010	Additions/ Adjustment	Retirements/ Reclassifications	
<u>Sewer Activity</u>				
Depreciable capital assets				
Improvements	\$ 177,728	\$ -	\$ -	\$ 177,728
Machinery, equipment, and vehicles	34,335	-	-	34,335
Infrastructure	341,000	-	-	341,000
Total depreciable capital assets	<u>553,063</u>	<u>-</u>	<u>-</u>	<u>553,063</u>
Less accumulated depreciation				
Improvements	868	940	-	1,808
Machinery, equipment, and vehicles	51,852	2,398	-	54,250
Infrastructure	1,254	7,363	-	8,617
Total accumulated depreciation	<u>53,974</u>	<u>10,701</u>	<u>-</u>	<u>64,675</u>
Net depreciable capital assets	<u>499,089</u>	<u>(10,701)</u>	<u>-</u>	<u>488,388</u>
Total net capital assets sewer activities	<u>\$ 499,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,388</u>
<u>City Center Authority</u>				
Machinery, equipment, and vehicles	190,464	-	-	190,464
Work in progress	3,036,098	8,904,951	-	11,941,049
Accumulated depreciation	172,643	9,615	-	182,258
Total net capital assets City Center Authority	<u>\$ 3,053,919</u>	<u>\$ 8,895,336</u>	<u>\$ -</u>	<u>\$ 11,949,255</u>

Depreciation expense was charged to functions/programs as follows:

Mayor	\$ 7,716
Finance	16,391
DPW	629,217
DPS	37,217
Accounts	4,927
Police	39,929
Fire	154,099
Home and community service	21,737
Transportation	416,549
Culture and recreation	<u>355,259</u>
Total depreciation expense for governmental activities	<u>\$ 1,683,041</u>
Water	\$ 192,478
Sewer	10,702
City Center Authority	<u>9,615</u>
Total depreciation expense for business-type activities	<u>\$ 212,795</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

d. Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Amounts due to/from other funds in the fund financial statements:

<u>Fund</u>	December 31, 2010	
	<u>Due To</u>	<u>Due From</u>
General	\$ -	\$ 2,495,244
Water	780,835	-
Sewer	1,174,926	-
Capital	269,246	-
Debt service	265,252	-
Agency	63	-
Community development	4,922	-
	<u>\$ 2,495,244</u>	<u>\$ 2,495,244</u>

Amounts due to/from activities in the government-wide financial statements:

<u>Fund</u>	December 31, 2010	
	<u>Due To</u>	<u>Due From</u>
Internal balances		
Governmental	\$ -	\$ 1,955,761
Business-type	1,955,761	-
	<u>\$ 1,955,761</u>	<u>\$ 1,955,761</u>

Interfund transfers in the governmental fund financial statements were as follows:

<u>Fund</u>	December 31, 2010	
	<u>In</u>	<u>Out</u>
General	\$ 61,604	\$ 130,271
Capital	92,608	1,149,622
WASAD	-	49,503
Debt service	1,236,788	-
Community Development	-	61,604
	<u>\$ 1,391,000</u>	<u>\$ 1,391,000</u>

In the government-wide statement of net assets, interfund receivables and payables of \$539,483 between governmental activities were eliminated, leaving the balances shown above. In the government-wide statement of activities, interfund transfers of \$1,391,000 between governmental activities were eliminated, leaving \$165,766 transfer from the governmental activities to the business-type activities.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

e. Indebtedness

i. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. On July 1, 2010, the City issued a \$1,539,457, 26-year, general obligation bond. Of the total amount, \$775,000 was issued to finance governmental activities and \$764,457 was issued to finance water activities.

A summary of the City's general obligation serial bond transactions for the year ended December 31, 2010, is as follows:

Bonds payable, beginning of year	\$ 36,447,042
Bonds issued	1,539,457
Bonds retired	<u>(1,697,042)</u>
Bonds payable, end of year	<u><u>\$ 36,289,457</u></u>

General obligation bonds are direct obligations of the City and are pledged by the full faith and credit of the City. Generally, the City's general obligation bonds are tax exempt for federal and New York State income tax purposes. These bonds generally are issued as 20-year to 30-year serial bonds with equal amounts of principal and interest maturing each year. General obligation bonds currently outstanding for governmental and water activities are as follows:

