

CITY OF SARATOGA SPRINGS, NEW YORK

FINANCIAL REPORT

December 31, 2012

CITY OF SARATOGA SPRINGS, NEW YORK

FINANCIAL REPORT

December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, New York, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and the Schedule of Funding Progress and Employee Contributions on pages 3-11, 46 through 47, and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Bollam Sheedy Torani & Co. LLP

Albany, New York
July 24, 2013

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with our financial statements, which can be found on pages 12 through 45 and our required supplementary information and supplementary information which can be found on pages 46 through 51 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities on December 31, 2012, by \$27,624,553 representing net position. Of this amount, \$39,110,983 represents the City's net investment in capital assets, and \$16,096,214 is restricted for future capital improvements, debt service, and other purposes. The remaining amount, which represents negative unrestricted net position, is \$27,582,644.
- At December 31, 2012, the City's governmental funds reported a combined ending fund balance of \$16,844,432. Of this amount, \$11,210,493 of the fund balance was nonspendable, restricted, or assigned for specific purposes. The combined unassigned fund balance was \$5,633,939.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$6,161,905.

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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 12 and 13 of this report.

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.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Fund Financial Statements - Continued

Governmental funds - Continued

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 restricted and assigned fund balance as of December 31, 2012, for the SAD was \$103,259, and for the WASAD was \$3,401. SAD intends to use the accumulated fund balance to pay for debt related to the parking deck on Woodlawn Avenue. 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 14 and 16 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 18 through 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties other than 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 21 through 22 of this report.

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 23 through 45 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$27,624,553 at December 31, 2012.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

By far, the largest portion, \$39,110,983, of the City's net position 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 POSITION

	December 31,					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 21,467,730	\$ 24,634,422	\$ 12,541,489	\$ 11,993,759	\$ 34,009,219	\$ 36,628,181
Capital assets, net	59,278,769	55,437,219	21,967,901	19,959,166	81,246,670	75,396,385
Total assets	<u>80,746,499</u>	<u>80,071,641</u>	<u>34,509,390</u>	<u>31,952,925</u>	<u>115,255,889</u>	<u>112,024,566</u>
Long-term liabilities	64,211,085	56,025,613	11,069,247	9,533,588	75,280,332	65,559,201
Other liabilities	9,427,802	12,922,195	2,923,202	3,605,031	12,351,004	16,527,226
Total liabilities	<u>73,638,887</u>	<u>68,947,808</u>	<u>13,992,449</u>	<u>13,138,619</u>	<u>87,631,336</u>	<u>82,086,427</u>
Net position:						
Net investment in capital assets	26,158,914	26,055,522	12,952,069	12,604,663	39,110,983	38,660,185
Restricted	7,377,230	6,080,594	8,718,984	8,260,811	16,096,214	14,341,405
Unrestricted	(26,428,532)	(21,012,283)	(1,154,112)	(2,051,168)	(27,582,644)	(23,063,451)
Total net position	<u>\$ 7,107,612</u>	<u>\$ 11,123,833</u>	<u>\$ 20,516,941</u>	<u>\$ 18,814,306</u>	<u>\$ 27,624,553</u>	<u>\$ 29,938,139</u>

The City experienced a decrease in net position during 2012 totaling \$598,168, as shown in the following statement:

	December 31,					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 5,315,540	\$ 3,882,593	\$ 7,918,701	\$ 7,009,187	\$ 13,234,241	\$ 10,891,780
Operating grants and contributions	3,126,464	2,992,753	-	-	3,126,464	2,992,753
Capital grants and contributions	339,036	334,888	-	8,370,657	339,036	8,705,545
General revenues						
Property taxes	19,600,397	19,756,644	-	-	19,600,397	19,756,644
Other taxes	12,131,794	11,648,605	956,954	834,141	13,088,748	12,482,746
State aid and mortgage taxes	2,976,451	3,071,188	-	-	2,976,451	3,071,188
Other	524,473	479,389	104,486	140,019	628,959	619,408
Total revenues	<u>44,014,155</u>	<u>42,166,060</u>	<u>8,980,141</u>	<u>16,354,004</u>	<u>52,994,296</u>	<u>58,520,064</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

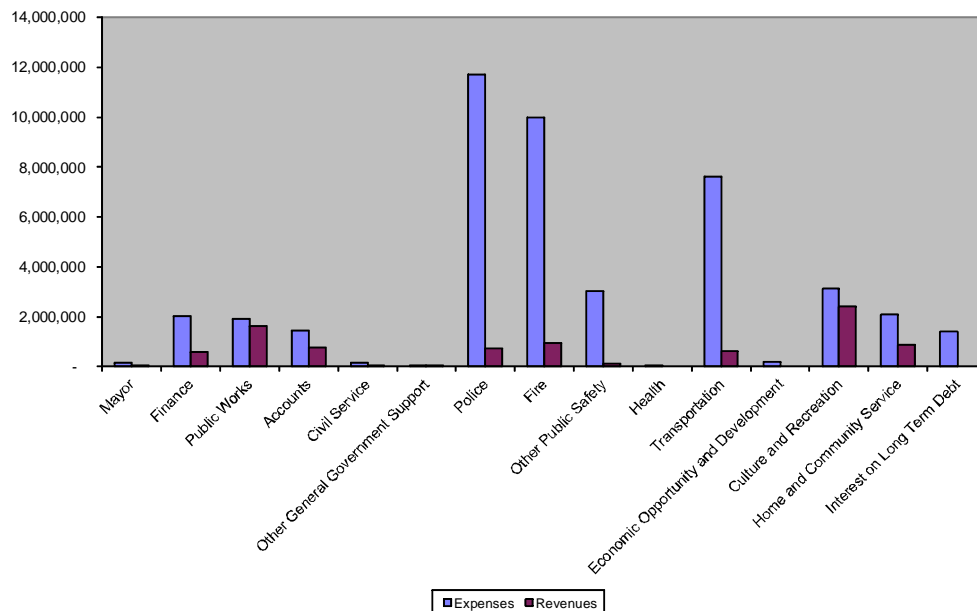
OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

	December 31,					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Expenses						
General government support						
Mayor	1,151,232	1,180,766	-	-	1,151,232	1,180,766
Finance	2,012,901	1,906,778	-	-	2,012,901	1,906,778
Public works	1,931,299	5,505,968	-	-	1,931,299	5,505,968
Accounts	1,447,622	1,198,905	-	-	1,447,622	1,198,905
Civil service	149,754	103,447	-	-	149,754	103,447
Other general government support	3,628	70,785	-	-	3,628	70,785
Public safety						
Police	11,727,714	12,402,730	-	-	11,727,714	12,402,730
Fire	10,003,236	9,532,930	-	-	10,003,236	9,532,930
Other public safety	3,012,423	3,083,988	-	-	3,012,423	3,083,988
Health	17,916	18,230	-	-	17,916	18,230
Transportation	7,640,167	4,112,993	-	-	7,640,167	4,112,993
Economic opportunity and development	183,370	175,209	-	-	183,370	175,209
Culture and recreation	3,118,840	2,606,374	-	-	3,118,840	2,606,374
Home and community service	1,546,113	2,089,473	-	-	1,546,113	2,089,473
Interest on long-term debt	1,425,854	1,376,292	-	-	1,425,854	1,376,292
Water	-	-	3,040,984	1,931,293	3,040,984	1,931,293
Sewer	-	-	3,705,467	3,724,157	3,705,467	3,724,157
City Center Authority	-	-	1,473,944	1,168,554	1,473,944	1,168,554
Total expenses	<u>45,372,069</u>	<u>45,364,868</u>	<u>8,220,395</u>	<u>6,824,004</u>	<u>53,592,464</u>	<u>52,188,872</u>
Transfers	575,504	(134,148)	(575,504)	165,766	-	31,618
Change in net position	<u>\$ (782,410)</u>	<u>\$ (3,332,956)</u>	<u>\$ 184,242</u>	<u>\$ 9,695,766</u>	<u>\$ (598,168)</u>	<u>\$ 6,362,810</u>

Governmental activities. Governmental activities decreased the City's net position by \$782,410. The following chart shows the expenses and program revenues of the various governmental activities:

Expenses and Program Revenues - Governmental Activities



CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

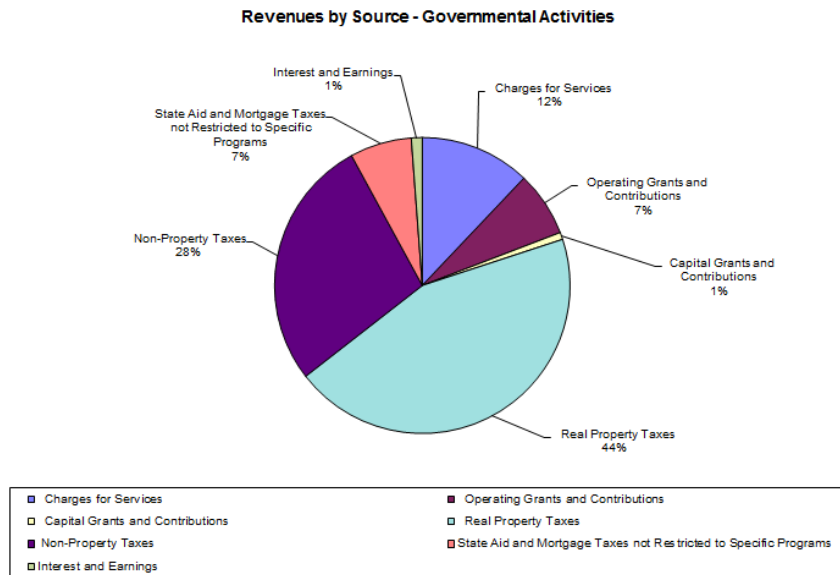
OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Government-Wide Financial Analysis - Continued

