

**City of Saratoga**  
**Comprehensive Annual Financial Report**



**Pathway to the Orchard**

**For the Fiscal Year Ended June 30, 2007**  
**Prepared: City of Saratoga - Finance Department**



**City of Saratoga**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2007**

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February 15, 2008

Honorable Mayor and City Council,

The Comprehensive Annual Financial Report (CAFR) of the City of Saratoga for the year ended June 30, 2007 is hereby submitted as mandated by applicable statutes. These statutes require that the City of Saratoga annually issue a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibilities for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. The information in this report is intended to present the reader with a comprehensive view of the City's financial position and the results of its operations for the fiscal year ending June 30, 2007, along with additional disclosures and financial information designed to enable the reader to gain an understanding of the City's financial activities.

This report was prepared as prescribed in Governmental Accounting Standards Board (GAAP) Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis-for State and Local Governments* (GASB 34). This GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

### **THE REPORTING ENTITY AND ITS SERVICES**

The City, incorporated in 1956, is located 40 miles south of San Francisco in the Santa Clara Valley. The City currently covers a land area of approximately 12 square miles and contains a population of 32,308 as reported by ESRI. The City is a general law city of the State of California and operates under a council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor, Vice Mayor and three additional council members. City Council members are elected at-large for staggered four-year terms. The Mayor is selected annually by the City Council. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to the City's seven advisory commissions and hiring the City Manager and City Attorney. The City Manager is responsible for implementing the policies and ordinances of the City Council, overseeing the daily operations of the City, and recommending appointments of the City's department directors to the City Council.

The City provides a limited range of services including public safety, development regulation, public works, community and recreation activities and events, and general administrative functions. The City supports privatization and has supplemented its work force through numerous contracts with others. Contracted services include, but are not limited to, public safety, infrastructure maintenance, engineering services, legal services and recreation activities. The City is also committed to citizen participation in the evaluation, expansion and enhancement of services.

Saratoga residents who wish to assist the City Council in forming government policy may do so by serving on an advisory commission. The commissions all act in an advisory capacity to the City Council, and are comprised of the Finance Commission, Heritage Preservation Commission, Library Commission, Parks and Recreation Commission, Planning Commission, Public Safety Commission, and Arts and Youth Commission. The Commission process is expected to be reviewed by the City Council and improvements are expected to be enacted by the City Council during the coming fiscal year.

The financial reporting entity (the City) includes all the fund activity of the primary government, as well as all of its component units. Component units are legally separated entities for which the City is fully accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units are combined with data of the City. Accordingly, the operations of the Landscaping and Lighting Assessment District #1 and the agency cash flows and cash balances of the Saratoga Public Finance Authority are reported in the City's financial statements.

## **ECONOMIC CONDITIONS AND OUTLOOK**

The financial structure of Saratoga with its mostly built-out residential neighborhoods and limited commercial development means that the two largest sources of revenue for cities—property tax and sales tax—account for a smaller proportion of revenue than in other cities with minimal growth expected in future years. In addition, while proposition 1A protects the city from further ongoing unrestrained state takes of tax revenues, the potential exists under the states current budget crisis. The city may see shortfalls of unprotected State or County based funding or temporary borrowings of property tax revenues permitted under Proposition 1A.

With this in mind the city continues to restrict operations to minimal services and prepare for funding impacts. Capital improvements will continue to be funded with development fees, residual funding and grant moneys as funding level allows.

On a positive note the City received a significant increase in property tax revenues due to the passage of Assembly Bill 117. This legislation effective with the 2006/07 fiscal year increased the property tax %age allocated to the City up to the maximum rate of 7% as a result of the TEA (Tax Equity Allocation formula). Assembly Member Cohn sponsored the bill which resulted from a joint effort of the City of Saratoga, Santa Clara County and 3 other affected cities – Cupertino, Monte Sereno and Los Altos Hills. These cities, referred to as “no/low tax cities” are now restored to a proportionate share of the minimum property taxes which was lost under special legislation in 1989. This additional funding is primarily allocated to restore previously reduced public safety services and deferred capital maintenance projects on an ongoing basis.

## Financial Information and Major Initiatives

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the City is also responsible for guaranteeing that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by the City's management.

The City has practiced a passive approach to investments and maintains flexibility by managing a pooled cash system. Under the pooled cash concept, the City invests the cash of all funds with maturities planned to coincide with cash needs. Idle cash is invested in certain eligible securities as constrained by law and further limited by the City's investment policy. The goals of the City's investment policy are safety, liquidity and yield.

In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, capital projects funds and debt service funds are included in the annual appropriation.

The level of budgetary control (i.e., the level at which expenditures cannot exceed the appropriated amount) is at the fund level. The City also maintains an encumbrance accounting system as another method of maintaining budgetary control. Encumbered amounts lapse at year-end with the exception of the Capital Improvements Projects, which are multiple-year projects. However, outstanding encumbrances of a material nature are reviewed by the responsible department and in some cases a recommendation is made to the City Council to take action by Resolution to re-appropriate these funds into the following year's budget.

## OTHER INFORMATION

**Independent Audit.** California law requires cities to prepare an annual audit by an independent certified public accountant. In addition to meeting the requirements set forth in statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984, as amended, and the related U.S. Office of Management and Budget's Circular. Generally accepted auditing standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditor's unqualified report is included in the financial section of this report. Caporicci & Larson, CPA's, performed the City's fiscal year 2006-2007 audit.

**Awards.** The City was awarded a certificate for its early implementation of GASB 34. Additionally, the Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement to the City for its Excellence in Financial Reporting on the CAFR for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year. We believe our current CAFR continues to meet the Certificate of Achievement program's requirements, and plan on submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements.** This CAFR represents the culmination of numerous hours of hard work expended by many individuals in the Accounting Division of the Administrative Services Department. In particular, we would like to express our appreciation to Anil Paul, Accounting Supervisor and our staff members, Ann Xu, Julie Ingraham and Karen Caselli. Furthermore, we would like to thank Caporicci & Larson, CPA's for their helpful and timely assistance in the preparation of this report. Finally, we would like to give credit to the City Council for their ongoing interest and support in planning, conducting and advising on the operations of the City in a responsible and progressive manner.

Respectfully submitted,

Dave Anderson  
City Manager

Mary Furey  
Finance and Administrative Services Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Saratoga  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**CITY OF SARATOGA**

**ELECTED OFFICIALS AND  
ADMINISTRATIVE PERSONNEL**

As of June 30, 2007

**CITY COUNCIL \***

Aileen Kao - Mayor  
Ann Waltonsmith - Vice Mayor  
Kathleen King  
Chuck Page  
Jill Hunter

**CITY STAFF**

Dave Anderson - City Manager  
Barbara Powell - Assistant City Manager  
Cathleen Boyer - City Clerk  
Mary Furey - Administrative Services Director  
John Livingstone - Community Development Director  
John Cherbone - Public Works Director  
Michael Taylor - Interim Recreation Director

**CITY ATTORNEY**

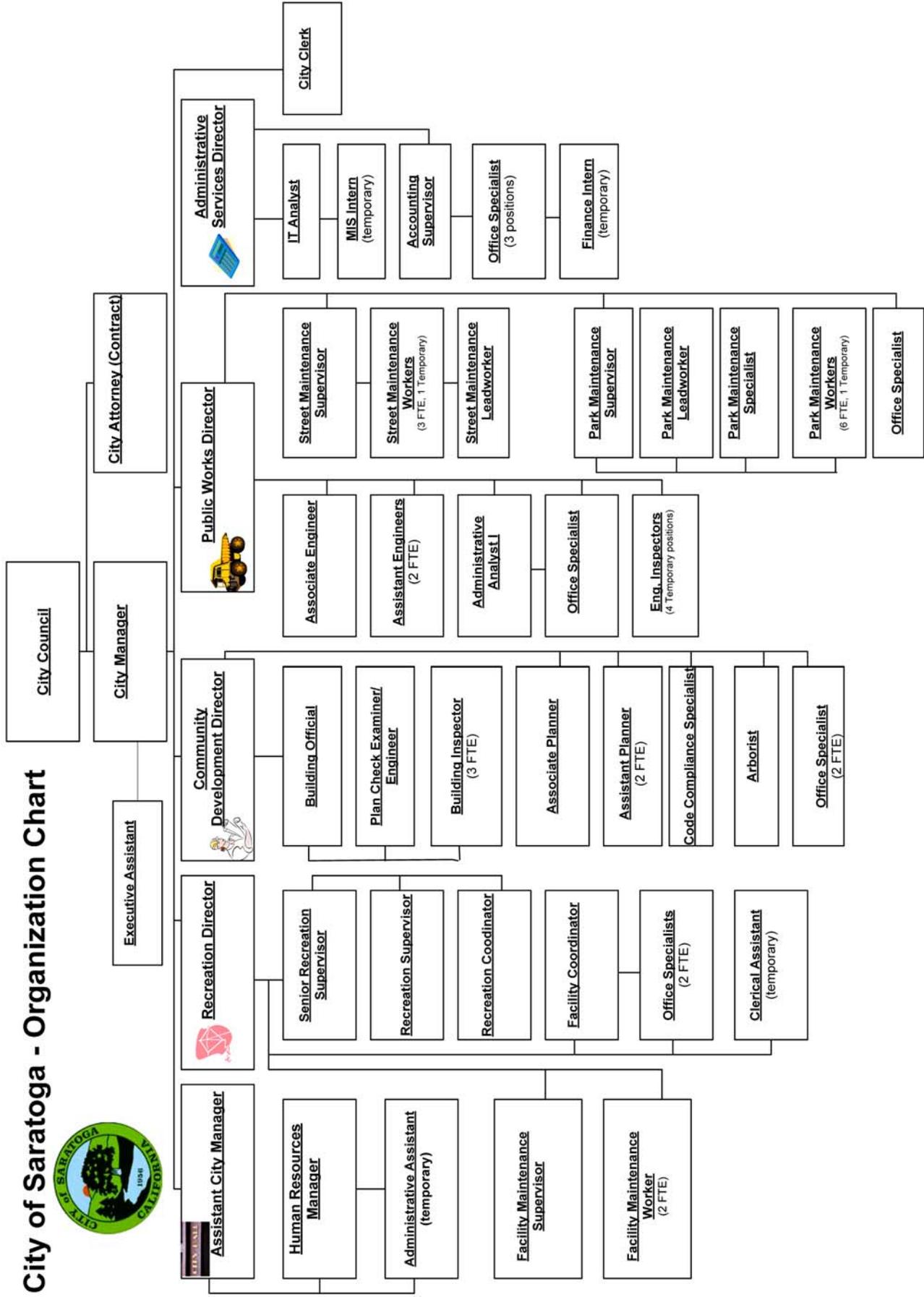
Richard S. Taylor - Shute, Mihaly & Weinberger

**INDEPENDENT AUDITOR**

Caporicci & Larson, CPAs

\*Council reorganization was completed on December 6, 2006

# City of Saratoga - Organization Chart







## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council  
of the City of Saratoga  
Saratoga, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Saratoga, California (City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit this information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the Introductory and Statistical Sections.

*Caporicci & Larson*

Irvine, California  
February 15, 2007

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Oakland, California 94612

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Irvine, California 92606

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Sacramento, California 95825

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4858 Mercury, Suite 106  
San Diego, California 92111

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**City of Saratoga**  
**Management's Discussion and Analysis**  
**June 30, 2007**

**Introduction**

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2007 for the City of Saratoga. The Management Discussion and Analysis is to be read in conjunction with the annual Transmittal Letter and the Basic Financial Statements.

**Fiscal Year 2006-2007 Financial Highlights**

- The City's total net assets were \$122,623,311 (reference pg #19).
- Total City revenues, including program and general revenues were \$19,197,762 (reference pg #20 & 21), while total expenses were \$ 18,999,946 (reference pg #20 & 21).
- Governmental program revenues were \$5,663,703 (reference pg #20), while Governmental program expenses were \$18,999,946 (reference pg #20 & 21).
- General Fund revenues were \$ 16,132,220 (reference pg #28), while General Fund expenditures were \$ 15,129,270 (reference pg #28).

**The Basic Financial Statements**

The Basic Financial Statements are comprised of City-wide Financial Statements and Fund Financial Statements. These two sets of financial statements provide the reader two different viewpoints of the City's financial activities and financial position.

The Government-Wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on a full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on a full accrual basis, with the emphasis on measuring net revenues and/or expenses for each of the City's programs. The Statement of Activities explains in detail the change in Net Assets for the fiscal year.

All of the City's activities are required to be grouped into government activities and business-type activities. The entire amount in the Statement of Net Assets and the Statement of Activities are also required to be separated into governmental activities or business-type activities in order to provide a summary of these two activities of the City as a whole. In the case of the City of Saratoga, there are no business-type activities as of June 30, 2007.

The Fund Financial Statements report the City's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the City's general fund and other major funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

Major funds account for the major financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major funds are explained below.

**City of Saratoga**  
**Management's Discussion and Analysis**  
**June 30, 2007**

**The Government - Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental activities - All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, transportation, and, culture and leisure. These services are supported by general City revenues such as taxes, and by specific program revenues such as developer fees.

Business-type activities - Enterprise activities are reported here; they would include activities such as water, sewer, and utilities. Unlike governmental services, these services are supported by charges paid by users based on the amount of services they use. The City of Saratoga does not have any business-type activities at this time.

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

**Fund Financial Statements**

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the fiscal year, and may change from year to year as a result of changes in the pattern of the City's activities.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities are not presented in the governmental fund financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Internal Service Funds - the City had no internal service funds as of June 30, 2007.

Enterprise Funds - the City had no enterprise funds as of June 30, 2007.