<u>Public Improvement Bonds</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>December 31, 2010</u>
Serial Bond, EFC	03/97	02/17	3.40%	\$ 1,390,000
Serial Bond, general obligation	07/93	03/13	4.75%	480,000
Serial Bond, general obligation	10/97	09/17	4.50%	635,000
Serial Bond, general obligation	06/00	06/14	5.12%	605,000
Serial Bond, general obligation	09/02	09/22	3.90%	1,295,000
Serial Bond, general obligation	04/04	02/34	4.00%	3,475,000
Serial Bond, general obligation	03/05	06/24	3.85%	3,650,000
Serial Bond, general obligation	04/06	04/35	4.25%	7,845,000
Serial Bond, general obligation	07/07	07/30	3.70%	8,470,000
Serial Bond, general obligation	08/08	08/38	5.00%	4,845,000
Serial Bond, general obligation	01/09	01/24	4.25%	695,000
Serial Bond, general obligation	09/09	09/39	4.25%	1,365,000
Serial Bond, general obligation	07/10	07/2037	4.42%	<u>1,539,457</u>
				<u><u>\$ 36,289,457</u></u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

e. Indebtedness - Continued

i. General Obligation Bonds - Continued

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Principal	Interest	Total
For the year ending December 31, 2011	\$ 1,704,457	\$ 1,563,874	\$ 3,268,331
2012	1,760,000	1,486,041	3,246,041
2013	1,800,000	1,405,424	3,205,424
2014	1,540,000	1,326,796	2,866,796
2015	1,430,000	1,262,074	2,692,074
For the years ending December 31, 2016-2020	7,000,000	5,392,815	12,392,815
2021-2025	7,405,000	3,867,394	11,272,394
2026-2030	7,140,000	2,368,255	9,508,255
2031-2035	5,130,000	948,167	6,078,167
2036-2039	1,380,000	140,613	1,520,613
	<u>\$ 36,289,457</u>	<u>\$ 19,761,454</u>	<u>\$ 56,050,911</u>

Of the total outstanding indebtedness of the City in the sum of \$36,289,457, \$25,636,789 was subject to the statutory debt limit and represented approximately 37% of the City's \$69,907,406 self-imposed debt limit.

ii. Special Assessment Debt

At December 31, 2010, the amount of special assessment debt outstanding for SAD and WASAD was \$60,355 and \$324,952, respectively. These amounts are reflected in the governmental activities statement of net assets and included in the schedules above.

iii. Lease Payables

In May 2006, the City entered into a lease agreement with Union Leasing Inc. for two cars for the Fire Department. The City extended that lease for one more year at the same terms and conditions on July 1, 2009. The lease was paid in full during 2010.

In April 2007, the City entered into a lease agreement with Hoselton Chevrolet for ten police cars. The City has made 36 payments and has paid the lease in full.

On March 7, 2008, the City entered into a lease agreement with Municipal Leasing Consultants for \$1,721,297 to finance various energy-saving equipment. The first \$1,000,000 is at a rate of 2%, and the \$721,297 is at a rate of 4.12%. The \$1,000,000 interest rate was bought down by a NYSERDA grant. Principal payments of \$79,274 were made in 2010. The outstanding liability in the governmental activity was \$1,363,369, and \$82,575 is due in one year.

On February 1, 2009, the City entered into a lease agreement with Matt's Service Center to lease a Honda Ridgeline for one year. Eleven lease payments were made in 2009 and 2010. The lease is paid in full.

The City entered into a lease agreement with Hoselton Chevrolet in February 2010 for eight police cars. The term is 36 months and expires April 2013. The outstanding liability in the governmental activity was \$65,916, and \$28,250 is due in one year.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

e. Indebtedness - Continued

iv. Other Liabilities

Other liabilities shown in the past as part of long-term debt, but now shown in the government-wide financial statements as current liabilities for compensated absences, include the following:

	January 1, 2010	Additions	Deletions	December 31, 2010
Sick time	\$ 2,718,739	\$ 167,254	\$ 300,835	\$ 2,585,158
Compensatory time	592,329	1,014,835	1,000,592	606,572
	<u>\$ 3,311,068</u>	<u>\$ 1,182,089</u>	<u>\$ 1,301,427</u>	<u>\$ 3,191,730</u>

v. Long-Term Liabilities, Less Current Maturities

Long-term liabilities, less current maturities are shown on the statement of net assets in the government-wide financial statements in total. The break down includes the following:

	Due in One Year	More Than One Year	Total
Governmental Activities			
Debt			
EPC Lease	\$ 82,574	\$ 1,280,795	\$ 1,363,369
Vehicle Leases	28,250	37,668	65,918
Bonds	1,704,457	27,602,927	29,307,384
Retirement Paid 02/01/11	2,196,113	-	2,196,113
Retirement Due 02/01/12	408,275	1,663,366	2,071,641
	<u>\$ 4,419,669</u>	<u>\$ 30,584,756</u>	<u>\$ 35,004,425</u>
Water			
Debt			
Bonds	\$ 401,021	\$ 5,303,109	\$ 5,704,130
Retirement Paid 02/01/11	60,231	-	60,231
Retirement Due 02/01/12	35,759	184,464	220,223
	<u>\$ 497,011</u>	<u>\$ 5,487,573</u>	<u>\$ 5,984,584</u>
Sewer			
Debt			
Bonds	\$ 26,549	\$ 1,251,394	\$ 1,277,943
Retirement Paid 02/01/11	25,285	-	25,285
Retirement Due 02/01/12	15,028	77,526	92,554
	<u>\$ 66,862</u>	<u>\$ 1,328,920</u>	<u>\$ 1,395,782</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

e. Indebtedness - Continued

v. Long-Term Liabilities, Less Current Maturities - Continued

	<u>Due in One Year</u>	<u>More Than One Year</u>	<u>Total</u>
City Center			
Debt			
Retirement Paid 02/01/11	\$ 40,836	\$ -	\$ 40,836
Retirement Due 02/01/12	<u>24,161</u>	<u>124,632</u>	<u>148,793</u>
	<u>\$ 64,997</u>	<u>\$ 124,632</u>	<u>\$ 189,629</u>
Business Type Activities			
Debt			
Bonds	\$ 427,570	\$ 6,554,503	\$ 6,982,073
Retirement Paid 02/01/11	126,352	-	126,352
Retirement Due 02/01/12	<u>74,948</u>	<u>386,622</u>	<u>461,570</u>
	<u>\$ 628,870</u>	<u>\$ 6,941,125</u>	<u>\$ 7,569,995</u>

f. Employee Retirement Systems and Pension Plan

i. Employee Retirement Systems Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (GTLI) (collectively, the Systems). These are cost sharing multi-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

ii. Employee Retirement Systems Funding Policy

The Systems are noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions. Each year, the Comptroller renders a billing to participating employers requesting payment of amounts due in advance for the plan year April 1 to March 31. The NYSRSSL allows participating employers to pay their annual contributions on either December 15 of the current year, or February 1 of the following year. The City elected to pay their contribution billed in 2006 on or before February 1, 2007. The required contributions for the current and two preceding years were:

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

ii. Employee Retirement Systems Funding Policy - Continued

	<u>2010</u>	<u>2009</u>	<u>2008</u>
ERS regular contribution	\$ 965,248	\$ 808,793	\$ 813,204
ERS 2004 amortization	51,507	51,507	51,506
PFRS regular contribution	1,412,757	1,362,814	1,439,941
PFRS 2004 amortization	84,743	84,743	85,261
PFRS Fire 384E	138,191	138,191	138,191
PFRS Police 384EB	48,467	48,467	48,467
PFRS Police 84E	372,574	372,574	372,574
PFRS Police Re-open 384D	<u>49,800</u>	<u>49,800</u>	<u>49,800</u>
 Totals	 <u>\$ 3,123,287</u>	 <u>\$ 2,916,889</u>	 <u>\$ 2,998,944</u>

Contributions made to the Systems were equal to 100% of the contributions required for each year, less the applicable amortizations.

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g., billings due February 2008 would be based on the pension value as of March 31, 2007).

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5% of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

ii. Employee Retirement Systems Funding Policy - Continued

In December 2004, the City opted to amortize the allowable portions of the 2004 ERS and PFRS retirement payment over a ten-year period. The principal amount amortized was \$397,330 for ERS plan and \$654,365 for PFRS plan. The first principal and interest payments were paid February 1, 2006, with interest at 5% per annum. The maturity schedules for this debt are as follows:

<u>ERS Amortization</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 40,357	\$ 11,150	\$ 51,507
Payable February 1, 2012	42,375	9,132	51,507
Payable February 1, 2013	44,494	7,013	51,507
Payable February 1, 2014	46,718	4,789	51,507
Payable February 1, 2015	49,054	2,453	51,507
Totals	<u>\$ 222,998</u>	<u>\$ 34,537</u>	<u>\$ 257,535</u>

<u>PFRS Amortization</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 66,399	\$ 18,344	\$ 84,743
Payable February 1, 2012	69,718	15,025	84,743
Payable February 1, 2013	73,204	11,539	84,743
Payable February 1, 2014	76,865	7,878	84,743
Payable February 1, 2015	80,708	4,035	84,743
Totals	<u>\$ 366,894</u>	<u>\$ 56,821</u>	<u>\$ 423,715</u>

The unpaid principal balance of \$2,646,481 at December 31, 2010, for the above amortizations is included in the financial statements as a non-current governmental liability, of which \$106,756 is shown as due within one year.