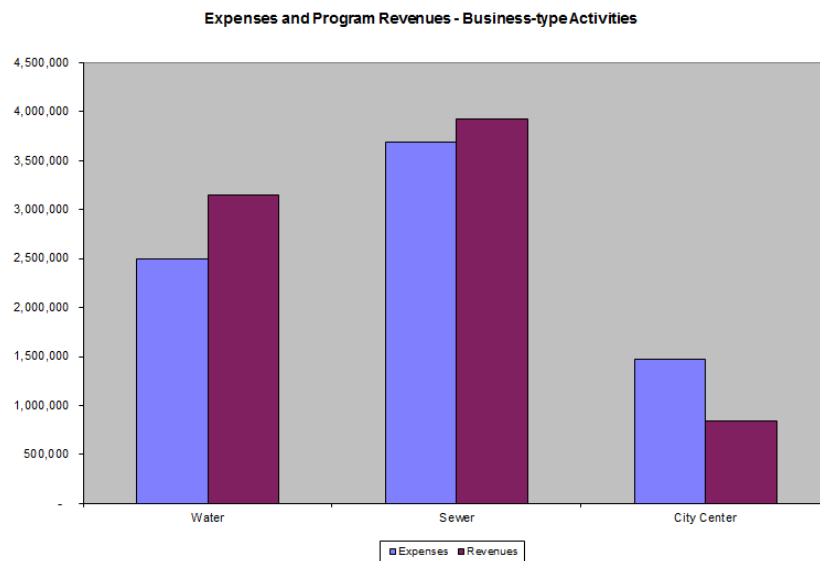
Governmental activities - Continued

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. Sales tax receipts increased by 6%.

The following chart shows revenues by source for all governmental activities, with general revenues totaling 80% and program revenues totaling 20%:



Business-type activities increased the City's net position by \$184,242.



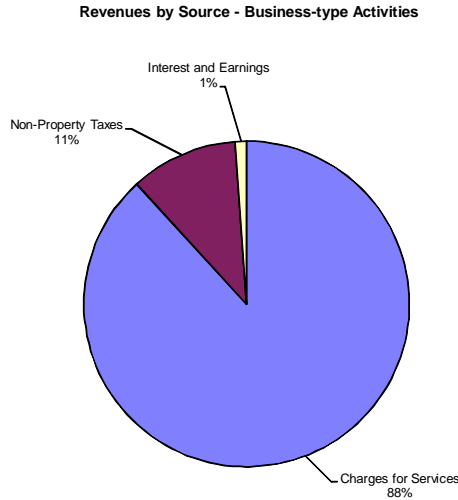
CITY OF SARATOGA SPRINGS, NEW YORK

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

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, unassigned 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 combined ending fund balances of \$16,844,432, an increase of \$514,548 from the prior year. Of the total fund balance, \$11,210,493 is restricted and assigned to indicate that it is not available for new spending because it has already been dedicated to 1) liquidate contracts and purchase orders of the prior period of \$2,826,053, 2) be held for future capital improvements of \$3,749,750, 3) restricted for tax stabilization of \$1,501,439, 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 unassigned fund balance of the General Fund was \$6,161,905, while total fund balance reached \$12,699,744. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17% of total General Fund expenditures, while total fund balance represents 35% of that same amount.

The overall fund balance of the City's General Fund increased by \$2,205,339 during the current fiscal year. Key factors in this increase are as follows:

General Fund Revenues

1. Property tax revenue decreased from 2011 amounts because in that year the City received payment on many delinquent accounts due to a foreclosure proceeding. The City continued to have a strong tax collection rate through 2012, approximately 94%. Interest and penalties on property taxes increased.
2. Sales tax increased from 2011 by 5.7% and exceeded the budget. 2012 sales tax collections were \$9,918,000, a \$541,000 increase from 2011 actual collections, and \$168,000 more than the 2012 adopted budget.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - Continued

General Fund Revenues - Continued

3. Departmental income increased in public safety. \$587,000 was collected for ambulance services, a new service in 2012, which was not anticipated at the time the 2012 budget was adopted.
4. The sale of real property line jumped in 2012. The City finally auctioned the properties foreclosed upon in 2011 and received net proceeds of over \$279,000 for parcels that closed before December 31.
5. Overall revenue performance was strong in 2012. Total revenues for the General Fund were \$38.6 million, \$660,000 higher than budgeted and \$269,000 less than in 2011.

General Fund Expenses

1. Health insurance costs were \$5,617,000 in 2012. This was a decrease of 7% from 2011 and was \$120,000 less than the revised budget for 2012. The decrease was due to the first full year of the City's change to a single carrier coverage for most enrollees and an increase in the co-pay.
2. Retirement costs for all employees were \$4,274,000, an increase of \$699,000 from 2011.
3. Utility costs for City buildings in the General Fund were \$78,000 less than in 2011 and \$76,000 less than budgeted. Total utility costs in 2012 were \$461,000.
4. Overtime costs were \$829,000 in 2012, an increase from 2011 of \$18,000. The 2012 actual expense was \$74,000 less than the revised budget. Overtime costs were \$811,000 in 2011.
5. Unemployment was budgeted for \$101,000 in 2012. The actual expense was \$29,000, a difference of \$72,000. Unemployment in 2012 decreased by \$40,000 from 2011.
6. Payments for compensatory time were \$22,000 less than budgeted and \$42,000 less than the 2011 actual expense.
7. Total General Fund expenses were \$1.6 million more than those in 2011, but \$3.2 million less than budgeted. It is important to note that of this \$3.2 million, \$1.7 million was encumbered at year end. Encumbrances are goods or services which are ordered or committed to in 2012 but will be paid for in 2013. Therefore, the actual unspent/uncommitted variance was \$1.5 million. The reasons for this variance are noted above.

The difference between the revised General Fund budget and actual amounts for revenues and transfers-in was \$1,187,440. Various budget amendments during the year 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 \$3,231,287. A portion of various unexpended funds, \$2,237,284, was encumbered to 2012 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, 2012, amounts to \$39,110,983 (historical costs 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, and improvements to the Casino exterior.
- Completion of the Spring Run Trail, water replacement and improvements, upgrade to the audio system, and the purchase of a sewer truck.

CITY OF SARATOGA SPRINGS, NEW YORK

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

Capital Assets - Continued

	December 31,					
	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,921,258	\$ 3,921,258	\$ 325,841	\$ 325,841	\$ 4,247,099	\$ 4,247,099
Buildings	14,548,399	14,449,822	15,455,423	749,195	30,003,822	15,199,017
Improvements other than building	8,692,073	8,625,513	1,433,778	1,433,778	10,125,851	10,059,291
Machinery and equipment	13,317,157	13,134,228	857,809	842,810	14,174,966	13,977,038
Infrastructure	56,277,083	47,361,897	15,409,845	15,252,189	71,686,928	62,614,086
Work in progress	9,450,257	12,733,695	1,369,035	13,930,135	10,819,292	26,663,830
Totals	106,206,227	100,226,413	34,851,731	32,533,948	141,057,958	132,760,361
Accumulated depreciation	46,927,458	44,789,194	12,883,830	12,574,782	59,811,288	55,598,328
Capital assets net of accumulated depreciation	<u>\$ 59,278,769</u>	<u>\$ 55,437,219</u>	<u>\$ 21,967,901</u>	<u>\$ 19,959,166</u>	<u>\$ 81,246,670</u>	<u>\$ 77,162,033</u>

Additional information on the City's capital assets can be found in Note 1k on page 28 and Note 3c on pages 31 through 33 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$42,135,687. Of this amount, \$41,448,916 comprises debt backed by the full faith and credit of the City and \$686,771 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 \$5,399,487 (15%) during the current fiscal year by new debt issued in May and December 2012.

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 \$261,973,357, 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 self-imposed debt limitation is \$74,849,531, which is also 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 \$128,170 at December 31, 2012, 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 \$95,772 for the ERS plan and \$157,573 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 \$1,234,013 for 384E, \$160,530 for 384EB, and \$164,889 for 384D.