Fiduciary Funds - This fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains one such fund:

- Community Access Television Trust Fund - acts as a trustee for the CATV Foundation Board for investment purposes.

**Notes to the Financial Statements**

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the fund financial statements

**City of Saratoga**  
**Management's Discussion and Analysis**  
**June 30, 2007**

**Required Supplementary Information**

Required supplementary information follows the basic financial statements and includes a budgetary comparison schedule that includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements.

**Combining and Individual Fund Statements and Schedules**

Combining and individual fund statements and schedules provide information for non-major governmental funds, and special revenue funds.

**Government-Wide Financial Analysis**

Net assets may serve over time as an indicator of the City's financial position. The total City's assets increased by \$197,816 to \$122,623,311 in FY 2006-07 from \$122,425,495 in FY 2005-06.

The most significant portion of the City's net assets \$108,102,246 or 88% accounts for its investment in capital assets, (e.g., land, buildings, general government infrastructure, equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to the citizens, consequently, these assets are not available for future spending.

\$8,592,841 or 7% of the City's net assets is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

\$5, 928,224 or 5% of the City's net assets are subjected to external restrictions on how they may be used. Of these restricted net assets, \$4,337,664 is restricted for capital projects, \$746,557 is for repayment of long-term debt and \$844,003 is restricted for housing activities.

**Statement of Net Assets**

|   | Governmental Activities |                |
|---|-------------------------|----------------|
|   | 2007                    | 2006           |
| Current Assets                                    | 17,551,165              | \$ 18,439,042  |
| Non-Current Assets                                | 98,336                  | 111,670        |
| Capital Assets                                    | 121,992,246             | 121,270,370    |
| Total Assets                                      | 139,641,747             | 139,821,082    |
| Current Liabilities                               | 3,098,109               | 3,278,189      |
| Long-term Debt                                    | 13,920,327              | 14,117,398     |
| Total Liabilities                                 | 17,018,436              | 17,395,587     |
| Net Assets:                                       |                         |                |
| Investment in capital assets, net of related debt | 108,102,246             | 107,100,370    |
| Restricted for Capital Projects                   | 4,337,664               | 3,585,428      |
| Restricted for Debt Service                       | 746,557                 | 865,378        |
| Restricted for Special Projects                   | 844,003                 | 918,980        |
| Unrestricted                                      | 8,592,841               | 9,955,339      |
| Total Net Assets                                  | \$ 122,623,311          | \$ 122,425,495 |

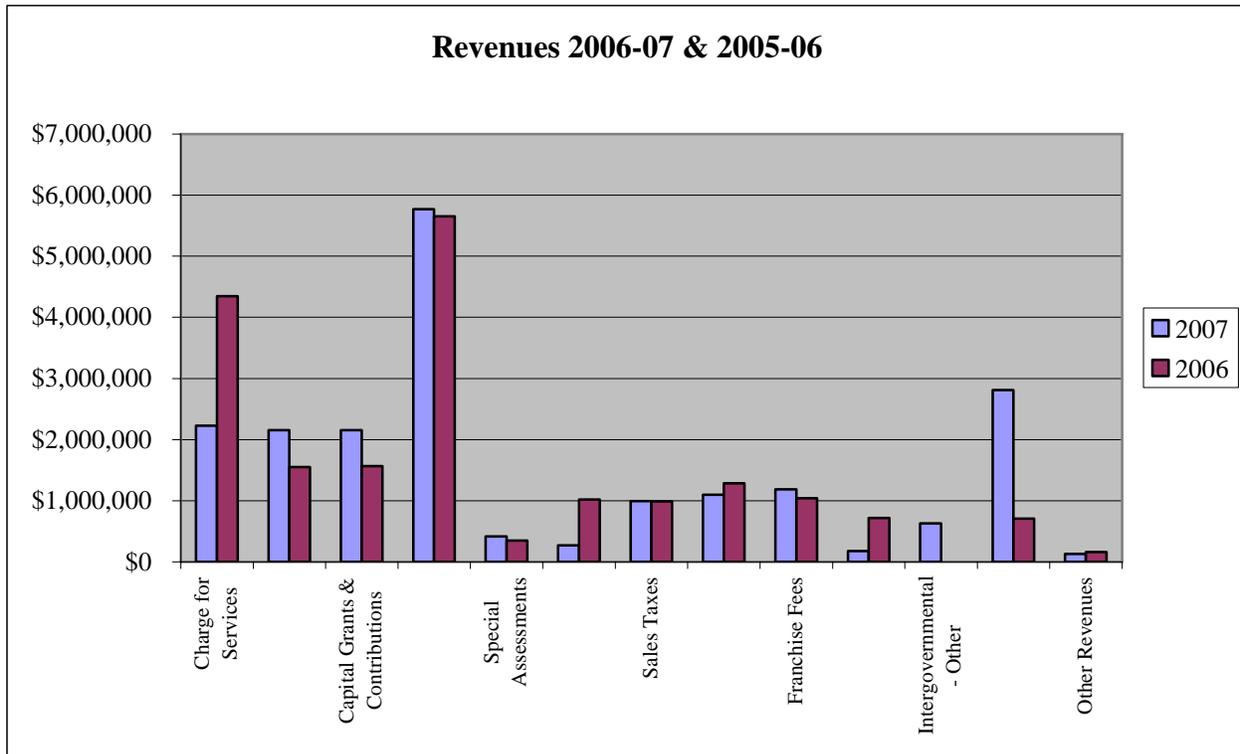
**City of Saratoga**  
**Management's Discussion and Analysis**  
**June 30, 2007**

**Statement of Changes in Net Assets**

| Functions/Programs                             | Governmental Activities |                       | Inc/(Dec)           |
|--|-------------------------|-----------------------|---------------------|
|  | 2007                    | 2006                  |                     |
| <b>Program Revenues</b>                        |                         |                       |                     |
| Charge for Services                            | \$ 2,641,316            | \$ 4,348,173          | \$ (1,706,857)      |
| Operating Grants & Contributions               | 2,154,998               | 1,549,441             | 605,557             |
| Capital Grants & Contributions                 | 1,282,454               | 1,566,538             | (284,084)           |
| Total Program Revenues                         | <u>6,078,768</u>        | <u>7,464,152</u>      | <u>(1,385,384)</u>  |
| <b>General Revenues</b>                        |                         |                       |                     |
| Property Taxes                                 | 5,772,084               | 5,652,244             | 119,840             |
| Special Assessments                            | -                       | 348,803               | (348,803)           |
| Voter Approved Indebtness Property Taxes       | 270,823                 | 1,020,681             | (749,858)           |
| Sales Taxes                                    | 994,680                 | 988,132               | 6,548               |
| Local Taxes                                    | 1,099,174               | 1,287,363             | (188,189)           |
| Franchise Fees                                 | 1,187,010               | 1,040,424             | 146,586             |
| Intergovernmental - Motor Vehicle In-Lieu Fees | 176,771                 | 717,737               | (540,966)           |
| Intergovernmental - Other Unrestricted         | 673,626                 | -                     | 673,626             |
| Investment Earnings                            | 2,812,875               | 708,551               | 2,104,324           |
| Other Revenues                                 | 131,951                 | 161,790               | (29,839)            |
| Total Revenues                                 | <u>13,118,994</u>       | <u>11,925,725</u>     | <u>1,193,269</u>    |
| <b>Expenses</b>                                |                         |                       |                     |
| General and Intergovernmental Services         | 4,532,488               | 3,472,679             | 1,059,809           |
| Public Safety Services                         | 3,844,330               | 3,426,766             | 417,564             |
| Environmental Services                         | 487,243                 | 464,681               | 22,562              |
| Public Works                                   | 5,938,148               | 4,286,737             | 1,651,411           |
| Community Services                             | 1,436,964               | 1,395,064             | 41,900              |
| Community Development Services                 | 1,992,790               | 2,226,317             | (233,527)           |
| Interest on Long Term Debt (unallocated)       | 767,983                 | 754,346               | 13,637              |
| Total Expenses                                 | <u>\$ 18,999,946</u>    | <u>16,026,590</u>     | <u>\$ 2,973,356</u> |
| Increase(Decrease) in Net Assets               |                         | <u>197,816</u>        |                     |
| Net Assets, July 1, 2006                       |                         | <u>122,425,495</u>    |                     |
| Net Assets, June 30, 2007                      |                         | <u>\$ 122,623,311</u> |                     |

**City of Saratoga**  
**Management's Discussion and Analysis**  
**June 30, 2007**

**Chart of Increase or (Decrease) in Revenues by Type**

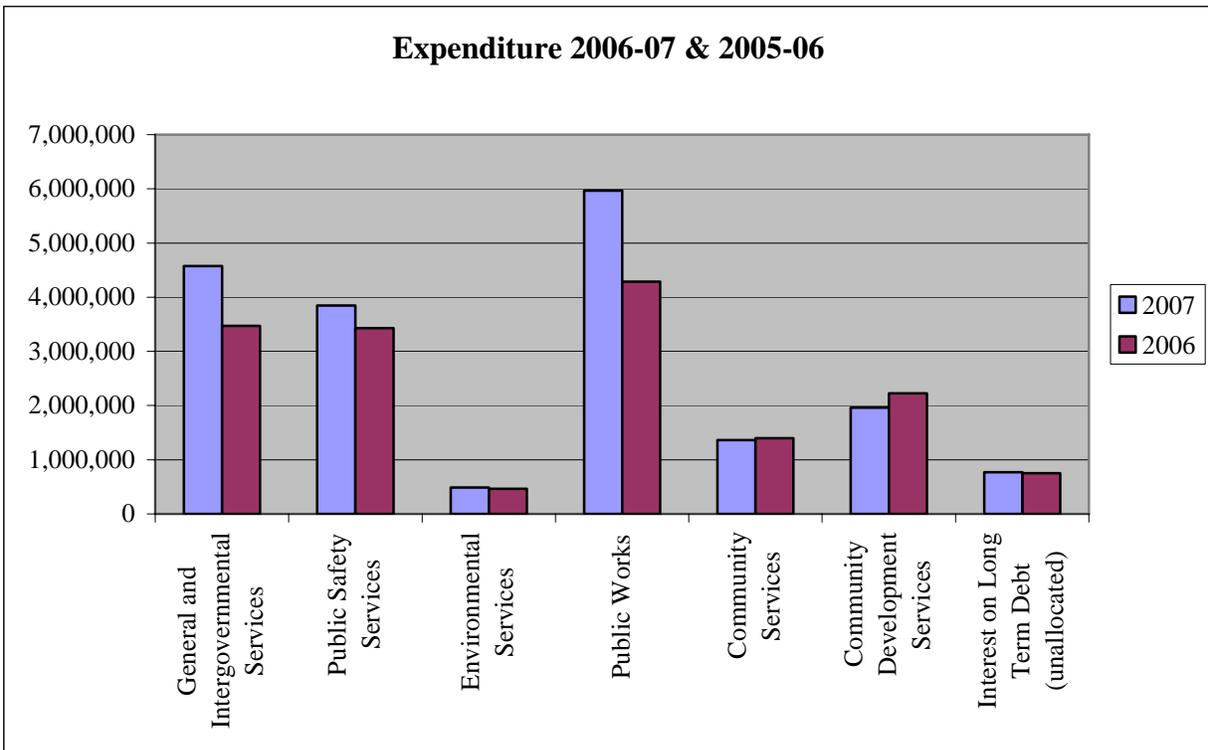


The net change in revenues for governmental activities from general revenues was an increase of \$1,193,269. The net change in program revenues was a decrease of \$1,385,384 for a total decrease in program revenues of \$192,115. A brief analysis by revenue type of significant events follows:

- **Increases in Revenues**
  - \$119,840 Property Taxes: The increase was based on standard 2% rise in assessment rolls over the previous year as provided under Proposition 13.
  - \$146,586 Franchise fees: The City collects 1% of Gas and Electric gross receipts based on prior calendar year usage. The increase was due to higher receipts collected by PG&E.
  - \$1,706,857 in Use of Money and Property occurred because of rise in interest rates.
  - \$605,557 in Operating grants and contributions: The City usually does not receive operating grants. As opposed to TCRP and VTA grants received in the prior year.
  
- **Decreases in Revenues**
  - \$749,858 of the decrease in revenues from voter approved taxes resulted from a decrease in the tax rate on the library bond in order to draw down accumulated fund balance.
  - \$2,121,922 in Charges for Services: The drop in revenue was due to lower number of building permits issued during the year and decline in planning and geology fees.
  - A \$284,084 Capital grants & contributions: The City usually funds the cost of capital projects from within. The decrease was due to lower transfers from the general fund.

**City of Saratoga**  
**Management's Discussion and Analysis**  
**June 30, 2007**

**Chart of Increase or (Decrease) in Expenditures by Function**



The net change in expenditures for Governmental Activities was an increase of \$2,973,356. A brief analysis by expenditure function of significant events follows

- **Increases in Expenditures**
  - The \$1,651,411 increase in public works expenditures is due to completion of Saratoga-Sunnyvale Road, Library Building Program and the Azule Park projects.
  - The \$1,059,809 increase in general and intergovernmental services is due to unallocated borrowing costs from the general fund for financing ongoing capital projects during the year.
  - \$ 417,564 public safety services - This expenditure has increased due to the re-prioritization of City services.
- **Decreases in Expenditures**
  - \$233,527 decrease in community development services is due to the re-prioritization of City services.