On October 15, 2004, the City opted to provide certain benefits to firefighters for past services under Section 384E of the PFRS plan. The total past service credit costs were \$1,011,118. The City opted to pay for this program over a ten-year term with interest starting the third year at 8% per annum. In fiscal year ended December 31, 2006, the City recorded a liability for the second of 10 installments, which did not include interest. The maturity schedule for this debt is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 101,745	\$ 36,446	\$ 138,191
Payable February 1, 2012	109,885	28,306	138,191
Payable February 1, 2013	118,676	19,515	138,191
Payable February 1, 2014	128,170	10,021	138,191
Totals	<u>\$ 458,476</u>	<u>\$ 94,288</u>	<u>\$ 552,764</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

ii. Employee Retirement Systems Funding Policy - Continued

The unpaid principal balance of \$458,476 at December 31, 2010, is included in the financial statements as a non-current governmental liability, of which \$101,745 is shown as due within one year.

In accordance with the labor agreements between the City and its police officers signed October 27, 2006, the City is required to provide certain benefits to police personnel for past services under Section 384E and 384EB of the PFRS plan. The total past service credit cost was \$2,700,004 for 384E, \$351,235 for 384EB, and \$360,791 to reopen 384D. The City plans to pay for this program over a ten-year period with interest starting the second year at 8% per annum. The first installment is due February 1, 2008, for the City's 2007 fiscal year.

The maturity schedules for this debt are as follows:

384 E - Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 217,394	\$ 155,180	\$ 372,574
Payable February 1, 2012	234,785	137,789	372,574
Payable February 1, 2013	253,568	119,006	372,574
Payable February 1, 2014	273,853	98,721	372,574
Payable February 1, 2015	295,762	76,812	372,574
Payable February 1, 2016	319,422	53,152	372,574
Payable February 1, 2017	<u>344,976</u>	<u>27,598</u>	<u>372,574</u>
 Totals	 <u>\$ 1,939,760</u>	 <u>\$ 668,258</u>	 <u>\$ 2,608,018</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 28,280	\$ 20,187	\$ 48,467
Payable February 1, 2012	30,542	17,925	48,467
Payable February 1, 2013	32,986	15,481	48,467
Payable February 1, 2014	35,625	12,842	48,467
Payable February 1, 2015	38,475	9,992	48,467
Payable February 1, 2016	41,553	6,914	48,467
Payable February 1, 2017	<u>44,877</u>	<u>3,590</u>	<u>48,467</u>
 Totals	 <u>\$ 252,338</u>	 <u>\$ 86,931</u>	 <u>\$ 339,269</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

ii. Employee Retirement Systems Funding Policy - Continued

384 EB Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2011	\$ 29,048	\$ 20,752	\$ 49,800
Payable February 1, 2012	31,372	18,428	49,800
Payable February 1, 2013	33,882	15,918	49,800
Payable February 1, 2014	36,592	13,208	49,800
Payable February 1, 2015	39,520	10,280	49,800
Payable February 1, 2016	42,681	7,119	49,800
Payable February 1, 2017	<u>46,096</u>	<u>3,704</u>	<u>49,800</u>
 Totals	 <u>\$ 259,191</u>	 <u>\$ 89,409</u>	 <u>\$ 348,600</u>

The unpaid principal balance of \$2,451,289 at December 31, 2010, for the past service retirement costs for police personnel is included in the government-wide statement of activities as a non-current governmental liability, of which \$274,722 is shown as due within one year.

NOTE 4 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The Retiree Health Plan provides lifetime healthcare insurance and prescription drug coverage for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the seven unions representing City employees and are renegotiated at the end of each of the bargaining periods. The Retiree Health Plan does not issue a publicly available financial report. The City offers four community rated HMO’s and one experience rated Traditional PPO. Upon turning 65, a retiree may choose to participate in two Medicare Advantage plans.