CITY OF SARATOGA SPRINGS, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

Additional information on the City's long-term debt can be found in Note 1n on page 29 and Note 3e on pages 35 through 37 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 increased at a rate of .3% in 2012. The City has added 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 POSITION**

	December 31, 2012		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 5,749,354	\$ 505,954	\$ 6,255,308
Cash and cash equivalents, restricted	7,762,726	8,718,772	16,481,498
Investments, restricted	-	212	212
Receivables, net of uncollectibles	5,593,176	3,141,987	8,735,163
Inventories	-	63,701	63,701
Prepaid expenses	901,143	110,863	1,012,006
Due from business-type activities	1,436,395	-	1,436,395
Due from fiduciary funds	31	-	31
Accrued interest	24,905	-	24,905
Total current assets	<u>21,467,730</u>	<u>12,541,489</u>	<u>34,009,219</u>
NONCURRENT ASSETS			
Capital assets, net	<u>59,278,769</u>	<u>21,967,901</u>	<u>81,246,670</u>
Total assets	<u>80,746,499</u>	<u>34,509,390</u>	<u>115,255,889</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable and other current liabilities	5,891,039	614,006	6,505,045
Current maturities on long-term liabilities	2,130,243	511,372	2,641,615
Due to governmental activities	-	1,436,395	1,436,395
Accrued interest payable	1,406,520	361,429	1,767,949
Total current liabilities	<u>9,427,802</u>	<u>2,923,202</u>	<u>12,351,004</u>
NONCURRENT LIABILITIES			
Long-term liabilities, less current maturities	33,556,873	8,527,043	42,083,916
Other postemployment liability	<u>30,654,212</u>	<u>2,542,204</u>	<u>33,196,416</u>
Total liabilities	<u>73,638,887</u>	<u>13,992,449</u>	<u>87,631,336</u>
NET POSITION			
Net investment in capital assets	26,158,914	12,952,069	39,110,983
Restricted for			
Capital improvements	2,459,409	6,439,659	8,899,068
Debt service	2,066,447	-	2,066,447
Tax stabilization	1,501,438	-	1,501,438
Water line extension projects	-	705,829	705,829
Special district	1,963	-	1,963
Capital projects	1,269,421	1,573,496	2,842,917
Other purposes	78,552	-	78,552
Unrestricted	<u>(26,428,532)</u>	<u>(1,154,112)</u>	<u>(27,582,644)</u>
Total net position	<u>\$ 7,107,612</u>	<u>\$ 20,516,941</u>	<u>\$ 27,624,553</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

Year Ended December 31, 2012

Functions/Programs	Program Revenue			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government Support							
Mayor	\$ 1,151,232	\$ 2,300	\$ -	\$ -	\$ (1,148,932)	\$ -	\$ (1,148,932)
Finance	2,012,901	532,873	48,935	-	(1,431,093)	-	(1,431,093)
Public Works	1,931,299	1,354,999	31,891	250,000	(294,409)	-	(294,409)
Accounts	1,447,622	764,785	-	-	(682,837)	-	(682,837)
Civil Service	149,754	29,473	-	-	(120,281)	-	(120,281)
Other general government support	3,628	5,615	-	-	1,987	-	1,987
Public Safety							
Police	11,727,714	642,487	100,058	-	(10,985,169)	-	(10,985,169)
Fire	10,003,236	623,569	311,386	-	(9,068,281)	-	(9,068,281)
Other public safety	3,012,423	133,722	-	-	(2,878,701)	-	(2,878,701)
Health	17,916	-	-	-	(17,916)	-	(17,916)
Transportation	7,640,167	-	546,748	89,036	(7,004,383)	-	(7,004,383)
Economic opportunity and development	183,370	-	-	-	(183,370)	-	(183,370)
Culture and recreation	3,118,840	915,433	1,507,794	-	(695,613)	-	(695,613)
Home and community service	1,546,113	310,284	579,652	-	(656,177)	-	(656,177)
Interest on long-term debt	1,425,854	-	-	-	(1,425,854)	-	(1,425,854)
Total governmental activities	<u>45,372,069</u>	<u>5,315,540</u>	<u>3,126,464</u>	<u>339,036</u>	<u>(36,591,029)</u>	<u>-</u>	<u>(36,591,029)</u>
BUSINESS-TYPE ACTIVITIES							
Water	3,040,984	3,152,201	-	-	-	111,217	111,217
Sewer	3,705,467	3,925,598	-	-	-	220,131	220,131
City Center Authority	1,473,944	840,902	-	-	-	(633,042)	(633,042)
Total business-type activities	<u>8,220,395</u>	<u>7,918,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(301,694)</u>	<u>(301,694)</u>
Total government	\$ 53,592,464	\$ 13,234,241	\$ 3,126,464	\$ 339,036	\$ (36,591,029)	\$ (301,694)	\$ (36,892,723)
GENERAL REVENUES							
Real property tax and related tax items					\$ 19,600,397	\$ -	\$ 19,600,397
Non-property taxes					12,131,794	956,954	13,088,748
Other general revenue items					51,951	90,388	142,339
Interest earnings					472,522	14,098	486,620
State aid and mortgage taxes not restricted to specific purposes					2,976,451	-	2,976,451
Total general revenues					<u>35,233,115</u>	<u>1,061,440</u>	<u>36,294,555</u>
TRANSFERS							
Transfer from governmental to business-type activities					575,504	(575,504)	-
Total general revenues and transfers					<u>35,808,619</u>	<u>485,936</u>	<u>36,294,555</u>
CHANGE IN NET POSITION							
					(782,410)	184,242	(598,168)
NET POSITION, beginning of year							
					11,123,833	18,814,306	29,938,139
Prior period adjustments					(3,233,811)	1,518,393	(1,715,418)
NET POSITION, beginning of year, as restated							
					<u>7,890,022</u>	<u>20,332,699</u>	<u>28,222,721</u>
NET POSITION, end of year							
					<u>\$ 7,107,612</u>	<u>\$ 20,516,941</u>	<u>\$ 27,624,553</u>

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, 2012

	Major Funds				Non-Major	Total
	General	Capital	Debt Service	Community Development	Other	
					Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 5,345,080	\$ 243,466	\$ -	\$ 39,579	\$ 121,229	\$ 5,749,354
Cash, restricted	2,849,412	2,480,329	2,066,447	364,575	1,963	7,762,726
Receivables, net	4,505,674	-	-	147,309	-	4,652,983
Receivables from other governments	1,744,389	92,370	300	56,698	-	1,893,757
Prepaid expenses	901,143	-	-	-	-	901,143
Due from other funds	1,818,006	-	-	-	-	1,818,006
Total assets	\$ 17,163,704	\$ 2,816,165	\$ 2,066,747	\$ 608,161	\$ 123,192	\$ 22,777,969
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 996,287	\$ 771,432	\$ 2,846	\$ 56,698	\$ 16,532	\$ 1,843,795
Due to other funds	-	-	381,580	-	-	381,580
Due to other governments	795,591	-	-	810	-	796,401
Deferred tax revenue	1,197,487	-	-	-	-	1,197,487
Deferred revenue	1,474,595	92,370	-	147,309	-	1,714,274
Total liabilities	4,463,960	863,802	384,426	204,817	16,532	5,933,537
Fund balance						
Nonspendable						
Prepaid expenses	901,143	-	-	-	-	901,143
Restricted for						
Capital reserve	1,269,421	2,480,329	-	-	-	3,749,750
Tax stabilization reserve	1,501,439	-	-	-	-	1,501,439
Debt	-	-	1,682,321	-	-	1,682,321
Other restrictions	78,552	-	-	364,575	1,963	445,090
Assigned for						
Special district purposes	-	-	-	-	104,697	104,697
Other assignments	2,787,284	-	-	38,769	-	2,826,053
Unassigned	6,161,905	(527,966)	-	-	-	5,633,939
Total fund balance	12,699,744	1,952,363	1,682,321	403,344	106,660	16,844,432
Total liabilities and fund balances	\$ 17,163,704	\$ 2,816,165	\$ 2,066,747	\$ 608,161	\$ 123,192	\$ 22,777,969

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 POSITION**

	<u>December 31, 2012</u>
Total fund balances in the fund financial statements for the governmental funds.	\$ 16,844,432
This amount differs from the amount of net position shown in the statement of net position due to the following:	
Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation.	59,278,769
Long-term liabilities for bonded debt are included as liabilities in the government-wide statements and are deducted.	(33,119,855)
Long-term liabilities for past service costs for retirement plans and 2004 amortization for retirement plans are included as liabilities in the government-wide statements and are deducted.	(1,918,364)
Long-term liabilities for the lease obligations of the City are included as liabilities in the government-wide statements and are deducted.	(648,897)
Long-term liabilities for other post employment benefit obligations by the City are included as liabilities in the government-wide statements and are deducted.	(30,654,212)
Accrued interest on property, school taxes, and community development loans on receivables for revenues earned, measurable, but not available and are added.	24,905
Deferred revenue and deferred tax revenue are added to the government-wide statements as revenue.	2,911,761
Net receivables for revenues earned, measurable but not available to provide financial resources are excluded in the government-wide statements as assets and are deducted.	(953,564)
Other current liabilities for compensated absences are included in the government-wide statements as liabilities and are deducted.	(3,250,843)
Current liabilities for interest payable on long-term debt are included in the government-wide statements as liabilities and are deducted.	<u>(1,406,520)</u>
Total net position, end of year	<u>\$ 7,107,612</u>