**City of Saratoga**  
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**Change in Fund Balance**

Included in the Major Funds are the General Fund, the Capital Improvement Fund and the Other Governmental Funds, which are a group of seven funds. They are the Streets and Roads, Lighting and Landscaping Assessment District, Community Development Block Grant, Library Bond, Park Development and Library Expansion funds. The net change of the fiscal year transactions is a net decrease in the ending fund balance for the Major Funds of \$659,556.

|                                | Major Funds    |                        |                                |
|--------------------------------|----------------|------------------------|--------------------------------|
|                                | General        | Capital<br>Improvement | Other<br>Governmental<br>Funds |
| Fund Balance Beginning of Year | \$ 10,379,273  | \$ 2,790,178           | \$ 2,579,608                   |
| Total Revenues                 | 16,132,220     | 288,480                | 2,791,250                      |
| Total Expenditures             | 15,129,270     | 2,090,953              | 2,651,283                      |
| Transfer In                    | 600,303        | 2,806,204              | 15,043                         |
| Transfer Out                   | (2,821,247)    | (349,884)              | (250,419)                      |
| Fund Balance End of Year       | \$ 9,161,279   | \$ 3,444,025           | \$ 2,484,199                   |
| Net Change in Fund Balance     | \$ (1,217,994) | \$ 653,847             | \$ (95,409)                    |

General Fund - As shown in the prior table the net change in the General Fund was a decrease of \$1,217,994. This occurred because of net transfer out of \$2,220,944 and the net revenue was \$1.1 million greater than expenditures.

Revenues are budgeted conservatively based upon the prior year experience while expenditures are adjusted to be in line with revenues. Between 2005-06 and 2006-07 revenues increased by \$782,293. Some of the major reasons for the change in revenues are as follows:

- o Licenses and fees rose by \$1,260,848 due to higher number of licenses renewed and issued during the year.
- o The \$146,586 increase in franchise fees is due to higher receipts collected by PG&E for Electricity and Water usage.
- o \$652,421 decrease in tax revenue over the prior year was a result of lower special assessments and voter approved taxes received.
- o Other local taxes decreased by \$154,033. Decline in sales taxes was the major contributor towards the decrease.
- o A decrease in current services charges of \$1,893,308 was mainly due to lower request for City wide services.

**City of Saratoga**  
**Management's Discussion and Analysis**  
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While the Revenue decreased by \$286,390 the base level expenditures rose by \$2,606,665 resulting in a deficit of \$659,556. Public Works accounted for most of the increase as some of the larger high value capital projects were completed during the year.

Capital Improvement Project Fund - As shown in the table above, the net change in the Capital Improvement Fund was an increase of \$653,847. Capital projects in the City of Saratoga do not have a distinct funding source therefore as project expenditures are paid the existing fund balances are depleted. Major projects during FY 2006-07, were the Saratoga-Sunnyvale Road Gateway Project, Library Building Program and the Azule project.

Other Governmental Funds - As shown in the table above there was a net decrease of \$95,409 in this group of six funds. The Community Development Block Grant (CDBG) and the Lighting District accounted for the bulk of the increase in fund balance. There was an overall decrease in expenditures from last year. The Streets and Roads recorded a deficit of \$166,171 with greater emphasis placed on pavements and streets.

**General Fund Budgetary Highlights**

Changes from the City's original budget to the final budget are detailed in the Required Supplementary Information Section along with a comparison to actual activity for the year ended. Changes to the City's budget that increase or decrease the bottom line must be approved by a resolution of the City Council. Modifications to the budget that are a realignment of fiscal activities with no impact to the bottom line may be proposed by Department Heads and approved by the City Manager.

The following table compares the General Fund budget to actual. With respect to transfers it shows a significant negative variance. In actuality, there was a small positive variance between budget and actual. The significant negative variance is a result of restating the budgetary information to comply with generally accepted accounting principles. For budgetary purposes the "General Fund" is comprised of a number of sub funds. This includes what is popularly referred to as the "General Fund" (Fund No. 001) which is more accurately referred to as the "General Purpose Fund". In addition to the aforementioned fund, examples of other sub funds included are the "Development Services Fund" (Fund No. 250), the Environmental Services Fund (Fund No. 260) and the Recreation, Teen, Facilities and Theater Funds (Fund Nos. 290, 291, 292 and 293).

During 2006-07, of the \$2,821,247 in transfers between funds \$ 2,487,081 were included within the general fund budget. However, in order to comply with generally accepted accounting principles, the City eliminated these transfers from the "actual amounts". This resulted in a budget variance for the General Fund transfers. If this eliminations had not been made the transfers would have been as follows:

|              | <u>Adopted<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance<br/>Final to Actual</u> |
|--------------|---------------------------|-------------------------|---------------|-------------------------------------|
| Transfer in  | \$ 484,600                | \$ 484,600              | \$ 600,303    | \$ 115,703                          |
| Transfer out | \$ 2,487,081              | \$ 2,487,081            | \$ 2,821,247  | \$ 334,166                          |

As the following table shows, the final budget revenue estimates were more than estimated due to the City's policy of budgeting revenues conservatively. However expenditures were higher than budgeted, mainly due to completion of high value capital projects.

**City of Saratoga**  
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As shown in the column for actual financial transactions the use of fund balance was not necessary.

|                                | <u>Adopted<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance<br/>Final to Actual</u> |
|--------------------------------|---------------------------|-------------------------|----------------------|-------------------------------------|
| <b><u>Source of Funds:</u></b> |                           |                         |                      |                                     |
| Property taxes                 | \$ 5,770,100              | \$ 6,554,877            | \$ 4,999,823         | \$ (1,555,054)                      |
| Other local taxes              | 2,203,000                 | 2,203,000               | 2,121,462            | (81,538)                            |
| Licenses & permits             | 361,000                   | 361,000                 | 1,339,946            | 978,946                             |
| Fines & forfeitures            | 132,200                   | 132,200                 | 395,997              | 263,797                             |
| Intergovernmental - State      | 977,300                   | 1,064,300               | 2,154,998            | 1,090,698                           |
| Intergovernmental - Other      | -                         | -                       | 539,544              | 539,544                             |
| Franchise fees                 | 1,035,800                 | 1,035,800               | 1,187,010            | 151,210                             |
| Use of money & property        | 358,800                   | 558,800                 | 2,467,668            | 1,908,868                           |
| Other revenue                  | 633,200                   | 633,200                 | 150,020              | (483,180)                           |
| Current Service Charges        | 3,299,100                 | 3,299,100               | 775,752              | (2,523,348)                         |
| Transfers In                   | 484,600                   | 484,600                 | 600,303              | 115,703                             |
| <b>Total Source of Funds</b>   | <b>\$ 15,255,100</b>      | <b>\$ 16,326,877</b>    | <b>\$ 16,732,523</b> | <b>\$ 405,646</b>                   |
| <b><u>Use of Funds:</u></b>    |                           |                         |                      |                                     |
| General and intergovt.         | \$ 2,284,821              | \$ 2,284,821            | \$ 3,805,817         | \$ (1,520,996)                      |
| Public safety                  | 3,788,008                 | 3,788,008               | 3,823,711            | (35,703)                            |
| Environmental services         | -                         | -                       | 443,713              | (443,713)                           |
| Public works                   | 3,885,695                 | 3,885,695               | 3,811,134            | 74,561                              |
| Community services             | 1,954,021                 | 1,954,021               | 1,246,271            | 707,750                             |
| Community development          | 1,783,896                 | 1,783,896               | 1,933,217            | (149,321)                           |
| Capital outlay                 | 1,159,765                 | 1,159,765               | 30,075               | 1,129,690                           |
| Debt service                   | -                         | -                       | 35,332               | (35,332)                            |
| Transfers out                  | 2,487,071                 | 2,487,081               | 2,821,247            | (334,166)                           |
| <b>Total Use of Funds</b>      | <b>\$ 17,343,277</b>      | <b>\$ 17,343,287</b>    | <b>\$ 17,950,517</b> | <b>\$ (607,230)</b>                 |

**Capital Assets**

The City of Saratoga elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting in which eligible infrastructure capital assets are not required to be depreciated if the following requirements are met.

- The City manages the assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amount to preserve the assets at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

**City of Saratoga**  
**Management's Discussion and Analysis**  
**June 30, 2007**

The City policy is to achieve an average Pavement Condition Index (PCI) rating of 70 for all streets. The City achieved the 70 rating with 86% of streets rated as Excellent to Good, 13% of streets are rated as "Poor", and 1% of streets are rated as "Very Poor". The City spent \$1,156,889 to maintain and preserve eligible infrastructure assets. For more detailed information on Capital Assets activity, please refer to Note F in the section entitled "Notes to the Basic Financial Statements" and "Required Supplementary Section".

As of June 30, 2007, the City had \$121,992,246 invested in a variety of capital assets, as reflected in the following schedule, which represents an increase of \$721,876 or less than 1% above the prior year.

**Capital Assets at Year End**  
**Net of Depreciation**

|                          | Governmental Activities |                |
|--------------------------|-------------------------|----------------|
|                          | 2007                    | 2006           |
| Land                     | 9,887,095               | \$ 9,887,095   |
| Building & Structures    | 19,229,732              | 17,282,484     |
| Machinery & Equipment    | 445,910                 | 213,102        |
| Infrastructure           | 87,631,191              | 85,366,868     |
| Construction in Progress | 4,798,318               | 8,520,821      |
|                          | \$ 121,992,246          | \$ 121,270,370 |

The following reconciliation summarizes the change in Capital Assets.

**Changes in Capital Assets**

|                          | Governmental Activities |                |
|--------------------------|-------------------------|----------------|
|                          | 2007                    | 2006           |
| Beginning Balance        | 121,270,370             | \$ 120,224,434 |
| Addition:                |                         |                |
| Land                     | -                       | -              |
| Building and Structures  | 2,564,228               | -              |
| Construction in Progress | 2,220,878               | 2,840,015      |
| Infrastructure           | 3,446,423               | -              |
| Machinery & Equipment    | 408,694                 | 66,933         |
| Retirements:             |                         |                |
| Construction in Progress | (5,943,381)             | -              |
| Depreciation             | (1,974,966)             | (1,861,012)    |
| Ending Balance           | \$ 121,992,246          | \$ 121,270,370 |

**City of Saratoga**  
**Management's Discussion and Analysis**  
**June 30, 2007**

**Debt Administration**

The net change in outstanding debt for the City of Saratoga is a decrease of \$143,851. During the fiscal year, the City did not enter into any new debt structures.

**Outstanding Debt, at year-end**

|                              | Governmental Activities |               |
|------------------------------|-------------------------|---------------|
|                              | 2007                    | 2006          |
| 2001 General Obligation Bond | 13,890,000              | \$ 14,170,000 |
| Claims Payable               | -                       | 92,957        |
| Compensated Absences         | 464,753                 | 235,647       |
| Total                        | \$ 14,354,753           | \$ 14,498,604 |

The current portions of long-term debt (\$295,000 and \$280,000 for 2007 and 2006 respectively) are classified as current liabilities in the City's Statement of Net Assets.

2001 General Obligation Bond - During the fiscal year, the City made debt service payments that include a principal reduction of \$280,000 on the City's \$15,000,000 2001 General Obligation Library bonds.

Claims Payable - The City is fully funded through their membership in a pooled liability assurance network with the Association of Bay Area Governments.

**Economic Factors**

In September, 2006 the City received a significant increase in new property tax revenues on an annual basis due to the passage of Assembly Bill 117. This legislation effective with FY 2006-07 increases the amount of property taxes allocated to the City as a result of the TEA (Tax Equity Allocation formula). Assembly Member Cohn sponsored the bill which resulted from a joint effort of the City of Saratoga, Santa Clara County and the 3 other affected cities - Cupertino, Monte Sereno and Los Altos Hills. These cities are referred to as "no/low tax cities" and will have restored a proportionate share of the property taxes which they lost to special legislation in 1989. This will result in a permanent increase in general fund property taxes of \$785,777.

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

**Request for Financial Information**

This financial report is designed to provide a general overview of the City of Saratoga's finances for all of Saratoga's residents, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Administrative Services Department, 13777 Fruitvale Avenue, Saratoga, California 95070.



## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of Saratoga**  
**Statement of Net Assets**  
**June 30, 2007**

|   | Primary<br>Government<br>Governmental<br>Activities |
|---|---|
| <b>ASSETS</b>                                     |   |
| Current assets:                                   |   |
| Cash and investments                              | \$ 14,204,530                                       |
| Restricted cash and investments                   | 2,110,240   |
| Receivables:                                      |   |
| Accounts  | 1,025,329   |
| Interest  | 196,016   |
| Loans   | 14,444  |
| Prepaid items                                     | 606   |
| Total current assets                              | <u>17,551,165</u>                                   |
| Noncurrent assets:                                |   |
| Loans receivable                                  | 98,336  |
| Capital assets:                                   |   |
| Non-depreciable                                   | 59,926,878  |
| Depreciable, net                                  | <u>62,065,368</u>                                   |
| Total capital assets                              | <u>121,992,246</u>                                  |
| Total noncurrent assets                           | <u>122,090,582</u>                                  |
| <b>Total assets</b>                               | <u>139,641,747</u>                                  |
| <b>LIABILITIES</b>                                |   |
| Current liabilities:                              |   |
| Accounts payable                                  | 1,105,072   |
| Accrued payroll                                   | 292,159   |
| Other payables                                    | 177,682   |
| Interest payable                                  | 304,065   |
| Deposits payable                                  | 729,491   |
| Unearned revenue                                  | 15,000  |
| Claims payable                                    | 38,695  |
| Due to Bondholders                                | 1,519   |
| Long-term debt - due within one year              | 434,426   |
| Total current liabilities                         | <u>3,098,109</u>                                    |
| Noncurrent liabilities:                           |   |
| Long-term debt - due in more than one year        | <u>13,920,327</u>                                   |
| Total noncurrent liabilities                      | <u>13,920,327</u>                                   |
| <b>Total liabilities</b>                          | <u>17,018,436</u>                                   |
| <b>NET ASSETS</b>                                 |   |
| Investment in capital assets, net of related debt | <u>108,102,246</u>                                  |
| Restricted for:                                   |   |
| Capital projects                                  | 4,337,664   |
| Debt service                                      | 746,557   |
| Special projects                                  | 844,003   |
| Total restricted                                  | <u>5,928,224</u>                                    |
| Unrestricted                                      | <u>8,592,841</u>                                    |
| <b>Total net assets</b>                           | <u>\$ 122,623,311</u>                               |

See accompanying Notes to the Basic Financial Statements.