The City offers life insurance to active and retired firefighters and police officers who retired prior to January 1, 2007. The plan pays a beneficiary upon death of the retiree.

Funding Policy. Contribution requirements also are negotiated between the City and union representatives. The City contributes a percent of the cost of current year premiums for eligible retired Plan members and their spouses. For the year ended December 31, 2010, the City contributed \$6,279,363 to the Retiree Health Plan. Some Retiree Health Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$171,303 for the year ended December 31, 2010.

The City pays the full premium for the life insurance coverage.

Annual OPEB Cost and Net OPEB Obligation - The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for fiscal year 2010, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Plan:

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 4 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Required Information	Govt.	Water	Sewer	Total
Annual required contribution	\$ 9,609,622	\$ 416,679	\$ 179,369	\$ 10,205,670
Interest on net OPEB obligation	463,099	26,133	16,122	505,354
Adjustment to annual required contribution	(668,075)	(37,700)	(23,258)	(729,033)
Annual OPEB cost (expense)	9,404,646	405,112	172,233	9,981,991
Contributions made (expected)	(2,350,596)	(28,513)	-	(2,379,109)
Increase in net OPEB obligation	7,054,050	376,599	172,233	7,602,882
Net OPEB obligation, beginning of year	11,577,473	653,320	403,047	12,633,840
Net OPEB obligation, end of year	<u>\$ 18,631,523</u>	<u>\$ 1,029,919</u>	<u>\$ 575,280</u>	<u>\$ 20,236,722</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Retiree Health Plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Activity	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental	\$ 9,404,646	25%	\$ 18,631,523
Water	405,112	7%	1,029,919
Sewer	172,233	0%	575,280

Funded Status and Funding Progress - As of December 31, 2010, the actuarial accrued liability for benefits was \$104,696,319, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Retiree Health Plan) was \$15,199,469, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 689%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Retiree Health Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Retiree Health Plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement Age for Active Employees - Rates of decrement due to retirement based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

Marital Status - It is assumed that 70% of retirees will be married and participating in a non-shared health insurance plan at the time of their retirement, with the male spouse assumed to be approximately three years older than the female.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 4 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Mortality - Life expectancies were based on mortality tables from the RP-2000 Mortality Table for Males and for Females.

Turnover - Rates of decrement due to turnover based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 11% initially, reduced to an ultimate rate of 8% after six years, was used.

Health Insurance Premiums - The current enrollment of retirees in each of the City's available plans was used to make assumptions about the health plans that current active employees would enroll in upon retiring.

Inflation Rate - The expected long-term inflation assumption is 2.9%. The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group. It represents a reasonable medical trend projection for the current plan provisions and demographics of the City of Saratoga Springs Postemployment Benefits Plan, and no changes to these baseline assumptions are necessary.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level period of thirty years. The remaining amortization period at December 31, 2010, was twenty-eight years.

**REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
for the Retiree Health Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
12/31/10	\$ -	\$ 104,696,319	\$ 104,696,319	0.00%	\$ 15,199,469	689%
12/31/09	\$ -	\$ 84,696,390	\$ 84,696,390	0.00%	\$ 20,562,018	412%

NOTE 5 - PRIOR PERIOD ADJUSTMENTS

The City made certain prior period adjustments to correct government-wide net assets as of the beginning of the year for capital assets not previously classified in the proper fund.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 5 - PRIOR PERIOD ADJUSTMENTS - Continued

The following is a summary of the prior period adjustments made in the financial statements for the year ended December 31, 2010:

Description	Fund	Governmental Activities	Business-type Activities	Total
Retirement amortization adjustment in General	City Center	\$ (15,335)	\$ 15,335	\$ -
Retirement amortization adjustment in General	Water	(60,604)	60,604	-
Retirement amortization adjustment in General	Sewer	(176,164)	176,164	-
Retirement amortization adjustment	General	(219,133)	-	-
Capital project reserves in Capital Fund	Water	(260,144)	260,144	-
Capital project reserves in Capital Fund, previous year	Water	-	(1,066,007)	(1,066,007)
Capital project reserves in Capital Fund, previous year	Sewer	-	(9,550)	(9,550)
Bond proceeds and payments	Water	-	(660,045)	(660,045)
Bond proceeds and payments	Sewer	-	(33,500)	(33,500)
Bonds payable, beginning of year	Sewer	-	(1,291,912)	(1,291,912)
Reclassification of various accounts	Capital	(28,647)	-	(28,647)
Bond interest adjustment	Debt Service	(101,172)	-	(101,172)
Revolving loan adjustment	Community Development	(4,068)	-	(4,068)
PY Federal revenue adjustment	Capital	(560,402)	-	(560,402)
PY bad check write offs	General	(2,100)	-	(2,100)
		<u>\$ (1,427,769)</u>	<u>\$ (2,548,767)</u>	<u>\$ (3,757,403)</u>