CITY OF SARATOGA SPRINGS, NEW YORK

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

Year Ended December 31, 2012

	Major Funds				Non-Major Funds	Total Governmental Funds
	General	Capital	Debt Service	Community Development	Other Governmental Funds	
REVENUES						
Real property taxes and tax items	\$ 16,519,475	\$ -	\$ 2,615,519	\$ -	\$ 135,388	\$ 19,270,382
Non-property taxes	12,131,794	-	-	-	-	12,131,794
Departmental income	1,986,589	-	-	105,688	-	2,092,277
Intergovernmental charges	309,061	250,000	-	-	-	559,061
Use of money and property	447,779	60,191	405,602	10,148	204	923,924
Licenses and permits	397,762	-	-	-	-	397,762
Fines and forfeitures	590,366	-	-	-	-	590,366
Sale of property and compensation for loss	607,084	746,995	-	-	-	1,354,079
Miscellaneous	1,701,896	-	-	-	-	1,701,896
State aid	3,448,324	2,204	-	-	-	3,450,528
Federal aid	435,740	134,452	-	579,652	-	1,149,844
Total revenues	<u>38,575,870</u>	<u>1,193,842</u>	<u>3,021,121</u>	<u>695,488</u>	<u>135,592</u>	<u>43,621,913</u>
EXPENDITURES						
General Government Support						
Mayor	845,418	-	-	-	-	845,418
Finance	1,824,046	-	21,419	-	-	1,845,465
Public Works	2,907,763	-	-	-	-	2,907,763
Accounts	1,001,697	-	-	-	-	1,001,697
Civil service	149,446	-	-	-	-	149,446
Unallocated insurance	1,011,239	-	-	-	-	1,011,239
Other general government support	-	-	-	-	3,803	3,803
Public Safety						
Police	10,343,018	-	-	-	-	10,343,018
Fire	8,112,563	-	-	-	-	8,112,563
Other public safety	2,426,424	-	-	-	-	2,426,424
Health	17,965	-	-	-	-	17,965
Transportation	4,550,758	-	-	-	-	4,550,758
Economic opportunity and development	141,291	-	-	-	42,079	183,370
Culture and recreation	2,299,148	-	-	-	-	2,299,148
Home and community service	957,489	-	-	503,906	-	1,461,395

Debt Service						
Principal	86,011	555,304	1,333,063	-	14,465	1,988,843
Interest	51,892	-	1,297,239	-	2,007	1,351,138
Capital Outlay						
Mayor	-	124,006	-	-	-	124,006
Finance	-	-	-	-	-	-
Public works	-	5,335,039	-	-	-	5,335,039
Accounts	-	14,400	-	-	-	14,400
Other general government support	-	-	-	-	-	-
Police	-	117,115	-	-	-	117,115
Fire	-	750,349	-	-	-	750,349
Other public safety	-	144,446	-	-	-	144,446
Transportation	-	116,425	-	-	-	116,425
Culture and recreation	-	599,198	-	-	-	599,198
Total expenditures	<u>36,726,168</u>	<u>7,756,282</u>	<u>2,651,721</u>	<u>503,906</u>	<u>62,354</u>	<u>47,700,431</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from serial bonds	-	5,085,687	-	-	-	5,085,687
Interfund transfers in	631,970	1,026,837	131,995	-	-	1,790,802
Interfund transfers out	<u>(276,333)</u>	<u>(562,516)</u>	<u>-</u>	<u>(76,946)</u>	<u>(299,503)</u>	<u>(1,215,298)</u>
Total other financing sources and uses	<u>355,637</u>	<u>5,550,008</u>	<u>131,995</u>	<u>(76,946)</u>	<u>(299,503)</u>	<u>5,661,191</u>
NET CHANGE IN FUND BALANCE	2,205,339	(1,012,432)	501,395	114,636	(226,265)	1,582,673
FUND BALANCE, beginning of year	10,498,773	4,028,552	1,180,926	288,708	332,925	16,329,884
Prior period adjustment	<u>(4,368)</u>	<u>489,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>485,549</u>
FUND BALANCE, end of year	<u>\$ 12,699,744</u>	<u>\$ 3,506,037</u>	<u>\$ 1,682,321</u>	<u>\$ 403,344</u>	<u>\$ 106,660</u>	<u>\$ 18,398,106</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 POSITION SHOWN IN THE STATEMENT OF ACTIVITIES**

	<u>Year Ended December 31, 2012</u>	
Net change in fund balances shown for total governmental funds		\$ 1,582,673
This amount differs from the change in net position 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 expense. This is the amount by which expenditures for acquisition of capital assets exceeded depreciation expense for the period.		
	Capital expenditures and loss on disposal of capital assets	6,946,038
	Depreciation expense	<u>2,138,263</u>
		4,807,775
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.		
	Current year revenues	439,320
	Prior year revenues	<u>239,572</u>
		199,748
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.		
	Current year revenues	2,911,761
	Prior year revenues	<u>2,719,266</u>
		192,495
Payments on retirement system debt are shown as expenditures in the governmental funds. These payments are shown in the statement of net position 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.		
		542,834
Other post-employment obligations are not reported in the governmental funds. This liability is shown in the statement of net position as a non-current liability and in the statement of activities as an expense.		
		(4,870,693)
Bond and lease principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net position 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.		
		2,017,093
Receipt of bond proceeds is recorded as a financing source in the governmental funds. These proceeds are shown in the statement of net position as an increase in related liabilities. This is the amount of bonds issued and proceeds received during the current year.		
		(5,085,687)
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.		
	2012 Current year expenditures	1,331,804
	2013 Allocated expenses	<u>1,406,520</u>
		(74,716)
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.		
	2012 expenditures	3,156,911
	2012 Expenses incurred during current year	<u>3,250,843</u>
		(93,932)
Interfund transactions are eliminated in the statement of activities. The amounts offset, and have a zero effect on operations.		
	Transfers in	1,013,965
	Transfers out	<u>1,013,965</u>
		-
Change in net position of governmental activities shown in the statement of activities.		<u>\$ (782,410)</u>

CITY OF SARATOGA SPRINGS, NEW YORK

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

	December 31, 2012			
	Water Activities	Sewer Activities	City Center Activities	Total
ASSETS				
CURRENT ASSETS				
Cash and equivalents	\$ 151,760	\$ 278,683	\$ 75,511	\$ 505,954
Cash and cash equivalents, restricted	2,193,260	86,065	6,439,447	8,718,772
Investments, restricted	-	-	212	212
Receivables, net of uncollectibles	1,295,252	1,621,179	225,556	3,141,987
Inventories	48,449	15,252	-	63,701
Prepaid expenses	49,916	24,370	36,577	110,863
Total current assets	3,738,637	2,025,549	6,777,303	12,541,489
NONCURRENT ASSETS				
Capital assets, net	5,854,822	1,455,872	14,657,207	21,967,901
Total assets	9,593,459	3,481,421	21,434,510	34,509,390
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable and other current liabilities	156,725	57,588	399,693	614,006
Current maturities on long-term liabilities	473,123	35,352	2,897	511,372
Internal balances due to governmental activities	672,663	763,732	-	1,436,395
Accrued interest payable	290,953	70,476	-	361,429
Total current liabilities	1,593,464	927,148	402,590	2,923,202
NONCURRENT LIABILITIES				
Long-term liabilities, less current maturities	7,072,437	1,451,565	3,041	8,527,043
Other post-employment liability	1,650,860	891,344	-	2,542,204
Total liabilities	10,316,761	3,270,057	405,631	13,992,449
NET POSITION (DEFICIT)				
Net investment in capital assets	(1,679,552)	(25,586)	14,657,207	12,952,069
Restricted for				
Capital improvements	-	-	6,439,659	6,439,659
Water line extension projects	705,829	-	-	705,829
Capital projects	1,487,431	86,065	-	1,573,496
Unrestricted	(1,237,010)	150,885	(67,987)	(1,154,112)
Total net position (deficit)	\$ (723,302)	\$ 211,364	\$21,028,879	\$20,516,941

CITY OF SARATOGA SPRINGS, NEW YORK
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS

	Year Ended December 31, 2012			
	Water	Sewer	City Center	Total
OPERATING REVENUES				
Water sales	\$ 3,152,201	\$ -	\$ -	\$ 3,152,201
Sewer sales	-	3,925,598	-	3,925,598
General operating	-	-	51,145	51,145
Facility charges	-	-	789,757	789,757
Total operating revenues	<u>3,152,201</u>	<u>3,925,598</u>	<u>840,902</u>	<u>7,918,701</u>
OPERATING EXPENSES				
Costs of sales and services	1,803,174	3,159,706	543,133	5,506,013
Administration	713,673	465,153	878,153	2,056,979
Depreciation	252,517	10,132	52,658	315,307
Total operating expenses	<u>2,769,364</u>	<u>3,634,991</u>	<u>1,473,944</u>	<u>7,878,299</u>
Operating income	<u>382,837</u>	<u>290,607</u>	<u>(633,042)</u>	<u>40,402</u>
NONOPERATING REVENUES (EXPENSES)				
Hotel occupancy tax	-	-	956,954	956,954
Other general revenue items	24,967	6,563	58,858	90,388
Interest and earnings	654	-	13,444	14,098
Interest	(271,620)	(70,476)	-	(342,096)
Total nonoperating revenues (expenses)	<u>(245,999)</u>	<u>(63,913)</u>	<u>1,029,256</u>	<u>719,344</u>
Income before transfers	<u>136,838</u>	<u>226,694</u>	<u>396,214</u>	<u>759,746</u>
Transfer to governmental funds	<u>(441,267)</u>	<u>(267,495)</u>	<u>133,258</u>	<u>(575,504)</u>
CHANGE IN NET POSITION	<u>(304,429)</u>	<u>(40,801)</u>	<u>529,472</u>	<u>184,242</u>
NET POSITION (DEFICIT), beginning of year	(689,283)	(846,022)	20,349,611	18,814,306
Prior period adjustments	<u>270,410</u>	<u>1,098,187</u>	<u>149,796</u>	<u>1,518,393</u>
NET POSITION (DEFICIT), end of year	<u>\$ (723,302)</u>	<u>\$ 211,364</u>	<u>\$ 21,028,879</u>	<u>\$ 20,516,941</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