**City of Saratoga**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2007**

| Functions/Programs                       | Expenses             | Program Revenues     |                                    |                                  | Total               | Net (Expense)                     |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---------------------|-----------------------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |                     | Revenue and Changes in Net Assets |
|  |                      |                      |                                    |                                  |                     | Primary Governmental Activities   |
| <b>Primary government:</b>               |                      |                      |                                    |                                  |                     |                                   |
| <b>Governmental activities:</b>          |                      |                      |                                    |                                  |                     |                                   |
| General and intergovernmental services   | \$ 4,532,488         | \$ 452,595           | \$ -                               | \$ -                             | \$ 452,595          | \$ (4,079,893)                    |
| Public safety                            | 3,844,330            | -                    | -                                  | -                                | -                   | (3,844,330)                       |
| Environmental services                   | 487,243              | -                    | -                                  | -                                | -                   | (487,243)                         |
| Public works                             | 5,938,148            | 256,566              | 2,154,998                          | 1,282,454                        | 3,694,018           | (2,244,130)                       |
| Community services                       | 1,436,964            | 604,431              | -                                  | -                                | 604,431             | (832,533)                         |
| Community development services           | 1,992,790            | 1,327,724            | -                                  | -                                | 1,327,724           | (665,066)                         |
| Interest on long-term debt (unallocated) | 767,983              | -                    | -                                  | -                                | -                   | (767,983)                         |
| <b>Total</b>                             | <b>\$ 18,999,946</b> | <b>\$ 2,641,316</b>  | <b>\$ 2,154,998</b>                | <b>\$ 1,282,454</b>              | <b>\$ 6,078,768</b> | <b>(12,921,178)</b>               |

**General revenues:**

Taxes:

|                             |           |
|-----------------------------|-----------|
| Property taxes              | 5,772,084 |
| Voter approved property tax | 270,823   |
| Sales taxes                 | 994,680   |
| Local taxes                 | 1,099,174 |
| Franchise taxes             | 1,187,010 |
| Motor vehicle in-lieu       | 176,771   |

Total taxes 9,500,542

Intergovernmental 673,626

Investment earnings 2,812,875

Other revenues 131,951

**Total general revenues** 13,118,994

**Change in net assets** 197,816

**Net assets - beginning of year** 122,425,495

**Net assets - end of year** \$ 122,623,311



## **FUND FINANCIAL STATEMENTS**



# GOVERNMENTAL FUND FINANCIAL STATEMENTS

## **General Fund**

The General Fund is used to account for all of the general resources of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of the City which are not accounted for in another fund.

## **Capital Improvement Capital Projects Fund**

This fund accounts for resources used for the major capital acquisition and construction activities.

## **Other Governmental Funds**

Other Governmental Funds is the aggregate of all the nonmajor governmental funds.

**City of Saratoga**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

|  | Major Funds          |                        |                                | Total<br>Governmental<br>Funds |
|--|----------------------|------------------------|--------------------------------|--------------------------------|
|  | General              | Capital<br>Improvement | Other<br>Governmental<br>Funds |                                |
| <b>ASSETS</b>                              |                      |                        |                                |                                |
| Cash and investments                       | \$ 10,375,937        | \$ 3,828,593           | \$ -                           | \$ 14,204,530                  |
| Restricted cash and investments            | -                    | -                      | 2,110,240                      | 2,110,240                      |
| Receivables:                               |                      |                        |                                |                                |
| Accounts                                   | 547,149              | -                      | 478,180                        | 1,025,329                      |
| Interest                                   | 177,502              | -                      | 18,514                         | 196,016                        |
| Loans                                      | -                    | -                      | 112,780                        | 112,780                        |
| Prepaid items                              | 606                  | -                      | -                              | 606                            |
| <b>Total assets</b>                        | <b>\$ 11,101,194</b> | <b>\$ 3,828,593</b>    | <b>\$ 2,719,714</b>            | <b>\$ 17,649,501</b>           |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>   |                      |                        |                                |                                |
| <b>Liabilities:</b>                        |                      |                        |                                |                                |
| Accounts payable                           | \$ 619,072           | \$ 384,568             | \$ 101,432                     | \$ 1,105,072                   |
| Accrued payroll                            | 274,876              | -                      | 17,283                         | 292,159                        |
| Deposits payable                           | 729,491              | -                      | -                              | 729,491                        |
| Other payable                              | 175,181              | -                      | 2,501                          | 177,682                        |
| Deferred revenue                           | 102,600              | -                      | 112,780                        | 215,380                        |
| Claims payable                             | 38,695               | -                      | -                              | 38,695                         |
| Due to Bondholders                         | -                    | -                      | 1,519                          | 1,519                          |
| <b>Total liabilities</b>                   | <b>1,939,915</b>     | <b>384,568</b>         | <b>235,515</b>                 | <b>2,559,998</b>               |
| <b>Fund Balances:</b>                      |                      |                        |                                |                                |
| Reserved for:                              |                      |                        |                                |                                |
| Petty Cash                                 | 1,300                | -                      | -                              | 1,300                          |
| Retiree medical                            | 62,500               | -                      | -                              | 62,500                         |
| Debt service                               | -                    | -                      | 746,557                        | 746,557                        |
| Unreserved, designated for:                |                      |                        |                                |                                |
| Operations                                 | 2,688,036            | -                      | -                              | 2,688,036                      |
| Economic uncertainty                       | 1,500,000            | -                      | -                              | 1,500,000                      |
| Construction in Progress                   | -                    | -                      | -                              | -                              |
| Community Development Services             | -                    | -                      | -                              | -                              |
| Environmental Services                     | -                    | -                      | -                              | -                              |
| Equipment Replacement                      | -                    | -                      | -                              | -                              |
| Information Technology                     | -                    | -                      | -                              | -                              |
| Facility Improvement                       | -                    | -                      | -                              | -                              |
| Unreserved, undesignated, reported in:     |                      |                        |                                |                                |
| General fund                               | 4,909,443            | -                      | -                              | 4,909,443                      |
| Special revenue funds                      | -                    | -                      | 844,003                        | 844,003                        |
| Capital projects funds                     | -                    | 3,444,025              | 893,639                        | 4,337,664                      |
| <b>Total fund balances</b>                 | <b>9,161,279</b>     | <b>3,444,025</b>       | <b>2,484,199</b>               | <b>15,089,503</b>              |
| <b>Total liabilities and fund balances</b> | <b>\$ 11,101,194</b> | <b>\$ 3,828,593</b>    | <b>\$ 2,719,714</b>            | <b>\$ 17,649,501</b>           |

See accompanying Notes to the Basic Financial Statements.

**City of Saratoga**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2007**

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|  |                              |
|--|------------------------------|
| <b>Total Fund Balances - Total governmental funds</b>  | <b>\$ 15,089,503</b>         |
| Amounts reported for governmental activities in the statement of net assets were different because:  |                              |
| Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows: |                              |
| Non-depreciable capital assets   | 59,926,878                   |
| Depreciable capital assets, net  | 62,065,368                   |
| Total capital assets   | <u>121,992,246</u>           |
| Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.                             | <u>(304,065)</u>             |
| Long-term receivables were not current available resources and therefore, were offset by a deferred revenue amount equal to the net receivable in the governmental funds.                                    | <u>200,380</u>               |
| Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:         |                              |
| General obligation bonds   | (13,890,000)                 |
| Compensated absences   | (464,753)                    |
| Total long-term liabilities  | <u>(14,354,753)</u>          |
| <b>Net Assets of Governmental Activities</b>   | <b><u>\$ 122,623,311</u></b> |

**City of Saratoga**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2007**

|   | Major Funds        |                        | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|------------------------|--------------------------------|--------------------------------|
|   | General            | Capital<br>Improvement |                                |                                |
| <b>REVENUES:</b>                              |                    |                        |                                |                                |
| Property taxes                                | \$ 4,999,823       | \$ -                   | \$ 1,043,083                   | \$ 6,042,906                   |
| Other local taxes                             | 2,121,462          | -                      | -                              | 2,121,462                      |
| Licenses & permits                            | 1,339,946          | -                      | -                              | 1,339,946                      |
| Fines & forfeiture                            | 395,997            | -                      | -                              | 395,997                        |
| Intergovernmental - State                     | 2,154,998          | 221,520                | 1,254,846                      | 3,631,364                      |
| Intergovernmental - Other                     | 539,544            | 61,604                 | 27,728                         | 628,876                        |
| Franchise fees                                | 1,187,010          | -                      | -                              | 1,187,010                      |
| Use of money and property                     | 2,467,668          | 4,637                  | 340,571                        | 2,812,876                      |
| Other revenue                                 | 150,020            | 1,000                  | -                              | 151,020                        |
| Current service charges                       | 775,752            | (281)                  | 125,022                        | 900,493                        |
| <b>Total revenues</b>                         | <b>16,132,220</b>  | <b>288,480</b>         | <b>2,791,250</b>               | <b>19,211,950</b>              |
| <b>EXPENDITURES:</b>                          |                    |                        |                                |                                |
| Current:                                      |                    |                        |                                |                                |
| General and intergovernmental services        | 3,805,817          | -                      | -                              | 3,805,817                      |
| Public safety                                 | 3,823,711          | -                      | -                              | 3,823,711                      |
| Environmental services                        | 443,713            | -                      | -                              | 443,713                        |
| Public works                                  | 3,811,134          | -                      | 1,459,535                      | 5,270,669                      |
| Community services                            | 1,246,271          | -                      | 134,390                        | 1,380,661                      |
| Community development services                | 1,933,217          | 29,477                 | -                              | 1,962,694                      |
| Capital outlay                                | 30,075             | 2,061,476              | 38,874                         | 2,130,425                      |
| Debt service:                                 | -                  | -                      | -                              | -                              |
| Principal                                     | -                  | -                      | 280,000                        | 280,000                        |
| Interest and fiscal charges                   | 35,332             | -                      | 738,484                        | 773,816                        |
| <b>Total expenditures</b>                     | <b>15,129,270</b>  | <b>2,090,953</b>       | <b>2,651,283</b>               | <b>19,871,506</b>              |
| <b>REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <b>1,002,950</b>   | <b>(1,802,473)</b>     | <b>139,967</b>                 | <b>(659,556)</b>               |
| <b>OTHER FINANCING SOURCES (USES):</b>        |                    |                        |                                |                                |
| Transfers in                                  | 600,303            | 2,806,204              | 15,043                         | 3,421,550                      |
| Transfers out                                 | (2,821,247)        | (349,884)              | (250,419)                      | (3,421,550)                    |
| <b>Total other financing sources (uses)</b>   | <b>(2,220,944)</b> | <b>2,456,320</b>       | <b>(235,376)</b>               | <b>-</b>                       |
| <b>Net change in fund balances</b>            | <b>(1,217,994)</b> | <b>653,847</b>         | <b>(95,409)</b>                | <b>(659,556)</b>               |
| <b>FUND BALANCES:</b>                         |                    |                        |                                |                                |
| Beginning of year                             | 10,379,273         | 2,790,178              | 2,579,608                      | 15,749,059                     |
| End of year                                   | \$ 9,161,279       | \$ 3,444,025           | \$ 2,484,199                   | \$ 15,089,503                  |

See accompanying Notes to the Basic Financial Statements.

# City of Saratoga

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2007

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Net Change in Fund Balances - Total governmental funds \$ (659,556)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. The amount of capital assets recorded as capital outlay expenditures and included in general and intergovernmental services expenditures in the current period. 2,696,842

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. (1,974,966)

Certain revenues were recorded as deferred revenue in the governmental funds because they did not meet the revenue recognition criteria of availability. However, they were included as revenue in the Governmental-Wide Statement of Activities and Changes in Net Assets under the full accrual basis. (14,188)

Long-term compensated absences and claims payables were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, long-term compensated absences and claims payable were not reported as expenditures in governmental funds.

Claims Payables 92,957  
Compensated absences, net (229,106)

Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

Long-term debt repayments 280,000

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from prior year. 5,833

**Change in Net Assets of Governmental Activities \$ 197,816**

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# FIDUCIARY FUND FINANCIAL STATEMENTS

## Agency Funds

Agency Funds is the aggregate of all the agency funds.

**City of Saratoga**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2007**

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|                          | <u>Agency<br/>Funds</u> |
|--------------------------|-------------------------|
| <b>ASSETS</b>            |                         |
| Cash and investments     | \$ 65,112               |
| Account receivable       | 152                     |
| Interest receivable      | <u>829</u>              |
| <b>Total assets</b>      | <b>\$ 66,093</b>        |
| <b>LIABILITIES</b>       |                         |
| Deposits payable         | <u>\$ 66,093</u>        |
| <b>Total liabilities</b> | <b>\$ 66,093</b>        |

See accompanying Notes to the Basic Financial Statements.

**City of Saratoga**  
**Index to Notes to the Basic Financial Statements**  
**For the year ended June 30, 2007**

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**City of Saratoga**  
**Index to Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2006**

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**City of Saratoga**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Saratoga, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Financial Reporting Entity**

The City was incorporated as a municipal corporation in 1956 under the general laws of the State of California, and had a population of 32,308 at June 30, 2007. The City is a largely residential community located in the foothills of the Santa Cruz Mountains.