NOTE 6 - REMEDIATION COSTS

During 2010, \$37,255 in expenses were included in the government-wide financial statements as a program expense during 2010 for fees paid to a consultant as part of the Environmental Compliance Audit. Identified during the compliance audit and included in the City's Corrective Action Plan were estimates to improve the fleet fueling system and for the removal of soil and overages at the garage and compost facilities, respectively. The City will also need to pay for the Environmental Benefit Plan and continue paying the consultant for project management. It is estimated that these costs will total \$474,200 and will appear as expenses in the government-wide financial statements over the period of a number of years.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

a. Environmental Risks

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the City expect such compliance to have, any material affect upon the capital expenditures or financial condition of the City. The City believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

b. 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; and natural disasters for which the government carries commercial insurance. The General, Water, Sewer, and City Center Authority funds pay insurance premiums.

The City's Safety Committee reviews potential areas of risk and develops safety policies. The Safety Committee reviews, among other things, workers' compensation trends to determine and prevent causation of similar claims in future. The City belongs to the Saratoga County Workers' Compensation pool, and cases are reviewed and paid by Saratoga County. The City's 2010 annual contribution to the workers' compensation pool was \$509,654.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 7 - COMMITMENTS AND CONTINGENCIES - Continued

c. Contingent Liabilities

The City is involved in certain suits and claims arising from a variety of sources. It is the opinion of counsel and management that the liabilities that may arise from such actions would be covered by the City's insurance carrier or would not result in losses that would materially affect the financial position of the City or the results of its operations.

d. Labor Relations

The City has 311 employees covered by seven bargaining units. The Police Chiefs', Police Lieutenants', and Police Benevolent Association's contracts expired on December 31, 2008. The Fire Chiefs' contract expired on December 31, 2008. The Firefighters' contract expired on December 31, 2010. The CSEA City Hall and CSEA Public Works contracts expired on December 31, 2008. All expired contracts are under negotiation.

NOTE 8 - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes accounting and financial reporting requirements intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for the City as of January 1, 2011.

In December 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. The City has not yet adopted this statement.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

The City has not yet determined the financial effects of implementing the requirements of these accounting standards.

NOTE 9 - SUBSEQUENT EVENTS

On January 26, 2011, the City entered into a Tax Anticipation Note for \$5,000,000 to meet payroll and accounts payable expenses. The note matured on March 25, 2011, and was paid in full. The interest rate was .5%.

On April 5, 2011, the City issued \$2,151,200 in statutory installment bonds through a negotiated sale with the Adirondack Trust Company to finance various projects, including water and sewer improvements. The interest rate on the bonds is 4.63%. The bonds will mature on April 5, 2039.

CITY OF SARATOGA SPRINGS, NEW YORK

SUPPLEMENTAL INFORMATION

December 31, 2010

Non-Major Governmental Funds

The City maintains two Special Revenue Funds that are not considered major governmental funds. These non-major special revenue funds include the following:

- Downtown Special Assessment District (SAD) was created to make improvements in the boundaries of the district and is funded through a special assessment on the property owners in the district.
- West Avenue Special Assessment District (WASAD) was created to make improvements in the boundaries of the district and is funded through a special assessment on the property owners in the district.

The following are financial statements for these non-major governmental funds:

CITY OF SARATOGA SPRINGS, NEW YORK

SUPPLEMENTAL INFORMATION - BALANCE SHEET - NON-MAJOR GOVERNMENT FUNDS

	<u>December 31, 2010</u>		
	<u>Downtown Special Assessment District</u>	<u>West Avenue Special Assessment District</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 308,526	\$ 28,856	\$ 337,382
Cash, special reserves	<u>1,957</u>	<u>-</u>	<u>1,957</u>
Total assets	<u>\$ 310,483</u>	<u>\$ 28,856</u>	<u>\$ 339,339</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>\$ 15,220</u>	<u>\$ -</u>	<u>\$ 15,220</u>
FUND BALANCE			
Reserved for			
Other reserves	1,957	-	1,957
Unreserved			
Unappropriated	<u>293,306</u>	<u>28,856</u>	<u>322,162</u>
Total fund balance	<u>295,263</u>	<u>28,856</u>	<u>324,119</u>
Total liabilities and fund balances	<u>\$ 310,483</u>	<u>\$ 28,856</u>	<u>\$ 339,339</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**SUPPLEMENTAL INFORMATION - STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENT FUNDS**