	Year Ended December 31, 2012			
	Water	Sewer	City Center	Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Charges for services	\$ 2,885,166	\$ 3,870,514	\$ 851,660	\$ 7,607,340
Payments to contractors and suppliers	(1,033,928)	(3,079,676)	(705,760)	(4,819,364)
Payments to employees, payroll taxes, and benefits	(1,495,144)	(692,154)	(965,610)	(3,152,908)
	<u>356,094</u>	<u>98,684</u>	<u>(819,710)</u>	<u>(364,932)</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond proceeds	2,015,000	100,000	-	2,115,000
Purchase of capital assets	(554,545)	(20,922)	(776,091)	(1,351,558)
Payment on bonds	(423,735)	(29,936)	-	(453,671)
Interest paid	(215,469)	(72,132)	(566)	(288,167)
	<u>821,251</u>	<u>(22,990)</u>	<u>(776,657)</u>	<u>21,604</u>
CASH FLOWS PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Hotel occupancy taxes	-	-	971,616	971,616
Sale of investments	-	-	211	211
Transfers and other	(416,300)	(260,932)	192,116	(485,116)
	<u>(416,300)</u>	<u>(260,932)</u>	<u>1,163,943</u>	<u>486,711</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES				
Interest and dividends received	654	-	13,444	14,098
(Allocation to) use of restricted cash and cash equivalents	(750,090)	206,086	86,044	(457,960)
	<u>(749,436)</u>	<u>206,086</u>	<u>99,488</u>	<u>(443,862)</u>
Net increase (decrease) in cash and cash equivalents	11,609	20,848	(332,936)	(300,479)
CASH AND CASH EQUIVALENTS, beginning of year	140,151	257,835	408,447	806,433
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 151,760</u>	<u>\$ 278,683</u>	<u>\$ 75,511</u>	<u>\$ 505,954</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 382,837	\$ 290,607	\$ (633,042)	\$ 40,402
Depreciation expense	252,517	10,132	52,658	315,307
(Increase) decrease in				
Receivables, net of allowances	(267,035)	(55,084)	10,758	(311,361)
Inventory	7,164	-	-	7,164
Prepays	(49,916)	(24,370)	(26,638)	(100,924)
Increase (decrease) in				
Accounts payable and other liabilities	49,636	38,411	(162,627)	(74,580)
OPEB liability	117,978	77,709	(60,819)	134,868
Due to other funds	(137,087)	(238,721)	-	(375,808)
Net cash provided (used) by operating activities	<u>\$ 356,094</u>	<u>\$ 98,684</u>	<u>\$ (819,710)</u>	<u>\$ (364,932)</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 POSITION - FIDUCIARY FUNDS**

	December 31, 2012	
	Agency Funds	Private Purpose Trust
ASSETS		
Cash	<u>\$ 717,737</u>	<u>\$ 35,107</u>
LIABILITIES		
Accounts payable	570,295	-
Due to other governments	147,411	-
Due to other funds	<u>31</u>	<u>-</u>
Total liabilities	<u>717,737</u>	<u>-</u>
NET POSITION	<u>\$ -</u>	<u>\$ 35,107</u>

CITY OF SARATOGA SPRINGS, NEW YORK

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

	Year Ended December 31, 2012
	Private Purpose Trust
ADDITIONS	
Private donations	\$ 750
Interest earnings	35
Total additions	<u>785</u>
DEDUCTIONS	
Culture and recreation	<u>970</u>
CHANGE IN NET POSITION	(185)
NET POSITION, beginning of year	<u>35,292</u>
NET POSITION, end of year	<u>\$ 35,107</u>

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

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 (U.S. 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 U.S. 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, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City's significant accounting policies are described below.

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 position 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 to external users for support.

The statement of net position 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

The preparation of financial statements requires management 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, 2012

NOTE 1 - ORGANIZATION AND 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 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, 2012

NOTE 1 - ORGANIZATION AND 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 (Community Development) 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 Downtown 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 for future expansion of 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, 2012

NOTE 1 - ORGANIZATION AND 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 account groups 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 position.

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 restricted cash and cash equivalents are considered investments for cash flow purposes.

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 6.5% - 6.75% of outstanding property and school taxes at December 31, 2012. 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, 2012

NOTE 1 - ORGANIZATION AND 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 of external constraints. Restricted assets are maintained in separate bank accounts, and the City Council limits their use to their corresponding purpose

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. *Fund Balance*

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

Restricted - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action such as legislation, resolution or ordinance by the government's highest level of decision-making authority.

Assigned - Amounts that are constrained only by the government's *intent* to be used for a specified purpose, but are not restricted or committed in any manner.

Unassigned - The residual amount in the General Fund after all of the other classifications have been established. In a special revenue fund, if expenditures and other financing uses exceed the amounts restricted, committed or assigned for those purposes, then a negative unassigned fund balance will occur.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

l. Fund Balance - Continued

The City's fund balance policy is set by the Council, the highest level of decision-making authority. The City considers "formal action" for a committed fund balance to be the passing of a resolution by Council. The Council has delegated the ability to assign fund balance to the Commissioner of Finance. The City considers funds to be expended in the order of restricted, committed, assigned, and unassigned. In accordance with the City's fund balance policy, unrestricted fund balance in the General Fund shall not be less than 10% and not more than 12.5% of the total adopted budgeted expenditures of the General Fund. In the event the unrestricted fund balance of the General Fund exceeds the maximum requirement, the excess may be utilized for any lawful purpose approved by the Council.

m. 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.

n. 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 position. 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.

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 scheduled debt payment annually, and WASAD reimburses the City every year at a lower amount than the actual debt. When the bond is fully paid off, WASAD will continue to reimburse the City for its remaining portion of the bond.

o. New Accounting Pronouncements

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.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The City fully adopted GASB Statements No. 62 and No. 63 as of January 1, 2012, and there was no significant impact to the financial statements.

p. Subsequent Events

The City has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through July 24, 2013, the date the financial statements were available to be issued.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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. Expenditures may not legally exceed budgeted appropriations at the activity level. 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.

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, 2012.

Cash and Cash Equivalents, Restricted

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

Debt service	\$ 2,066,447
Special assessment district purposes	1,963
Tax stabilization	1,501,439
Capital projects	1,269,421
Capital improvements	2,480,329
Community development	364,575
Council designated purposes	<u>78,552</u>
Total restricted cash and cash equivalents	<u>\$ 7,762,726</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

a. Cash, Cash Equivalents, and Investments - Continued

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

City Center capital improvements	\$ 6,439,447
Water capital projects	2,193,260
Sewer capital projects	<u>86,065</u>
Total restricted	<u><u>\$ 8,718,772</u></u>

b. Receivables

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

Receivables	General	Capital	Debt Service	Community Development	Water	Sewer	Center Authority	Total
City and county taxes	\$ 870,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 870,766
School taxes	641,119	-	-	-	-	-	-	641,119
Tax sales	874,018	-	-	-	-	-	-	874,018
Water rents	-	-	-	-	1,271,852	-	-	1,271,852
Sewer rents	-	-	-	-	-	1,699,450	-	1,699,450
Accounts	2,153,937	-	-	-	83,000	-	19,870	2,256,807
Rehabilitation loans	-	-	-	162,817	-	-	-	162,817
State and federal	1,513,999	92,370	-	56,698	-	-	-	1,663,067
Other governments	638,298	-	300	-	-	-	205,686	844,284
Total net receivables	<u>6,692,137</u>	<u>92,370</u>	<u>300</u>	<u>219,515</u>	<u>1,354,852</u>	<u>1,699,450</u>	<u>225,556</u>	<u>10,284,180</u>
Allowance for uncollectible accounts	<u>(1,395,638)</u>	<u>-</u>	<u>-</u>	<u>(15,508)</u>	<u>(59,600)</u>	<u>(78,271)</u>	<u>-</u>	<u>(1,549,017)</u>
Total net receivables	<u>\$ 5,296,499</u>	<u>\$ 92,370</u>	<u>\$ 300</u>	<u>\$ 204,007</u>	<u>\$ 1,295,252</u>	<u>\$ 1,621,179</u>	<u>\$ 225,556</u>	<u>\$ 8,735,163</u>