The City operated under the Council-Manager form of government, with five elected Council members served by a full-time City Manager and staff. At June 30, 2007, the City's staff comprised 54 full time and 2 part time employees, and numerous recreation seasonal employees who were responsible for the following City provided services:

- ◆ Public Safety - The City provides round-the-clock police services under a contract with the County Sheriff's offices. Emergency management and Fire services are provided by special district. Code enforcement and inspection services are provided by 1 City employee.
- ◆ Public Works/Maintenance - The City builds and maintains its parks, streets, curbs, gutters and related public property with a force of 24 employees. Major projects may be contracted out to reduce costs.
- ◆ Community Development - Zoning administration, plan checking and advance planning services are provided by 16 employees.
- ◆ Culture, Recreation and Community Support services are provided by a total of 6 employees.
- ◆ General Government services are provided by a total of 10 employees.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City Council acts as the governing board. In addition, the City staff performs all administrative and accounting functions for these entities and these entities provide their services entirely to the City. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**A. Financial Reporting Entity, Continued**

The following entity is reported as blended component unit:

Lighting and Landscaping Assessment District - The Lighting and Landscaping Assessment District (District) was established in 1980 for the levy and the collections of assessments upon the several lots or parcels of land in the District, and for the construction or installation of improvements, including maintenance. The District is reported as a blended component unit of the City because it has the same Governing Board as the City.

Saratoga Public Financing Authority - The Saratoga Public Financing Authority (Authority) is a joint powers authority organized by the City of Saratoga (City) and the City of Saratoga Parking Authority (Parking Authority) on June 16, 1993, under the laws of the State of California. The Authority was organized to provide financial assistance to the City and Districts for public improvements for the City and the purchase by the Authority of Local Obligations within the meaning of the Act. The Authority is reported as a blended component unit of the City because it has the same Governing Board as the City.

Complete financial statements for each component unit may be obtained from the City of Saratoga, 13777 Fruitvale Avenue, Saratoga, California 95070.

**B. Basis of Accounting and Measurement Focus**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements**

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the City. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- ◆ Charges for services
- ◆ Operating grants and contributions
- ◆ Capital grants and contributions

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

**Government-Wide Financial Statements, Continued**

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. The following interfund activities have been eliminated:

- ◆ Transfers in/out

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets

as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria. The following funds are major funds:

*General Fund*

The General Fund is used to account for all of the general resources of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of the City which are not accounted for in another fund.

*Capital Improvement Capital Projects Fund*

This fund accounts for resources used for the major capital acquisition and construction activities.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual ((up to 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, licenses and permits and parking meter revenues are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

**Governmental Fund Financial Statements, Continued**

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the combined balance sheet and revenue is recognized.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**Fiduciary Fund Financial Statements**

Fiduciary fund financial statements include a Statement of Net Assets. The City’s fiduciary funds represent agency funds. Agency funds do not have a measurement focus, although they do have a basis of accounting. An accrual basis of accounting is used to record the financial transactions. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

***C. Cash, Cash Equivalents and Investments***

The City pools its available cash for investment purposes. The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk
- Foreign Currency Risk

Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*D. Restricted Cash and Investments*

Certain restricted cash and investments are held by a fiscal agent for the redemption of bonded debt and for acquisition and construction of capital and special projects.

*E. Interfund Transactions*

Interfund services provided and used are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers.

*F. Capital Assets*

Capital assets, which include land, buildings, improvements, furniture, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), were reported in the applicable governmental activities in the government-wide financial statements. Capital assets were recorded at historical cost or estimated historical cost if actual cost was not available. Donated assets were valued at their fair market value on the date of donation. City policy has set the capitalization threshold for reporting capital assets at \$1,000. The City has chosen the Modified Approach for reporting the streets subsystem of infrastructure capital assets.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

|                          |             |
|--------------------------|-------------|
| Buildings and structures | 40 years    |
| Machinery and equipment  | 5-10 years  |
| Infrastructure           | 15-50 years |

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructures into its basic financial statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The City defines infrastructure as the basic physical assets including the street system, park and recreation lands and improvements system; storm water conveyance and drainage system, buildings combined with site amenities such as parking and landscaping areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems. The City elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its streets, concrete and asphalt pavements. The City commissioned a physical assessment of the streets condition as of June 30, 2005. This condition assessment will be performed every 2 years. The next condition assessment is scheduled for March 2009. A Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of street that have the physical characteristics of a new street.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*F. Capital Assets, Continued*

The following conditions were defined:

| <u>Condition</u> | <u>Rating</u> |
|------------------|---------------|
| Excellent        | 80-100        |
| Very Good        | 70-79         |
| Good             | 50-69         |
| Poor             | 25-49         |
| Very Poor        | 0-24          |

The City's policy relative to maintaining the street assets is to achieve an average rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. For all other infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2001, and has completed an internal update for June 30, 2005. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

*G. Interest Payable*

In the government-wide financial statements, interest payable of long-term debt is recognized as a incurred liability for governmental fund types. The City has not allocated the interest on long-term debt to departments.

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred.

*H. Claims Payable*

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. *Compensated Absences***

In the government-wide financial statements, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

In the fund financial statements, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. Only the amounts which become due at June 30 are reported in the fund financials statements as a liability.

**J. *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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**K. *Fund Balances***

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

City Council has designated an amount for operations, which it has defined as being equal to the greater of one-quarter of the total budgeted General Fund appropriations for the current budget year or \$2,688,036. The designation is increased annually by an amount equal to the interest the City earned on an equivalent amount of cash and investments.

City Council has designated \$1,500,000 for economic uncertainty.

CIP designation is for future Capital Improvement Projects.

Community development services designation is for development services that includes zoning administration, inspection services, and development regulation programs.

Environmental services is designated for the environmental fees collected from surcharges on garbage bills and tipping fees at the landfills and associated grants related to integrated waste management and storm water management.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**K. Fund Balances, Continued**

Equipment Replacement is designated for the maintenance and replacement of the City's tools, equipments, and vehicles.

Information technology is designated for the support, maintenance, replacement and upgrade of existing computer network.

Facility Improvement is designated for the maintenance and improvement of City's facilities.

**L. Net Assets**

In the governmental-wide financial statements, net assets are classified in the following categories:

- ◆ Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.
- ◆ Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- ◆ Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

**M. Use of Restricted/Unrestricted Net Assets**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

**N. Property Tax and Special Assessments**

County tax assessments included secured and unsecured property taxes, and special assessments. “Unsecured” refers to taxes on personal property. These tax assessments are secured by liens on the property being taxed.

Revenue is recognized in the period for which the tax and assessment is levied. The County of Santa Clara levies, bills and collects property taxes for the City, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*O. Use of Estimates*

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

**2. CASH AND INVESTMENTS**

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average month-end cash and investment balances in these funds. The City has the following cash and investments at June 30:

|                                 | Government-Wide<br>Statement of<br>Net Assets<br><u>Governmental<br/>Activities</u> | Fiduciary<br>Funds<br>Statement of<br>Net Assets | Total                |
|---------------------------------|---|--|----------------------|
| Cash and investments            | \$ 14,204,530   | \$ 65,112  | \$ 14,269,642        |
| Restricted Cash and Investments | 2,110,240   | -  | 2,110,240            |
| <b>Total</b>                    | <u>\$ 16,314,770</u>  | <u>\$ 65,112</u>                                 | <u>\$ 16,379,882</u> |

The City's Cash and Investments at June 30 in more detail:

|  |                      |
|--|----------------------|
| Cash and Cash equivalents:                   |                      |
| Petty Cash                                   | \$ 1,300             |
| Demand Deposit                               | <u>481,671</u>       |
| Total cash and cash equivalents              | <u>482,971</u>       |
| Investments:                                 |                      |
| Local Agency Investment Fund                 | <u>15,830,280</u>    |
| Total investments                            | <u>16,313,251</u>    |
| Cash and Investments with Fiscal Agents      | <u>1,519</u>         |
| Total cash and investment with fiscal agents | <u>\$ 16,314,770</u> |

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**2. CASH AND INVESTMENTS, Continued**

**A. Cash Deposits**

The carrying amounts of the City's cash deposits were \$481,671 at June 30, 2007. Bank balances before reconciling items were \$1,005,039 at that date. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name is discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**B. Investments**

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

- ◆ Securities of the U.S. Government or its agencies.
- ◆ Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies.
- ◆ Negotiable Certificates of Deposit.
- ◆ California Local Agency Investment Fund.
- ◆ Investment-grade obligations of state, local governments or public authorities.
- ◆ Money market mutual funds.
- ◆ Passbook savings account and demand deposits.

The City has complied with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*. The City's investments are recorded at fair value.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**2. CASH AND INVESTMENTS, Continued**

*C. External Investment Pool*

The City's investments with Local Agency Investment Fund (LAIF) at June 30, 2007, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- ◆ Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- ◆ Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

As of June 30, 2007, the City had \$15,830,280 invested in LAIF which had invested 3.466% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.999545022 was used to calculate the fair value of the investments in LAIF.

*D. Risk Disclosures*

Interest Rate Risk - The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2007, the City had the following:

|  | Fair<br>Value | Investment<br>Maturities in<br>Years<br>Less<br>Than 1 Year |
|--|---------------|---|
| <b>External Pool:</b>                              |               |   |
| State of California - Local Agency Investment Fund | \$ 15,830,280 | \$ 15,830,280   |

Credit Risk - As of June 30, 2007, the City's investments in external investment pools are unrated.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's investments, \$1,519 of securities is held by the investment's counterparty, the trustee for the bonds, not in the name of the City as of June 30, 2007.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**3. LOANS RECEIVABLE**

The City had the following loans receivable as of June 30, 2007:

|                                     | Balance      |           |             | Balance<br>June 30, 2007 | Classification         |                           |
|-------------------------------------|--------------|-----------|-------------|--------------------------|------------------------|---------------------------|
|                                     | July 1, 2006 | Additions | Deletions   |                          | Due within<br>one year | Due more than<br>one year |
| Housing Rehabilitation Loan Program | \$ 125,002   | \$ -      | \$ (12,222) | 112,780                  | \$ 14,444              | \$ 98,336                 |

The City administers a housing rehabilitation program called the Saratoga Housing Assistance and Rehabilitation Program (SHARP) using Housing and Community Development Act funds. Under the SHARP, individuals with incomes below a certain level and corporations building rental housing for low-and-moderate income tenants are eligible to receive low interest loans, secured by deeds of trust, for construction work on their properties. Federal funds received by the City are deposited with a commercial bank. Upon approval of loans, the bank disburses the funds, arranges for and collects repayments.

At June 30, 2007, the City had outstanding SHARP loans of \$112,780.

In the Governmental Fund Financial Statements, these loans have been offset by deferred revenue as they are not expected to be repaid immediately.

In the Government-Wide Financial Statements, the amount of deferred revenue was recognized as revenues.

**4. FUND FINANCIAL STATEMENTS INTERFUND TRANSACTIONS**

*Transfers In/Out*

Transfers for the year ended June 30, 2007 were as follows:

| Transfers Out            | Transfers In      |                        |                                | Total               |
|--------------------------|-------------------|------------------------|--------------------------------|---------------------|
|                          | General<br>Fund   | Capital<br>Improvement | Other<br>Governmental<br>Funds |                     |
| General Fund             | \$ -              | \$ 2,806,204           | \$ 15,043                      | \$ 2,821,247        |
| Capital Improvement      | 349,884           | -                      | -                              | 349,884             |
| Other Governmental Funds | 250,419           | -                      | -                              | 250,419             |
| <b>Total</b>             | <b>\$ 600,303</b> | <b>\$ 2,806,204</b>    | <b>\$ 15,043</b>               | <b>\$ 3,421,550</b> |

The above transfers resulted from the normal course of the City's operations.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2007 consisted of the following:

|  | Primary Government      |                     |             |                       | Balance<br>June 30, 2007 |
|--|-------------------------|---------------------|-------------|-----------------------|--------------------------|
|  | Balance<br>July 1, 2006 | Additions           | Retirements | Reclassification      |                          |
| <b>Governmental Activities:</b>                    |                         |                     |             |                       |                          |
| Capital assets, not being depreciated:             |                         |                     |             |                       |                          |
| Land and land improvements                         | \$ 9,887,095            | \$ -                | \$ -        | \$ -                  | \$ 9,887,095             |
| Construction in progress                           | 8,520,821               | 2,220,878           | -           | (5,943,381)           | 4,798,318                |
| Infrastructure:                                    |                         |                     |             |                       |                          |
| Street pavement system                             | 45,241,465              | -                   | -           | -                     | 45,241,465               |
| Total capital assets, not being depreciated        | 63,649,381              | 2,220,878           | -           | (5,943,381)           | 59,926,878               |
| Capital assets, being depreciated:                 |                         |                     |             |                       |                          |
| Buildings and structures                           | 20,502,349              | 2,564,228           | -           | -                     | 23,066,577               |
| Machinery and equipment                            | 1,426,309               | 408,694             | -           | -                     | 1,835,003                |
| Infrastructure:                                    |                         |                     |             |                       |                          |
| Bridges  | 1,563,654               | -                   | -           | -                     | 1,563,654                |
| Signs and lights                                   | 762,527                 | 361,849             | -           | -                     | 1,124,376                |
| Drainage system                                    | 39,855,914              | -                   | -           | -                     | 39,855,914               |
| Sidewalks  | 11,494,250              | 3,084,574           | -           | -                     | 14,578,824               |
| Total capital assets, being depreciated            | 75,605,003              | 6,419,345           | -           | -                     | 82,024,348               |
| Accumulated depreciation:                          |                         |                     |             |                       |                          |
| Buildings and structures                           | (3,219,865)             | (616,981)           | -           | -                     | (3,836,846)              |
| Machinery and equipment                            | (1,213,207)             | (175,886)           | -           | -                     | (1,389,093)              |
| Infrastructure:                                    |                         |                     |             |                       |                          |
| Bridges  | (856,710)               | (60,465)            | -           | -                     | (917,175)                |
| Signs and lights                                   | (603,005)               | (37,160)            | -           | -                     | (640,165)                |
| Drainage system                                    | (8,889,804)             | (797,118)           | -           | -                     | (9,686,922)              |
| Sidewalks  | (3,201,423)             | (287,356)           | -           | -                     | (3,488,779)              |
| Total accumulated depreciation                     | (17,984,014)            | (1,974,966)         | -           | -                     | (19,958,980)             |
| Total capital assets, being depreciated, net       | 57,620,989              | 4,444,379           | -           | -                     | 62,065,368               |
| <b>Governmental activities capital assets, net</b> | <b>121,270,370</b>      | <b>\$ 6,665,257</b> | <b>\$ -</b> | <b>\$ (5,943,381)</b> | <b>\$ 121,992,246</b>    |

Depreciation Expense by Function:

|                       |                     |
|-----------------------|---------------------|
| General Government    | \$ 1,305,858        |
| Public Safety         | -                   |
| Public Works          | 644,568             |
| Community Services    | 21,937              |
| Community Development | 2,603               |
| <b>Total</b>          | <b>\$ 1,974,966</b> |

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**5. CAPITAL ASSETS, Continued**

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the “Modified Approach” is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the Basic Approach whereby accumulated depreciation and depreciation expense have been recorded.