	December 31, 2010		
	Downtown Special Assessment District	West Avenue Special Assessment District	Total
REVENUES			
Real property taxes and tax items	\$ 84,369	\$ 25,501	\$ 109,870
Interest and earnings	357	293	650
Total revenues	<u>84,726</u>	<u>25,794</u>	<u>110,520</u>
EXPENDITURES			
Current			
Economic opportunity and development	43,913	-	43,913
Debt service			
Principal	12,969	-	12,969
Interest	3,426	-	3,426
Total expenditures	<u>60,308</u>	<u>-</u>	<u>60,308</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	<u>-</u>	<u>(49,503)</u>	<u>(49,503)</u>
Net change in fund balance	24,418	(23,709)	709
FUND BALANCE, beginning of year	<u>270,845</u>	<u>52,565</u>	<u>323,410</u>
FUND BALANCE, end of year	<u>\$ 295,263</u>	<u>\$ 28,856</u>	<u>\$ 324,119</u>

CITY OF SARATOGA SPRINGS, NEW YORK

SINGLE AUDIT REPORTS

Year Ended December 31, 2010

CITY OF SARATOGA SPRINGS, NEW YORK

SINGLE AUDIT REPORTS

Year Ended December 31, 2010

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CITY OF SARATOGA SPRINGS, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/ Pass-through Grantor/ Program Title	Year Ended December 31, 2010		
	CFDA #	Pass-through Grantor #	Federal Expenditures
United States Department of Housing and Urban Development/ <u>Entitlement Grant Cluster</u>			
Community Development Block Grants - Entitlement Grants	14.218	B06MC3-60017	\$ 2,142
Community Development Block Grants - Entitlement Grants	14.218	B07MC3-60017	19,712
Community Development Block Grants - Entitlement Grants	14.218	B08MC3-60017	42,890
Community Development Block Grants - Entitlement Grants	14.218	B09MC3-60017	140,222
Community Development Block Grants - Entitlement Grants	14.218	B10MC3-60017	133,019
ARRA - Community Development Block Grants - Entitlement Grants	14.253	B09MC3-60017	99,239
			<u>437,224</u>
Shelter Plus Care	14.238	NY06C72-3008	185,152
			<u>622,376</u>
United States Department of Interior/ New York State Office of Parks Recreation and Historic Preservation/ Historic Preservation Fund Grants-in-Aid	15.904	CLG-09-013	<u>13,000</u>
United States Department of Justice/ New York State Division of Criminal Justice Services/ Regional Drug Enforcement Task Force	16.579	TF07898733	24,412
Bulletproof Vest Partnership Program	16.607	BUBX07038073	10,098
ARRA - Public Safety Partnership and Community Policy Grants	16.710	2009CKWX0060	115,646
ARRA - Edward Byrne Memorial Justice Assistance (JAG) Program	16.804	2009-SB-B9-0613	3,688
			<u>153,844</u>
United States Department of Labor/ Employee Benefits Security Administration	17.151	N/A	<u>10,760</u>
United States Department of Transportation/ <u>Highway Planning and Construction Cluster</u>			
New York State Department of Transportation/ ARRA - Highway Planning and Construction (Church/ Myrtle Street Project)	20.205	D030412/D032058	1,352,817
ARRA - Highway Planning and Construction (Spring Run Trail Project)	20.205	D032211/1755.93	2,054,453
Highway Planning and Construction (Core Access Mobility Project)	20.205	D032274	17,579
New York State Office of Parks and Recreation/ Recreational Trails Program (Railroad Run Project)	20.219	RTP-03-SC-06	945
			<u>3,425,794</u>
National Highway Traffic Safety Administration/ <u>Highway Safety Cluster</u>			
New York State Department of Motor Vehicles/Governor's Traffic Safety Committee/ State and Community Highway Safety (Selective Traffic Enforcement Program)	20.600	PT-4604201	15,050
Safety Incentive Grants for Use of Seatbelts (Buckle Up New York)	20.604	PT-4604192	6,697
			<u>21,747</u>
United States Department of Health and Human Services/ Center for Medicaid and Medicare Services Prescription Drug Coverage Medicare Part D	93.770	N/A	<u>25,983</u>
United States Department of Homeland Security/ Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	2010-M9-3120GF- 25000000-4101-D	<u>9,436</u>
			<u>\$ 4,282,940</u>

N/A - Pass-through number not available from pass-through entity.