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

Receivables net of allowances	
Governmental activities	\$ 5,593,176
Business-type activities	<u>3,141,987</u>
Total	<u><u>\$ 8,735,163</u></u>

c. Capital Assets

Capital asset activity was as follows:

	Year Ended December 31, 2012			
	Balance January 1, 2012	Additions/ Adjustments	Retirements/ Reclassifications	Balance December 31, 2012
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,921,258	\$ -	\$ -	\$ 3,921,258
Work in progress	12,733,695	1,796,548	(5,079,986)	9,450,257
Total capital assets not being depreciated	<u>16,654,953</u>	<u>1,796,548</u>	<u>(5,079,986)</u>	<u>13,371,515</u>
Depreciable capital assets				
Buildings	14,449,822	248,577	(150,000)	14,548,399
Improvements	8,625,513	66,560	-	8,692,073
Machinery, equipment, and vehicles	13,134,228	808,021	(625,092)	13,317,157
Infrastructure	47,361,898	8,955,464	(40,279)	56,277,083
Total depreciable capital assets	<u>83,571,461</u>	<u>10,078,622</u>	<u>(815,371)</u>	<u>92,834,712</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

c. Capital Assets

Governmental Activities	Year Ended December 31, 2012			Balance December 31, 2012
	Balance January 1, 2012	Additions/ Adjustments	Retirements/ Reclassifications	
Less accumulated depreciation				
Buildings	5,926,303	341,021	-	6,267,324
Improvements other than buildings	2,877,758	392,257	-	3,270,015
Machinery, equipment, and vehicles	9,110,939	803,195	-	9,914,134
Infrastructure	26,874,195	601,790	-	27,475,985
Total accumulated depreciation	44,789,195	2,138,263	-	46,927,458
Net depreciable capital assets	38,782,266	7,940,359	(815,371)	45,907,254
Total net capital assets governmental activities	<u>\$ 55,437,219</u>	<u>\$ 9,736,907</u>	<u>\$ (5,895,357)</u>	<u>\$ 59,278,769</u>

Business-type Activities	Year Ended December 31, 2012			Balance December 31, 2012
	Balance January 1, 2012	Additions/ Adjustment	Retirement Reclassifications	
Water activity				
Capital assets not being depreciated				
Land	\$ 325,841	\$ -	\$ -	\$ 325,841
Work in progress	-	381,888	-	381,888
Total capital assets not being depreciated	325,841	381,888	-	707,729
Depreciable capital assets				
Buildings	749,195	-	-	749,195
Improvements	1,236,532	-	-	1,236,532
Machinery, equipment, and vehicles	686,537	15,000	-	701,537
Infrastructure	14,911,188	157,657	-	15,068,845
Total depreciable capital assets	17,583,452	172,657	-	17,756,109
Less accumulated depreciation				
Buildings	219,991	10,317	-	230,308
Improvements	70,375	54,842	-	125,217
Machinery, equipment, and vehicles	325,469	29,551	-	355,020
Infrastructure	11,740,664	157,807	-	11,898,471
Total accumulated depreciation	12,356,499	252,517	-	12,609,016
Net depreciable capital assets	5,226,953	(79,860)	-	5,147,093
Total net capital assets water activities	<u>\$ 5,552,794</u>	<u>\$ 302,028</u>	<u>\$ -</u>	<u>\$ 5,854,822</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

c. Capital Assets - Continued

Business-type Activities	Year Ended December 31, 2012			Balance December 31, 2012
	Balance January 1, 2012	Additions/ Adjustment	Retirement Reclassifications	
Sewer Activity				
Capital assets not being depreciated				
Work in progress	\$ -	\$ 987,147	\$ -	\$ 987,147
Depreciable capital assets				
Improvements	\$ 197,246	\$ -	\$ -	\$ 197,246
Machinery, equipment, and vehicles	14,817	-	-	14,817
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	3,113	1,997	-	5,110
Machinery, equipment, and vehicles	54,948	1,160	-	56,108
Infrastructure	16,145	6,975	-	23,120
Total accumulated depreciation	<u>74,206</u>	<u>10,132</u>	<u>-</u>	<u>84,338</u>
Net depreciable capital assets	<u>478,857</u>	<u>(10,132)</u>	<u>-</u>	<u>468,725</u>
Total net capital assets sewer activities	<u>\$ 478,857</u>	<u>\$ 977,015</u>	<u>\$ -</u>	<u>\$ 1,455,872</u>
City Center Authority				
Buildings	\$ -	\$ 14,706,228	\$ -	\$ 14,706,228
Machinery, equipment, and vehicles	141,455	-	-	141,455
Work in progress	13,930,135	-	(13,930,135)	-
Accumulated depreciation	144,077	52,658	(6,259)	190,476
Total net capital assets City Center Authority	<u>\$ 13,927,513</u>	<u>\$ 14,653,570</u>	<u>\$ (13,923,876)</u>	<u>\$ 14,657,207</u>

Depreciation expense was charged to functions/programs as follows:

Mayor	\$ 15,902
Finance	16,138
DPW	719,380
DPS	60,865
Accounts	4,067
Police	91,345
Fire	236,594
Home and community service	21,047
Transportation	423,484
Culture and recreation	549,441
Total depreciation expense for governmental activities	<u>\$ 2,138,263</u>
Water	\$ 252,517
Sewer	10,132
City center authority	52,658
Total depreciation expense for business-type activities	<u>\$ 315,307</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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>	<u>December 31, 2012</u>	
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 1,818,006	\$ -
Water	-	672,663
Sewer	-	763,732
Agency	-	31
Debt Service	-	381,580
	<u>\$ 1,818,006</u>	<u>\$ 1,818,006</u>

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

<u>Fund</u>	<u>December 31, 2012</u>	
	<u>Due To</u>	<u>Due From</u>
Internal balances		
Governmental	\$ 1,436,395	\$ -
Business-type	-	1,436,395
	<u>\$ 1,436,395</u>	<u>\$ 1,436,395</u>

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

<u>Fund</u>	<u>December 31, 2012</u>	
	<u>In</u>	<u>Out</u>
General	\$ 631,970	\$ 75,000
Capital	250,000	562,516
SAD	-	250,000
WASAD	-	49,503
Debt service	131,995	-
Community Development	-	76,946
	<u>\$ 1,013,965</u>	<u>\$ 1,013,965</u>

In the government-wide statement of net position, interfund receivables and payables of \$381,581 between governmental activities were eliminated, leaving the balances shown above. In the government-wide statement of activities, interfund transfers of \$1,013,965 between governmental activities were eliminated, leaving \$201,333 in transfers from the governmental activities to the business-type activities and \$776,837 in transfers from the business-type activities to the governmental activities. The net amount transferred from the business-type activities to the governmental activities was \$575,504.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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 May 15, 2012, the City issued a \$6,645,383, 28 year, general obligation bond. On December 15, 2012, the City issued a \$555,304, 10 year, statutory installment bond. Of the total amount, \$5,085,687 was issued to finance governmental activities, \$100,000 to finance sewer activities and \$2,015,000 was issued to finance water activities.

A summary of the City's general obligation serial bond transactions for the year ended December 31, 2012, is as follows:

Bonds payable, beginning of year	\$ 36,736,200
Bonds issued	7,200,687
Bonds retired	<u>(1,801,200)</u>
Bonds payable, end of year	<u><u>\$ 42,135,687</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 from Federal and New York State income tax purposes. These bonds generally are issued as 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, 2012</u>
Serial Bond, general obligation	07/93	03/13	4.75%	\$ 160,000
Serial Bond, EFC	03/97	02/17	3.40%	845,000
Serial Bond, general obligation	10/97	09/17	4.50%	400,000
Serial Bond, general obligation	06/00	06/14	5.12%	320,000
Serial Bond, general obligation	09/02	09/22	3.90%	1,055,000
Serial Bond, general obligation	04/04	02/34	4.00%	3,300,000
Serial Bond, general obligation	03/05	06/24	3.85%	3,255,000
Serial Bond, general obligation	04/06	04/35	4.25%	7,495,000
Serial Bond, general obligation	07/07	07/30	3.70%	7,910,000
Serial Bond, general obligation	08/08	08/38	5.00%	4,675,000
Serial Bond, general obligation	01/09	01/24	4.25%	620,000
Serial Bond, general obligation	09/09	09/39	4.25%	1,315,000
Serial Bond, general obligation	07/10	07/37	4.42%	1,475,000
Statutory Installment Bond	04/11	04/39	4.63%	2,110,000
Serial Bond, general obligation	05/12	05/39	3.00%	6,645,383
Statutory Installment Bond	12/12	12/22	2.00%	<u>555,304</u>
				<u><u>\$ 42,135,687</u></u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31, 2013	\$ 1,990,687	\$ 1,742,048	\$ 3,732,735
2014	1,820,000	1,585,499	3,405,499
2015	1,715,000	1,520,511	3,235,511
2016	1,755,000	1,457,268	3,212,268
2017	1,735,000	1,391,853	3,126,853
For the years ending December 31, 2018-2022	8,755,000	5,983,176	14,738,176
2023-2027	8,520,000	4,232,852	12,752,852
2028-2032	8,250,000	2,467,974	10,717,974
2033-2037	6,160,000	916,683	7,076,683
2038-2039	<u>1,435,000</u>	<u>62,707</u>	<u>1,497,707</u>
	<u>\$ 42,135,687</u>	<u>\$ 21,360,571</u>	<u>\$ 63,496,258</u>