**6. LONG-TERM DEBT**

A summary of the City’s long-term debt transactions for the year ended June 30, 2007 is presented below:

| Description               | Balance<br>July 1, 2006 | Additions         | Retirements         | Balance<br>June 30, 2007 | Classification                    |   |
|---------------------------|-------------------------|-------------------|---------------------|--------------------------|-----------------------------------|---|
|                           |                         |                   |                     |                          | Amounts<br>Due Within<br>One Year | Amounts<br>Due in More<br>than One Year |
| General Obligation Bonds: |                         |                   |                     |                          |                                   |   |
| 2001 Library Bonds        | \$ 14,170,000           | \$ -              | \$ (280,000)        | \$ 13,890,000            | \$ 295,000                        | \$ 13,595,000                           |
| Claims payable            | 92,957                  | -                 | (92,957)            | -                        | -                                 | -                                       |
| Compensated absences      | 235,647                 | 551,340           | (322,234)           | 464,753                  | 139,426                           | 325,327                                 |
| <b>Total</b>              | <b>\$ 14,498,604</b>    | <b>\$ 551,340</b> | <b>\$ (695,191)</b> | <b>\$ 14,354,753</b>     | <b>\$ 434,426</b>                 | <b>\$ 13,920,327</b>                    |

**General Obligation 2001 Library Bonds - Original Issue \$15,000,000**

On May 1, 2001, the City issued General Obligation Bonds Series 2001 in the amount of \$15,000,000. The proceeds of the bonds were used to improve, renovate, and expand the Saratoga Community Library. The bonds are payable from and secured by certain property taxes within the City. Interest on the bonds ranges from 5% to 6% and is payable on February 1 and August 1 of each year, commencing February 1, 2002. Principal is due annually beginning on August 1, 2002, in amounts ranging from \$60,000 to \$940,000. The bonds mature on August 1, 2031, and are subject to redemption prior to maturity at redemption prices ranging from 100% to 101% of par. The bonds may be called for redemption beginning on or after August 1, 2011, at the option of the City. At June 30, 2007 the outstanding balance of the bonds was \$13,890,000.

The annual debt service requirements on these bonds are as follows:

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**6. LONG-TERM DEBT, Continued**

**General Obligation 2001 Library Bonds - Original Issue \$15,000,000, Continued**

| For the Year<br>Ending June 30, | Principal            | Interest             | Total                |
|---------------------------------|----------------------|----------------------|----------------------|
| 2008                            | \$ 295,000           | \$ 720,906           | \$ 1,015,906         |
| 2009                            | 310,000              | 702,756              | 1,012,756            |
| 2010                            | 330,000              | 683,556              | 1,013,556            |
| 2011                            | 350,000              | 663,156              | 1,013,156            |
| 2012                            | 370,000              | 641,556              | 1,011,556            |
| 2013-2017                       | 2,140,000            | 2,891,280            | 5,031,280            |
| 2018-2022                       | 2,555,000            | 2,309,550            | 4,864,550            |
| 2023-2027                       | 3,290,000            | 1,564,011            | 4,854,011            |
| 2028-2032                       | 4,250,000            | 580,651              | 4,830,651            |
| <b>Total</b>                    | <b>\$ 13,890,000</b> | <b>\$ 10,757,422</b> | <b>\$ 24,647,422</b> |

**Compensated Absences**

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) has been accrued and amounts to \$464,753 at June 30, 2007. The compensated absences liability will generally be liquidated through the General Fund.

**7. NON-CITY OBLIGATIONS**

The following bonds bearing the City's name were issued to finance redevelopment projects; however, neither the faith and credit nor the general taxing power of the City has been pledged to the payment of the bonds. Furthermore, the City has no obligation for the payment of the bonds in the case of default. Therefore, the following obligations are not included in the accompanying basic financial statements.

|  | Original<br>Amount | Outstanding at<br>June 30, 2007 |
|--|--------------------|---------------------------------|
| Leonard Road Improvement Assessment District | \$ 101,686         | \$ 35,000                       |

The City is the collecting agent for the Leonard Road Improvement District (District), but is not obligated for the repayment of debt issued by the District. As a result, the District has not been included in the basic financial statements of the City.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**8. RISK MANAGEMENT**

The City participates in the following public entity risk pools:

ABAG Plan Corporation (ABAG PLAN) covers general liability claims in an amount up to \$7,000,000. The City has a deductible or uninsured liability of up to \$25,000 per claim. Once the City's deductible is met ABAG PLAN becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2007, the City contributed \$147,797 for current year coverage and received no refund of prior year excess contributions.

The ABAG Workers' Compensation Pool Insurance Authority (ABAG POOL) covers workers' compensation claims up to the statutory limit. The City has no deductible for these claims. During the fiscal year ended June 30, 2007, the City contributed \$178,265 for current year coverage.

The City's contributions to each risk pool equal the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program, in each program- year.

Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

There have been no significant reductions of insurance settlements that exceeded insurance coverage for the past three years.

The workers' compensation and general liability claims payable of \$38,695 reported at June 30, 2007, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability amounts were as follows:

| Year Ended June 30, | Claims Payable July 1 | Fiscal Year Claims and Changes in Estimates | Claims Payments | Claims Payable June 30 |
|---------------------|-----------------------|---|-----------------|------------------------|
| 2005                | \$ 230,865            | \$ (224,897)                                | \$ (5,968)      | \$ -                   |
| 2006                | \$ -                  | \$ 92,957                                   | \$ -            | \$ 92,957              |
| 2007                | \$ 92,957             | \$ -  | \$ (54,262)     | \$ 38,695              |

The General Fund has been used in the prior years to liquidate the liability for claims and judgments.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**8. RISK MANAGEMENT, Continued**

Each risk pool is governed by a board consisting of representatives from member municipalities. The board controls the operations of each risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The following represents summary audited financial information of ABAG Plan Corporation for the fiscal year ended June 30, 2006:

|                            |                             |
|----------------------------|-----------------------------|
| Total assets               | <u><u>\$ 43,306,059</u></u> |
| Total liabilities          | <u><u>\$ 20,606,784</u></u> |
| Net assets                 | <u><u>\$ 22,699,275</u></u> |
| Total revenues             | <u><u>\$ 8,368,584</u></u>  |
| Total expenses             | <u><u>\$ 9,211,526</u></u>  |
| Net decrease in net assets | <u><u>\$ (377,217)</u></u>  |

The following represents summary audited financial information of ABAG Comp Shared Risk Pool for the fiscal year ended June 30, 2005:

|                            |                            |
|----------------------------|----------------------------|
| Total assets               | <u><u>\$ 2,003,179</u></u> |
| Total liabilities          | <u><u>\$ 1,044,765</u></u> |
| Net assets                 | <u><u>\$ 958,414</u></u>   |
| Total revenues             | <u><u>\$ 695,187</u></u>   |
| Total expenses             | <u><u>\$ 403,224</u></u>   |
| Net increase in net assets | <u><u>\$ 291,963</u></u>   |

Audited financial information for each risk pool may be obtained from ABAG at P.O. Box 2089, Oakland, California 94604-2089.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**9. RETIREMENT PLANS**

**Pension Plan**

*Plan Description* - The City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

*Funding Policy* - Active plan members are required by state statute to contribute for miscellaneous employees 7% of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$284,396 for the year ended June 30, 2007. The City employer is required to contribute for fiscal year 2006-2007 at an actuarially determined rate of 11.45% of annual covered payroll for miscellaneous employees.

*Annual Pension Cost* - For fiscal year 2006-2007, the City's annual pension cost was \$465,232. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 12% investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.25% to 14.45% for miscellaneous employees depending on age, service, and type of employment, and (c) 3.25% per year payroll growth adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2004, was 20 years for miscellaneous employees for prior and current service unfunded liability.

For the actuarial valuation year ended June 30, 2006, PERS established a cost sharing risk pool (Pool) for cities and other government entities that have less than 100 active members. Actuarial valuation was performed with all participants within the same Pool. Therefore, standalone information regarding Schedule of the Funding Progress for the City is no longer available.

**THREE-YEAR TREND INFORMATION FOR PERS**

| Fiscal Year | Annual<br>Pension Cost<br>(APC) | Percentage of<br>APC<br>Contributed | Net Pension<br>Obligation |
|-------------|---------------------------------|-------------------------------------|---------------------------|
| 6/30/05     | \$ 151,567                      | 100%                                | \$ -                      |
| 6/30/06     | 397,304                         | 100%                                | -                         |
| 6/30/07     | 465,232                         | 100%                                | -                         |

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**10. NET ASSETS**

**A. Investment in Capital Assets, Net of Related Debt**

As of June 30, 2007, the investment in capital assets, net of related debt consisted of the following:

|  |                                     |
|--|-------------------------------------|
| Capital assets, net (Note 5)                             | \$ 121,992,246                      |
| 2001 General Obligation Library Bonds (Note 6)           | <u>(13,890,000)</u>                 |
| <b>Investment in capital assets, net of related debt</b> | <b><u><u>\$ 108,102,246</u></u></b> |

**B. Restricted Net Assets**

As of June 30, 2007, the restricted net assets consisted of the following:

|                       | Restricted for      |                   |                     | Total               |
|-----------------------|---------------------|-------------------|---------------------|---------------------|
|                       | Capital<br>Projects | Debt<br>Service   | Special<br>Projects |                     |
| Restricted net assets | <u>\$ 4,337,666</u> | <u>\$ 746,556</u> | <u>\$ 844,002</u>   | <u>\$ 5,928,224</u> |

**11. JOINT POWERS AGREEMENTS**

The City is a member of the Santa Clara County Traffic Authority (Traffic Authority), which consists of various cities in the San Francisco Bay area.

The Traffic Authority was formed in 1985 by a joint exercise of powers agreement between the County of Santa Clara and the cities of Santa Clara County for the purpose of financing highway capital improvements within the County to serve transportation needs. Financial statements may be obtained from the Traffic Authority at 1754 Technology Drive, Suite 224, San Jose, California 95110.

The City is also a member of other Joint Powers Authorities (JPA) but has had no material transactions with them. These JPA's are governed by boards consisting of representatives from their members. The boards control the operations of each JPA, including selection of management and approval of operating budgets, independent of any influence by its members beyond their representation on the board.

**12. EXCESS EXPENDITURES OVER APPROPRIATIONS**

Excess of expenditures over appropriations approved by the City Council occurred in individual funds during the fiscal year 2006-2007 as follows:

| Fund  | Expenditures  | Appropriations | Excess<br>Expenditures over<br>Appropriations |
|---|---------------|----------------|---|
| General Fund  | \$ 15,129,270 | \$ 14,856,206  | \$ 273,064                                    |
| Lighting and Landscaping Assessment District Special Revenue Fund | 302,647       | 273,041        | 29,606  |
| Park Development Capital Projects Fund                            | 71,970        | -              | 71,970  |

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**13. COMMITMENTS AND CONTINGENCIES**

**A. Lawsuits**

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

**B. Federal and State Grant Programs**

The City participates in Federal and State grant programs. These programs are audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. No cost disallowance is expected as a result of these audits; however, these programs are subject to further examination by the grantors. Expenditures which may be disallowed, if any, by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**C. Commitments**

The City had several outstanding contracts or planned construction projects as of June 30, 2007. These projects are evidenced by contractual commitments with contractors and include:

| Vendor                       | Original<br>Commitment | Commitment<br>Remaining |
|------------------------------|------------------------|-------------------------|
| El Camino Paving             | \$ 1,106,500           | \$ 81,439               |
| Graham Contractors           | 162,379                | 72,123                  |
| Union Pacific Rail road Co   | 291,116                | 38,508                  |
| George Bianci Construction   | 478,747                | 38,493                  |
| Town of Los Gatos            | 90,000                 | 49,200                  |
| Top Grade Construction, Inc. | 623,667                | 154,540                 |
| Schaaf & Wheeler Corp        | 6,000                  | 2,019                   |
| Colony Landscape Maintenance | 195,800                | 105,414                 |
| John Deere Landscapes        | 17,506                 | 2,257                   |
| Ewing Irrigation             | 6,300                  | 604                     |
| Steve Benzing Architects     | 20,439                 | 15,221                  |
| Sungard HTE/Pentamation      | 100,000                | 65,344                  |
| ECS Document Imaging         | 341,498                | 94,155                  |
|                              | \$ 3,439,952           | \$ 719,318              |

As of June 30, 2007, in the opinion of City management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

**REQUIRED SUPPLEMENTARY INFORMATION**



**City of Saratoga**  
**Required Supplementary Information**  
**For the year ended June 30, 2007**

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**1. BUDGETARY INFORMATION**

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance. The City does not adopt an annual budget for the Capital Improvement Capital Projects Fund. The Capital Improvement Capital Projects Fund is budgeted on the project length basis. The City adopts an annual budget for Park Development and Library Expansion Capital Projects funds.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. The budget is legally enacted through passage of a resolution.
- d. The City Manager may authorize transfers of budget amounts within a fund. However, any revisions that increase the total budgeted expenditures of any fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level without City Council approval.
- e. Formal budgetary integration in the form of legally adopted budgets is employed as a management control device for all funds except the agency funds. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted expenditures reported are as amended by supplemental appropriations of the City Council.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, special revenue and capital projects funds. Unexpended and unencumbered appropriations of these governmental funds automatically lapse at the end of the fiscal year.