See accompanying Independent Auditor's Report on Compliance with Requirements That Could Have Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Independent Auditor's Report on Schedule of Expenditures of Federal Awards, and Notes to Schedule of Expenditures of Federal Awards.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General

The Schedule of Expenditures of Federal Awards presents all activity of all federal awards of the City of Saratoga Springs, New York (City) for the year ended December 31, 2010. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

b. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or are limited to reimbursement. Negative amounts show on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

c. Relationship to Basic Financial Statements

Federal award revenues are reported in the government-wide statement of activities as program income under grants and contributions. In the fund financial statements of the governmental funds, federal award revenues are reported as federal aid in the statement of revenues, expenditures, and changes in fund balances.

NOTE 2 - NONCASH ASSISTANCE

There were no federal awards expended in the form of noncash assistance by the City during the year ended December 31, 2010.

NOTE 3 - LOANS AND LOAN GUARANTEES

The City participates in the Community Development Revolving Loan Program and had \$295,144 in economic development and rehabilitation loans to recipients outstanding at December 31, 2010.

NOTE 4 - INSURANCE

The City did not participate in any federal insurance programs during the year ended December 31, 2010.

NOTE 5 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City provided federal awards to the subrecipients as follows:

Community Development Block Grants - Entitlement Grants Cluster	14.218 and 14.253	\$389,682
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CITY OF SARATOGA SPRINGS, NEW YORK

**SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2010**

Section II - Financial Statement Findings

09-01 Cash Receipts

Condition: During 2008, the City was the subject of an embezzlement. Upon identifying this fraud in the Department of Public Works (DPW), the Department of Finance (Finance) immediately conducted a City-wide risk assessment of the cash receipt process. Within weeks, Finance suggested various departments implement newly specified cash receipt procedures to address pre-existing cash control deficiencies. Despite these efforts, some departments have not fully implemented the improved cash control procedures. The DPW cash collection activity is perceived to be of the greatest inherent and control risk to the City, yet the suggested control improvements have not been implemented.

Status: A selection of DPW cash collection activity was selected and tested for compliance with the suggested control improvements. The control improvements appear to have been implemented.

Section III - Federal Awards Findings and Questioned Costs

09-02 Record Retention

Shelter Plus Care (SPC) CFDA #14.238

Condition: Of four SPC benefits tested for 2009, two were not fully supported by the documentation needed to assess eligibility or other authorizations.

Status: Three SPC benefit folders were selected for testing during 2010. The documentation needed to assess eligibility appears to be properly included in the benefit folders.

09-03 Competitive Bidding

Highway Planning and Construction CFDA #20.205

Condition: As noted in a funding agency's report on Federal Stimulus Money, the City advertised in the New York State Contract Reporter and various other online websites for one particular project but failed to advertise in the official newspaper, as required by General Municipal Law.

Status: There were no projects that commenced during 2010 that required bidding procedures to be followed.

**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**

Mayor and Members of the City Council
City of Saratoga Springs, New York
Saratoga Springs, New York

We have audited the financial statements of the City of Saratoga Springs, New York (City) as of and for the year ended December 31, 2010, and have issued our report thereon dated July 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated July 27, 2011.

This report is intended solely for the information and use of management and the members of the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Bollam Sheedy Torani & Co LLP

Albany, New York
July 27, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Mayor and Members of the City Council
City of Saratoga Springs, New York
Saratoga Springs, New York

Compliance

We have audited the City of Saratoga, New York's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, New York as of and for the year ended December 31, 2010, and have issued our report thereon dated July 27, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Bollam Sheedy Torani & Co LLP

Albany, New York
July 27, 2011

CITY OF SARATOGA SPRINGS, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2010

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? Yes X No
Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes X No
Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

Table with 2 columns: CFDA Numbers and Name of Federal Program or Cluster. Rows include 14.218 and 14.253, 20.205 and 20.219, and their corresponding program names.

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None.

Section III - Federal Awards Findings and Questioned Costs

None.