Of the total outstanding indebtedness of the City in the sum of \$42,135,687, \$29,285,870 was subject to the statutory debt limit and represented approximately 39% of the City's \$74,849,531 self-imposed debt limit.

ii. Special Assessment Debt

At December 31, 2012, the amount of special assessment debt outstanding for SAD and WASAD was \$53,192 and \$154,848, respectively. These amounts are reflected in the governmental activities statement of net position and included in the schedules above.

iii. Lease Payables

On March 7, 2008, the City entered into a lease agreement in the amount of \$1,721,297 to finance the purchase and installation of energy management equipment. The rate of interest on the first \$1,000,000 is 2%, which was bought down by a New York State Energy Research and Development Authority ("NYSERDA") grant. Principal payments of \$86,011 were made in 2012. On December 14, 2012, the City issued a statutory installment bond in the amount of \$555,304 to refinance the portion of the lease not subsidized by NYSERDA. The principal balance remaining on the lease is \$639,480.

In May 2010, the City entered into a lease agreement in the amount of \$84,750 to finance the purchase of public safety vehicles. Principal payments of \$28,250 were made in 2012. The principal balance remaining on the lease is \$9,417, which will be paid in April 2013.

v. 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:

	<u>January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2012</u>
Sick time	\$ 2,567,404	\$ 153,491	\$ 112,635	\$ 2,608,260
Compensatory time	548,393	1,012,998	810,678	750,713
Total	<u>\$ 3,115,797</u>	<u>\$ 1,166,489</u>	<u>\$ 923,313</u>	<u>\$ 3,358,973</u>

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

e. Indebtedness - Continued

vi. Long-Term Liabilities, Less Current Maturities

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

	<u>Due In One Year</u>	<u>More Than One Year</u>	<u>Total</u>
Governmental Activities			
Debt			
EPC Lease	\$ 43,687	\$ 595,793	\$ 639,480
Vehicle Leases	9,417	-	9,417
Bonds	1,490,332	31,629,523	33,119,855
ERS/PFRS Amortized	<u>586,807</u>	<u>1,331,557</u>	<u>1,918,364</u>
	<u>\$ 2,130,243</u>	<u>\$ 33,556,873</u>	<u>\$ 35,687,116</u>
Water			
Debt			
Bonds	\$ 467,666	\$ 7,066,708	\$ 7,534,374
ERS Amortized	<u>5,457</u>	<u>5,729</u>	<u>11,186</u>
	<u>\$ 473,123</u>	<u>\$ 7,072,437</u>	<u>\$ 7,545,560</u>
Sewer			
Debt			
Bonds	\$ 32,689	\$ 1,448,769	\$ 1,481,458
ERS Amortized	<u>2,663</u>	<u>2,796</u>	<u>5,459</u>
	<u>\$ 35,352</u>	<u>\$ 1,451,565</u>	<u>\$ 1,486,917</u>
City Center			
Debt			
ERS Amortized	<u>\$ 2,897</u>	<u>\$ 3,041</u>	<u>\$ 5,938</u>
Business Type Activities			
Debt			
Bonds	\$ 500,355	\$ 8,515,477	\$ 9,015,832
ERS Amortized	<u>11,017</u>	<u>11,566</u>	<u>22,583</u>
	<u>\$ 511,372</u>	<u>\$ 8,527,043</u>	<u>\$ 9,038,415</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.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

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 2012 on December 15, 2012. The required contributions for the current and two preceding years were:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
ERS regular contribution	\$ 1,769,014	\$ 1,455,513	\$ 965,248
ERS 2004 amortization	51,194	51,507	51,507
PFRS regular contribution	2,367,796	1,773,637	1,412,757
PFRS 2004 amortization	84,743	85,261	84,743
PFRS Fire 384E	136,868	138,191	138,191
PFRS Police 384EB	48,003	48,467	48,467
PFRS Police 84E	369,007	372,574	372,574
PFRS Police Re-open 384D	49,323	49,800	49,800
	<u>\$ 4,875,948</u>	<u>\$ 3,974,950</u>	<u>\$ 3,123,287</u>
Totals			

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, 2012**

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, 2014	\$ 46,718	\$ 4,789	\$ 51,507
Payable February 1, 2015	<u>49,054</u>	<u>2,453</u>	<u>51,507</u>
Totals	<u>\$ 95,772</u>	<u>\$ 7,242</u>	<u>\$ 103,014</u>
<u>PFRS Amortization</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1, 2014	\$ 76,865	\$ 7,878	\$ 84,743
Payable February 1, 2015	<u>80,708</u>	<u>4,035</u>	<u>84,743</u>
Totals	<u>\$ 157,573</u>	<u>\$ 11,913</u>	<u>\$ 169,486</u>

The unpaid principal balance of \$253,345 at December 31, 2012, for the above amortizations is included in the financial statements as a non-current governmental liability, of which \$123,583 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 ten 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, 2014	<u>\$ 128,170</u>	<u>\$ 10,021</u>	<u>\$ 138,191</u>

The unpaid principal balance of \$128,170 at December 31, 2012, is included in the financial statements as a non-current governmental liability, of which \$128,170 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 is paying for this program over a ten-year period at 8% interest per annum. The first installment was paid in February 2008, for the City's 2007 fiscal year and the final installment is due in February 2017.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

f. Employee Retirement Systems and Pension Plan - Continued

ii. Employee Retirement Systems Funding Policy - Continued

The maturity schedules for this debt are as follows:

384 E - Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,234,013</u>	<u>\$ 256,283</u>	<u>\$ 1,490,296</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 160,530</u>	<u>\$ 33,338</u>	<u>\$ 193,868</u>

384 EB Police

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 164,889</u>	<u>\$ 34,311</u>	<u>\$ 199,200</u>

The unpaid principal balance of \$1,559,432 at December 31, 2012, 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 \$346,070 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.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 4 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

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, 2012, the City contributed \$2,236,713 to the Retiree Health Plan. Some Retiree Health Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$262,477 for the year ended December 31, 2012.

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 2012, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

<u>Required Information</u>	<u>Govt.</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Annual required contribution	\$ 7,563,062	\$ 325,264	\$ 148,898	\$ 8,037,224
Interest on net OPEB obligation	1,031,341	56,734	30,309	1,118,384
Adjustment to annual required contribution	<u>(1,551,161)</u>	<u>(85,330)</u>	<u>(45,585)</u>	<u>(1,682,076)</u>
Annual OPEB cost (expense)	7,043,242	296,668	133,622	7,473,532
Contributions made (expected)	<u>(2,172,549)</u>	<u>(64,164)</u>	-	<u>(2,236,713)</u>
Increase in net OPEB obligation	4,870,693	232,504	133,622	5,236,819
Net OPEB obligation, beginning of year	<u>25,783,519</u>	<u>1,418,356</u>	<u>757,722</u>	<u>27,959,597</u>
Net OPEB obligation, end of year	<u>\$30,654,212</u>	<u>\$ 1,650,860</u>	<u>\$ 891,344</u>	<u>\$33,196,416</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 2012 was as follows:

<u>Activity</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012			
Governmental	\$ 7,043,242	31%	\$ 30,654,212
Water	296,668	22%	1,650,860
Sewer	133,622	0%	891,344
December 31, 2011			
Governmental	9,739,542	27%	25,783,518
Water	426,252	9%	1,418,356
Sewer	182,442	0%	757,722
December 31, 2010			
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, 2012, the actuarial accrued liability for benefits was \$78,232,416, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Retiree Health Plan) was \$20,837,019, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 375%.

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.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

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 a 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.

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 Society of Actuaries (SOA) Long-Run Medical Cost Trend Model.

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, 2012, was twenty-six years.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 5 - PRIOR PERIOD ADJUSTMENTS

The City made certain prior period adjustments to correct government-wide and proprietary fund net position as of the beginning of the year for the correction of the retirement liability, capital assets not previously classified in the proper fund, an allowance related to receivables resulting from prior years activity, and for other miscellaneous items.

Description	Fund	Governmental Activities	Business-Type Activities	Total
Adjust retirement liability balance	City Center	\$ -	\$ 143,537	\$ 143,537
Adjust retirement liability balance	Water	-	270,410	270,410
Adjust retirement liability balance	Sewer	-	131,962	131,962
Adjust retirement liability balance	General	(1,061,099)	-	(1,061,099)
Reclassification of work in progress in General Fund	General/Sewer	(966,225)	966,225	-
Adjust for depreciation error in prior year	City Center	-	6,259	6,259
CHIPS overpayment in prior periods	General	(4,368)	-	(4,368)
Parking ticket allowance related to prior periods	General	(1,202,119)	-	(1,202,119)
 Total prior period adjustments		<u><u>\$ (3,233,811)</u></u>	<u><u>\$ 1,518,393</u></u>	<u><u>\$ (1,715,418)</u></u>

An additional prior period adjustment was made in the fund financial statements only. This adjustment increased the capital projects fund balance by \$489,917 to properly account for proprietary fund project activity.