**City of Saratoga**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2007**

**1. BUDGETARY INFORMATION, Continued**

The following are the budget comparison schedules for General Fund and all major special revenue funds.

**Budget Comparison Schedule, General Fund**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     | Positive<br>(Negative)        |
| <b>Fund Balances - Beginning</b>             | \$ 7,436,561        | \$ 7,300,682        | \$ 10,379,273       | \$ 3,078,591                  |
| <b>Resources (inflows):</b>                  |                     |                     |                     |                               |
| Property taxes                               | 5,770,100           | 6,554,877           | 4,999,823           | (1,555,054)                   |
| Other local taxes                            | 2,203,000           | 2,203,000           | 2,121,462           | (81,538)                      |
| Licenses and permits                         | 361,000             | 361,000             | 1,339,946           | 978,946                       |
| Fines and forfeiture                         | 132,200             | 132,200             | 395,997             | 263,797                       |
| Intergovernmental - State                    | 977,300             | 1,064,300           | 2,154,998           | 1,090,698                     |
| Intergovernmental - Other                    |                     |                     | 539,544             | 539,544                       |
| Franchise fees                               | 1,035,800           | 1,035,800           | 1,187,010           | 151,210                       |
| Use of money and property                    | 358,800             | 558,800             | 2,467,668           | 1,908,868                     |
| Other Revenue                                | 633,200             | 633,200             | 150,020             | (483,180)                     |
| Current service charges                      | 3,299,100           | 3,299,100           | 775,752             | (2,523,348)                   |
| Transfers in                                 | 484,600             | 484,600             | 600,303             | 115,703                       |
| Amount available for appropriations          | <u>22,691,661</u>   | <u>23,627,559</u>   | <u>27,111,796</u>   | <u>3,484,237</u>              |
| <b>Charges to Appropriations (outflows):</b> |                     |                     |                     |                               |
| Current:                                     |                     |                     |                     |                               |
| General and intergovernmental services       | 2,284,821           | 2,284,821           | 3,805,817           | (1,520,996)                   |
| Public safety                                | 3,788,008           | 3,788,008           | 3,823,711           | (35,703)                      |
| Environmental services                       | -                   | -                   | 443,713             | (443,713)                     |
| Public works                                 | 3,885,695           | 3,885,695           | 3,811,134           | 74,561                        |
| Community services                           | 1,954,021           | 1,954,021           | 1,246,271           | 707,750                       |
| Community development services               | 1,783,896           | 1,783,896           | 1,933,217           | (149,321)                     |
| Capital outlay                               | 1,159,765           | 1,159,765           | 30,075              | 1,129,690                     |
| Debt service                                 | -                   | -                   | 35,332              | (35,332)                      |
| Transfers out                                | 2,487,081           | 2,487,081           | 2,821,247           | (334,166)                     |
| Total charges to appropriations              | <u>17,343,287</u>   | <u>17,343,287</u>   | <u>17,950,517</u>   | <u>(607,230)</u>              |
| <b>Fund Balances - Ending</b>                | <u>\$ 5,348,374</u> | <u>\$ 6,284,272</u> | <u>\$ 9,161,279</u> | <u>\$ 2,877,007</u>           |

**City of Saratoga**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2007**

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**2. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets that allow the City to function and those resources utilized primarily by the public and provides future economic benefits for a minimum of two years. Infrastructure can be defined as assets that are immovable and of value only to the government. Major infrastructure system includes the street system, park and recreation lands and improvements system; storm water conveyance and drainage system, buildings combined with site amenities such as parking and landscaping areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- ◆ The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- ◆ The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City commissioned a physical assessment of the streets conditions as of June 30, 2005. The study assists the City by providing current inspection data used to evaluate current pavement condition. This helps to maintain a City-defined desirable level of pavement performance while optimizing the expenditure of limited fiscal resources. The entire pavement network within the City is composed of approximately 139 centerline miles of pave surfaces. The City's road system can be grouped by function class and includes 23.2 centerline miles of arterial, 23.3 centerline miles of collector, and 92.6 miles as residential.

A visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Condition Index (PCI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Rating between 0 and 100, a PCI of 0 would correspond to a badly deteriorated pavement with virtually no remaining life. A PCI of 100 would correspond to a pavement with proper engineering design and construction at the beginning of its life cycle.

**City of Saratoga**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2007**

**2. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued**

The following conditions were defined:

| <u>Condition</u> | <u>Rating</u> |
|------------------|---------------|
| Excellent        | 80-100        |
| Very Good        | 70-79         |
| Good             | 50-69         |
| Poor             | 25-49         |
| Very Poor        | 0-24          |

The City's policy is to achieve an average rating of 70 for all streets, which is a very good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2007, the City's street system was rated at a PCI index of 70 on the average with the detail condition as follows:

| <u>Condition</u>  | <u>% of Streets</u> |
|-------------------|---------------------|
| Excellent to Good | 86%                 |
| Poor              | 13%                 |
| Very Poor         | 1%                  |

The City expended \$1,156,889 on street maintenance for the year ended June 30, 2007. These routine maintenance expenditures delayed deterioration. The budget required to maintain and improve the current level of overall condition through the year 2009 is a minimum of \$3,600,000. (\$1,800,000 projected budget each year for the years ending June 30, 2008, and 2009.)

A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below:

| <u>Fiscal Year</u> | <u>Budget</u> | <u>Actual Expenditures</u> | <u>Funded by General Fund</u> | <u>Funded by Gas Tax Fund</u> | <u>Total Funded</u> | <u>PCI Index</u> |
|--------------------|---------------|----------------------------|-------------------------------|-------------------------------|---------------------|------------------|
| 2000-01            | \$ 2,520,255  | \$ 801,160                 | \$ 205,309                    | \$ 595,851                    | \$ 801,160          | -                |
| 2001-02            | 3,529,420     | 2,214,717                  | 1,631,855                     | 582,862                       | 2,214,717           | -                |
| 2002-03            | 2,207,922     | 1,553,674                  | 974,514                       | 579,160                       | 1,553,674           | -                |
| 2003-04            | 1,961,844     | 1,489,667                  | 907,327                       | 582,340                       | 1,489,667           | 70               |
| 2004-05            | 1,800,000     | 2,609,648                  | 1,478,216                     | 1,131,432                     | 2,609,648           | 70               |
| 2005-06            | 1,156,547     | 1,030,382                  | 353,652                       | 676,730                       | 1,030,382           | 70               |
| 2006-07            | 2,026,404     | 1,156,889                  | 19,899                        | 970,818                       | 990,717             | 70               |

As of August 2007, approximately 40% of the City's streets were rated below the average standard of 70. The City will continue to rehabilitate these segments of the streets. Total deficiencies (deferred maintenance) identified in the Pavement Management System at the end of a five year period (2007-2011) amounted to approximately \$11,500,000 for all streets with an expected annual budget of \$1,000,000.

## **SUPPLEMENTAL INFORMATION**



## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

*Streets and Roads* - This fund accounts for revenues and expenditures received from the Federal Government, under I.S.T.E.A. and State, Street and Highway Code Sections 2105, 2106, 2107, and 2107.5. The allocations must be spent for street maintenance or repairs; a limited amount may be spent for engineering.

*Lighting and Landscaping Assessment District* - This fund accounts for revenues and expenditures associated with development of the City.

*Community Development Block Grant* - This fund accounts for grant funds received from the Federal Government for the purpose of developing viable urban communities and for the City's rehabilitation loan program.

### Debt Service Fund

*Library Bond* - Santa Clara County lease revenues are accumulated in this fund to pay annual principal and interest payments on the 2001 library bond.

### Capital Projects Funds

*Park Development* - This fund accounts for resources used for the acquisition and construction of major capital facilities by the City, primarily the acquisition and construction of various City parks.

*Library Expansion* - This fund accounts for resources used for the construction of the City's library.

**City of Saratoga**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**

|  | Special Revenue      |   |  | Debt Service      |
|--|----------------------|---|--|-------------------|
|  | Streets<br>and Roads | Lighting and<br>Landscaping<br>Assessment<br>District | Community<br>Development<br>Block<br>Grant | Library<br>Bond   |
| <b>ASSETS</b>                              |                      |   |  |                   |
| Restricted cash and investments            | \$ 89,799            | \$ 326,031  | \$ 69,630                                  | \$ 737,388        |
| Receivables:                               |                      |   |  |                   |
| Accounts                                   | 442,840              | 1,108   | 27,254                                     | 4,478             |
| Interest                                   | -                    | 3,750   | 1,011                                      | 6,210             |
| Loans                                      | -                    | -   | 112,780                                    | -                 |
| <b>Total assets</b>                        | <b>\$ 532,639</b>    | <b>\$ 330,889</b>                                     | <b>\$ 210,675</b>                          | <b>\$ 748,076</b> |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>   |                      |   |  |                   |
| <b>Liabilities:</b>                        |                      |   |  |                   |
| Accounts payable                           | \$ 74,517            | \$ 14,813   | \$ 8,306                                   | \$ -              |
| Accrued payroll                            | 17,283               | -   | -  | -                 |
| Other payable                              | 2,501                | -   | -  | -                 |
| Deferred Revenue                           | -                    | -   | 112,780                                    | -                 |
| Due to Bondholders                         | -                    | -   | -  | 1,519             |
| <b>Total liabilities</b>                   | <b>94,301</b>        | <b>14,813</b>   | <b>121,086</b>                             | <b>1,519</b>      |
| <b>Fund Balances:</b>                      |                      |   |  |                   |
| Reserved for:                              |                      |   |  |                   |
| Debt service                               | -                    | -   | -  | 746,557           |
| Unreserved, undesignated, reported in:     |                      |   |  |                   |
| Special revenues funds                     | 438,338              | 316,076   | 89,589                                     | -                 |
| Capital projects funds                     | -                    | -   | -  | -                 |
| <b>Total fund balances</b>                 | <b>438,338</b>       | <b>316,076</b>  | <b>89,589</b>                              | <b>746,557</b>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 532,639</b>    | <b>\$ 330,889</b>                                     | <b>\$ 210,675</b>                          | <b>\$ 748,076</b> |



| Capital Projects    |                      |           | Total<br>Other<br>Governmental<br>Funds |
|---------------------|----------------------|-----------|---|
| Park<br>Development | Library<br>Expansion |           |   |
| \$ 210,263          | \$ 677,129           | \$        | 2,110,240                               |
| -                   | 2,500                |           | 478,180                                 |
| 2,619               | 4,924                |           | 18,514                                  |
| -                   | -                    |           | 112,780                                 |
| <u>\$ 212,882</u>   | <u>\$ 684,553</u>    | <u>\$</u> | <u>2,719,714</u>                        |

|              |          |           |                |
|--------------|----------|-----------|----------------|
| \$ 3,796     | \$ -     | \$        | 101,432        |
| -            | -        |           | 17,283         |
| -            | -        |           | 2,501          |
| -            | -        |           | 112,780        |
| -            | -        |           | 1,519          |
| <u>3,796</u> | <u>-</u> | <u>\$</u> | <u>235,515</u> |

|                   |                   |           |                  |
|-------------------|-------------------|-----------|------------------|
| -                 | -                 |           | 746,557          |
| -                 | -                 |           | 844,003          |
| <u>209,086</u>    | <u>684,553</u>    |           | <u>893,639</u>   |
| <u>209,086</u>    | <u>684,553</u>    |           | <u>2,484,199</u> |
| <u>\$ 212,882</u> | <u>\$ 684,553</u> | <u>\$</u> | <u>2,719,714</u> |