NOTE 6 - REMEDIATION COSTS

During 2012, \$214,589 in expenses were included in the government-wide financial statements as a capital expense during 2012 for costs to improve the fleet fueling system, the removal of soil and overages at the garage and compost facilities, and for a consultant. The City will also need to pay for the costs identified in the Environmental Benefit Plan, once it is approved. It is estimated that these costs will total \$185,000 and will appear as expenses in the government-wide financial statements.

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 effect on 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 2012 annual contribution to the workers' compensation pool was \$372,590.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 - COMMITMENTS AND CONTINGENCIES - Continued

c. Grant Programs

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

d. 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.

e. Labor Relations

The City has 298 employees covered by seven bargaining units. Contracts with the Police Chiefs, Police Lieutenants, and Fire Chiefs expired on December 31, 2008. Contracts with the firefighters expired on December 31, 2011. Contracts with the CSEA City Hall, CSEA Public Works, and the Police Benevolent Association expired on December 31, 2012. All expired contracts are under negotiation.

NOTE 8 - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term *deferred* in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

In March 2012, GASB issued Statement No. 66, *Technical Corrections*. This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement and to defined contribution plans that provide postemployment benefits other than pensions. This statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria. In addition, this statement requires single-employer and cost-sharing pension plans to present certain information for each of the ten most recent fiscal years about employer and nonemployer contributing entity obligations for pensions provided through the pension plan in required supplementary information. This statement is effective for periods beginning after June 15, 2013, with early implementation encouraged.

CITY OF SARATOGA SPRINGS, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 8 - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED - Continued

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations, including mergers and acquisitions. This statement requires disclosures to be made that will enable financial statement users to evaluate the nature and financial effect of those transactions. This statement is effective for periods beginning after December 15, 2013, with earlier application encouraged.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. An obligation guaranteed in a nonexchange transaction will need to be reported until it is legally released as an obligor. This statement is effective for periods beginning after June 15, 2013, with earlier application encouraged.

Management has not estimated the extent of potential impact of these statements on the City's financial statements

NOTE 9 - SUBSEQUENT EVENTS

On June 12, 2013, the City issued \$4,278,499 in general obligation bonds to finance various projects, including water improvements and reconstruction of numerous City buildings. The bonds will mature in 2033.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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, 2012			
	Budgeted Amounts		Actual	Variance with
	Adopted	Revised	Amounts	Revised - Positive (Negative)
REVENUES				
Real property taxes and tax items	\$ 16,669,468	\$ 16,679,173	\$ 16,519,475	\$ (159,698)
Non-property taxes	11,966,508	11,966,508	12,131,794	165,286
Departmental income	1,530,396	1,808,387	1,986,589	178,202
Intergovernmental charges	297,000	305,618	309,061	3,443
Use of money and property	384,000	384,000	447,779	63,779
Licenses and permits	237,900	237,900	397,762	159,862
Fines and forfeitures	617,400	626,860	590,366	(36,494)
Sale of property and compensation for loss	376,226	420,542	607,084	186,542
Miscellaneous	1,620,800	1,671,281	1,701,896	30,615
State aid	3,107,950	3,428,684	3,448,324	19,640
Federal aid	334,358	387,774	435,740	47,966
Total revenues	<u>37,142,006</u>	<u>37,916,727</u>	<u>38,575,870</u>	<u>659,143</u>
EXPENDITURES				
General government support	6,187,935	7,907,238	7,739,609	167,629
Public safety	20,660,660	21,540,366	20,882,005	658,361
Health	119,568	216,221	17,965	198,256
Transportation	4,061,186	6,407,612	4,550,758	1,856,854
Economic opportunity and development	131,291	131,291	141,291	(10,000)
Culture and recreation	2,580,005	2,510,138	2,299,148	210,990
Home and community service	949,275	1,106,686	957,489	149,197
Debt service	342,903	137,903	137,903	-
Total expenses	<u>35,032,823</u>	<u>39,957,455</u>	<u>36,726,168</u>	<u>3,231,287</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	103,671	103,671	631,970	528,299
Interfund transfers out	<u>(215,855)</u>	<u>(283,930)</u>	<u>(276,333)</u>	<u>7,597</u>
Total other financing sources (uses)	<u>(112,184)</u>	<u>(180,259)</u>	<u>355,637</u>	<u>535,896</u>
Net change in fund balance (actual) and appropriated fund balance (budget)	<u>\$ 1,996,999</u>	<u>\$ (2,220,986)</u>	2,205,339	<u>\$ 4,426,325</u>
FUND BALANCE, beginning of year			10,498,773	
Prior period adjustment			<u>(4,368)</u>	
FUND BALANCE, end of year			<u>\$ 12,699,744</u>	

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, 2012			
	Budgeted Amounts		Actual Amounts	Variance with Revised - Positive (Negative)
	Adopted	Revised		
REVENUES				
Real property taxes and tax items	\$ 2,892,416	\$ 2,892,416	\$ 2,615,519	\$ (276,897)
Use of money and property	40,400	40,400	405,602	365,202
Total revenues	<u>2,932,816</u>	<u>2,932,816</u>	<u>3,021,121</u>	<u>88,305</u>
EXPENDITURES				
General government support	28,000	75,250	21,419	53,831
Debt service, principal	1,606,187	2,579,073	1,333,063	1,246,010
Debt service, interest	1,429,876	1,492,198	1,297,239	194,959
Total expenditures	<u>3,064,063</u>	<u>4,146,521</u>	<u>2,651,721</u>	<u>1,494,800</u>
OTHER FINANCING SOURCES				
Interfund transfers in	<u>131,247</u>	<u>131,247</u>	<u>131,995</u>	<u>748</u>
Net change in fund balance (actual) and appropriated fund balance (budget)	<u>\$ -</u>	<u>\$ (1,082,458)</u>	501,395	<u>\$ 1,583,853</u>
FUND BALANCE, beginning of year			<u>1,180,926</u>	
FUND BALANCE, end of year			<u>\$ 1,682,321</u>	

CITY OF SARATOGA SPRINGS, NEW YORK

**OTHER POSTEMPLOYMENT BENEFITS - SCHEDULE OF FUNDING
PROGRESS AND EMPLOYEE CONTRIBUTIONS**

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)
12/31/12	\$ -	\$ 78,232,416	\$ 78,232,416	0.00%	\$ 20,837,019	375%
12/31/10	\$ -	\$ 104,696,319	\$ 104,696,319	0.00%	\$ 15,199,469	689%
12/31/08	\$ -	\$ 79,897,486	\$ 79,897,486	0.00%	\$ 20,438,926	391%

SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF SARATOGA SPRINGS, NEW YORK

SUPPLEMENTARY INFORMATION

December 31, 2012

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

**SUPPLEMENTARY INFORMATION - COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENT FUNDS**

	<u>December 31, 2012</u>		
	<u>Downtown Special Assessment District</u>	<u>West Avenue Special Assessment District</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 117,828	\$ 3,401	\$ 121,229
Cash, special reserves	<u>1,963</u>	<u>-</u>	<u>1,963</u>
Total assets	<u>\$ 119,791</u>	<u>\$ 3,401</u>	<u>\$ 123,192</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>\$ 16,532</u>	<u>\$ -</u>	<u>\$ 16,532</u>
FUND BALANCE			
Restricted for			
Other restrictions	1,963	-	1,963
Assigned for			
Special district purposes	<u>101,296</u>	<u>3,401</u>	<u>104,697</u>
Total fund balance	<u>103,259</u>	<u>3,401</u>	<u>106,660</u>
Total liabilities and fund balances	<u>\$ 119,791</u>	<u>\$ 3,401</u>	<u>\$ 123,192</u>

CITY OF SARATOGA SPRINGS, NEW YORK

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

	<u>Year Ended December 31, 2012</u>		
	<u>Downtown Special Assessment District</u>	<u>West Avenue Special Assessment District</u>	<u>Total</u>
REVENUES			
Real property taxes and tax items	\$ 84,465	\$ 50,923	\$ 135,388
Interest and earnings	171	33	204
Total revenues	<u>84,636</u>	<u>50,956</u>	<u>135,592</u>
EXPENDITURES			
Current			
Administration	-	3,803	3,803
Economic opportunity and development	42,079	-	42,079
Debt service			
Principal	14,465	-	14,465
Interest	2,007	-	2,007
Total expenditures	<u>58,551</u>	<u>3,803</u>	<u>62,354</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	<u>(250,000)</u>	<u>(49,503)</u>	<u>(299,503)</u>
Net change in fund balance	(223,915)	(2,350)	(226,265)
FUND BALANCE, beginning of year	<u>327,174</u>	<u>5,751</u>	<u>332,925</u>
FUND BALANCE, end of year	<u>\$ 103,259</u>	<u>\$ 3,401</u>	<u>\$ 106,660</u>