**City of Saratoga**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2007**

|   | Special Revenue      |   |  | Debt Service     |
|---|----------------------|---|--|------------------|
|   | Streets<br>and Roads | Lighting and<br>Landscaping<br>Assessment<br>District | Community<br>Development<br>Block<br>Grant | Library<br>Bond  |
| <b>REVENUES:</b>                              |                      |   |  |                  |
| Property taxes                                | \$ -                 | \$ 165,539  | \$ -                                       | \$ 877,544       |
| Intergovernmental - State                     | 970,818              | 1,226   | 277,271                                    | 5,531            |
| Intergovernmental - Other                     | -                    | -   | -  | -                |
| Use of money and property                     | 19,077               | 248,300   | 14,301                                     | 16,588           |
| Current service charges                       | 822                  | -   | -  | -                |
| <b>Total revenues</b>                         | <b>990,717</b>       | <b>415,065</b>  | <b>291,572</b>                             | <b>899,663</b>   |
| <b>EXPENDITURES:</b>                          |                      |   |  |                  |
| Current:                                      |                      |   |  |                  |
| Public safety                                 | -                    | -   | -  | -                |
| Public works                                  | 1,156,888            | 302,647   | -  | -                |
| Community services                            | -                    | -   | 62,420                                     | -                |
| Capital outlay                                | -                    | -   | -  | -                |
| Debt service:                                 |                      |   |  |                  |
| Principal                                     | -                    | -   | -  | 280,000          |
| Interest and fiscal charges                   | -                    | -   | -  | 738,484          |
| <b>Total expenditures</b>                     | <b>1,156,888</b>     | <b>302,647</b>  | <b>62,420</b>                              | <b>1,018,484</b> |
| <b>REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <b>(166,171)</b>     | <b>112,418</b>  | <b>229,152</b>                             | <b>(118,821)</b> |
| <b>OTHER FINANCING SOURCES (USES):</b>        |                      |   |  |                  |
| Transfers in                                  | -                    | 43  | -  | -                |
| Transfers out                                 | -                    | (46,706)  | (203,713)                                  | -                |
| <b>Total other financing sources (uses)</b>   | <b>-</b>             | <b>(46,663)</b>                                       | <b>(203,713)</b>                           | <b>-</b>         |
| <b>Net change in fund balances</b>            | <b>(166,171)</b>     | <b>65,755</b>   | <b>25,439</b>                              | <b>(118,821)</b> |
| <b>FUND BALANCES:</b>                         |                      |   |  |                  |
| Beginning of year                             | 604,509              | 250,321   | 64,150                                     | 865,378          |
| End of year                                   | \$ 438,338           | \$ 316,076  | \$ 89,589                                  | \$ 746,557       |

| Capital Projects    |                      |                       |                |
|---------------------|----------------------|-----------------------|----------------|
| Park<br>Development | Library<br>Expansion | Governmental<br>Funds | Total<br>Other |
| \$ -                | \$ -                 | \$ 1,043,083          |                |
| -                   | -                    | 1,254,846             |                |
| 27,728              | -                    | 27,728                |                |
| 22,882              | 19,423               | 340,571               |                |
| 124,200             | -                    | 125,022               |                |
| 174,810             | 19,423               | 2,791,250             |                |
| -                   | -                    | -                     |                |
| -                   | -                    | 1,459,535             |                |
| 71,970              | -                    | 134,390               |                |
| -                   | 38,874               | 38,874                |                |
| -                   | -                    | 280,000               |                |
| -                   | -                    | 738,484               |                |
| 71,970              | 38,874               | 2,651,283             |                |
| 102,840             | (19,451)             | 139,967               |                |
| 15,000              | -                    | 15,043                |                |
| -                   | -                    | (250,419)             |                |
| 15,000              | -                    | (235,376)             |                |
| 117,840             | (19,451)             | (95,409)              |                |
| 91,246              | 704,004              | 2,579,608             |                |
| \$ 209,086          | \$ 684,553           | \$ 2,484,199          |                |

# City of Saratoga

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Streets and Roads Special Revenue Fund

For the year ended June 30, 2007

|  | Budgeted Amounts      |                     | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-----------------------|---------------------|-------------------|---|
|  | Original              | Final               |                   |   |
| <b>FUND BALANCES - BEGINNING</b>             | \$ 3,900              | \$ 222,700          | \$ 604,509        | \$ 381,809  |
| <b>RESOURCES (INFLOWS):</b>                  |                       |                     |                   |   |
| Intergovernmental - State                    | 977,300               | 977,300             | 970,818           | (6,482)   |
| Intergovernmental - Other                    | -                     | -                   | -                 | -   |
| Use of money and property                    | -                     | -                   | 19,077            | 19,077  |
| Current service charges                      | -                     | -                   | 822               | 822   |
| <b>Amount available for appropriation</b>    | <b>981,200</b>        | <b>1,200,000</b>    | <b>1,595,226</b>  | <b>395,226</b>  |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b> |                       |                     |                   |   |
| Current:                                     |                       |                     |                   |   |
| Public works                                 | 2,048,400             | 2,048,400           | 1,156,888         | 891,512   |
| <b>Total charges to appropriations</b>       | <b>2,048,400</b>      | <b>2,048,400</b>    | <b>1,156,888</b>  | <b>891,512</b>  |
| <b>FUND BALANCES - ENDING</b>                | <b>\$ (1,067,200)</b> | <b>\$ (848,400)</b> | <b>\$ 438,338</b> | <b>\$ 1,286,738</b>                                     |

# City of Saratoga

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Lighting and Landscaping Assessment District Special Revenue Fund For the year ended June 30, 2007

|  | Budgeted Amounts  |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|------------------|-------------------|---|
|  | Original          | Final            |                   |   |
| <b>FUND BALANCES - BEGINNING</b>             | \$ 68,600         | \$ 122,007       | \$ 250,321        | \$ 128,314  |
| <b>RESOURCES (INFLOWS):</b>                  |                   |                  |                   |   |
| Property taxes                               | 246,050           | 246,050          | 165,539           | (80,511)  |
| Intergovernmental - State                    | -                 | -                | 1,226             | 1,226   |
| Use of money and property                    | -                 | -                | 248,300           | 248,300   |
| Transfer in                                  | -                 | -                | 43                | 43  |
| <b>Amount available for appropriation</b>    | <b>314,650</b>    | <b>368,057</b>   | <b>665,429</b>    | <b>297,372</b>  |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b> |                   |                  |                   |   |
| Current:                                     |                   |                  |                   |   |
| Public works                                 | 273,041           | 273,041          | 302,647           | (29,606)  |
| Transfer out                                 | 46,663            | 46,663           | 46,706            | (43)  |
| <b>Total charges to appropriations</b>       | <b>319,704</b>    | <b>319,704</b>   | <b>349,353</b>    | <b>(29,649)</b>   |
| <b>FUND BALANCES - ENDING</b>                | <b>\$ (5,054)</b> | <b>\$ 48,353</b> | <b>\$ 316,076</b> | <b>\$ 267,723</b>                                       |

# City of Saratoga

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Community Development Block Grant Special Revenue Fund

For the year ended June 30, 2007

|  | Budgeted Amounts |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|--|------------------|-------------------|-------------------|-------------------------------|
|  | Original         | Final             |                   | Positive<br>(Negative)        |
| <b>FUND BALANCES - BEGINNING</b>             | \$ 94,309        | \$ 129,606        | \$ 64,150         | \$ (65,456)                   |
| <b>RESOURCES (INFLOWS):</b>                  |                  |                   |                   |                               |
| Intergovernmental - Other                    | 217,500          | 427,411           | 277,271           | (150,140)                     |
| Use of money and property                    | 2,300            | 2,300             | 14,301            | 12,001                        |
| <b>Amount available for appropriation</b>    | <u>314,109</u>   | <u>559,317</u>    | <u>355,722</u>    | <u>(203,595)</u>              |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b> |                  |                   |                   |                               |
| Current:                                     |                  |                   |                   |                               |
| Community Services                           | 202,491          | 412,402           | 62,420            | 349,982                       |
| Transfer out                                 | 15,000           | 15,000            | 203,713           | (188,713)                     |
| <b>Total charges to appropriations</b>       | <u>217,491</u>   | <u>427,402</u>    | <u>266,133</u>    | <u>161,269</u>                |
| <b>FUND BALANCES - ENDING</b>                | <u>\$ 96,618</u> | <u>\$ 131,915</u> | <u>\$ 89,589</u>  | <u>\$ (42,326)</u>            |

# City of Saratoga

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Library Bond Debt Service Fund

For the year ended June 30, 2007

|  | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| <b>FUND BALANCES - BEGINNING</b>             | \$ 766,500        | \$ 855,413        | \$ 865,378        | \$ 9,965  |
| <b>RESOURCES (INFLOWS):</b>                  |                   |                   |                   |   |
| Property taxes                               | 895,400           | 895,400           | 877,544           | (17,856)  |
| Intergovernmental - State                    | -                 | -                 | 5,531             | 5,531   |
| Use of money and property                    | -                 | -                 | 16,588            | 16,588  |
| <b>Amount available for appropriation</b>    | <u>1,661,900</u>  | <u>1,750,813</u>  | <u>1,765,041</u>  | <u>(7,891)</u>  |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b> |                   |                   |                   |   |
| Debt service:                                |                   |                   |                   |   |
| Principal                                    | 280,000           | 280,000           | 280,000           | -   |
| Interest and fiscal charges                  | 748,900           | 748,900           | 738,484           | 10,416  |
| <b>Total charges to appropriations</b>       | <u>1,028,900</u>  | <u>1,028,900</u>  | <u>1,018,484</u>  | <u>10,416</u>   |
| <b>FUND BALANCES - ENDING</b>                | <u>\$ 633,000</u> | <u>\$ 721,913</u> | <u>\$ 746,557</u> | <u>\$ 24,644</u>  |

# City of Saratoga

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Park Development Capital Projects Fund

For the year ended June 30, 2007

|  | Budgeted Amounts |                   | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-------------------|-------------------|---|
|  | Original         | Final             |                   |   |
| <b>FUND BALANCES - BEGINNING</b>             | \$ 10,100        | \$ 74,499         | \$ 91,246         | \$ 16,747   |
| <b>RESOURCES (INFLOWS):</b>                  |                  |                   |                   |   |
| Intergovernmental - Other                    | -                | -                 | 27,728            | 27,728  |
| Use of money and property                    | -                | -                 | 22,882            | 22,882  |
| Current service charges                      | 62,100           | 124,200           | 124,200           | -   |
| Transfer in                                  | -                | -                 | 15,000            | 15,000  |
| <b>Amount available for appropriation</b>    | <b>72,200</b>    | <b>198,699</b>    | <b>281,056</b>    | <b>82,357</b>   |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b> |                  |                   |                   |   |
| Community services                           | -                | -                 | 71,970            | (71,970)  |
| <b>Total charges to appropriations</b>       | <b>-</b>         | <b>-</b>          | <b>71,970</b>     | <b>(71,970)</b>   |
| <b>FUND BALANCES - ENDING</b>                | <b>\$ 72,200</b> | <b>\$ 198,699</b> | <b>\$ 209,086</b> | <b>\$ 10,387</b>  |

# City of Saratoga

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Library Expansion Capital Projects Fund

For the year ended June 30, 2007

|  | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------|-------------------|---|
|  | Original         | Final      |                   |   |
| <b>FUND BALANCES - BEGINNING</b>             | \$ 813,200       | \$ 720,045 | \$ 704,004        | \$ (16,041)   |
| <b>RESOURCES (INFLOWS):</b>                  |                  |            |                   |   |
| Use of money and property                    | 29,700           | 19,500     | 19,423            | (77)  |
| <b>Amount available for appropriation</b>    | 842,900          | 739,545    | 723,427           | (16,118)  |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b> |                  |            |                   |   |
| Capital outlay                               | 57,500           | 55,624     | 38,874            | 16,750  |
| <b>Total charges to appropriations</b>       | 57,500           | 55,624     | 38,874            | 16,750  |
| <b>FUND BALANCES - ENDING</b>                | \$ 785,400       | \$ 683,921 | \$ 684,553        | \$ 632  |



## FIDUCIARY FUND FINANCIAL STATEMENTS

### Agency Funds

*Cable T.V. Trust* - This fund accounts for funds of the Saratoga Community Access T.V. Foundation.

*Assessment Districts Bonds* - This fund accumulates the monies for payment of bonds for Village Parking Districts #2 and #3, the Leonard Road Improvement District and the Saratoga Public Financing Authority which are financed by assessments placed on the County tax roll.

**City of Saratoga**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2007**

|                          | Cable T.V.<br>Trust | Assessment<br>District Bonds | Total<br>Agency<br>Funds |
|--------------------------|---------------------|------------------------------|--------------------------|
| <b>ASSETS</b>            |                     |                              |                          |
| Cash and investments     | \$ 63,882           | \$ 1,230                     | \$ 65,112                |
| Account receivable       | 152                 | -                            | 152                      |
| Interest receivable      | 829                 | -                            | 829                      |
| <b>Total assets</b>      | <b>\$ 64,863</b>    | <b>\$ 1,230</b>              | <b>\$ 66,093</b>         |
| <b>LIABILITIES</b>       |                     |                              |                          |
| Deposits payable         | \$ 64,863           | \$ 1,230                     | \$ 66,093                |
| <b>Total liabilities</b> | <b>\$ 64,863</b>    | <b>\$ 1,230</b>              | <b>\$ 66,093</b>         |

**City of Saratoga**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2007**

|   | Balance<br>July 1, 2006 | Additions       | Deductions  | Balance<br>June 30, 2007 |
|---|-------------------------|-----------------|-------------|--------------------------|
| <b><u>Cable T.V. Trust</u></b>              |                         |                 |             |                          |
| <b>Assets:</b>                              |                         |                 |             |                          |
| Cash and investments                        | \$ 60,842               | \$ 3,040        | \$ -        | \$ 63,882                |
| Accounts receivable                         | -                       | 152             | -           | 152                      |
| Interest receivable                         | 689                     | 140             | -           | 829                      |
| <b>Total assets</b>                         | <b>\$ 61,531</b>        | <b>\$ 3,332</b> | <b>\$ -</b> | <b>\$ 64,863</b>         |
| <b>Liabilities:</b>                         |                         |                 |             |                          |
| Deposits payable                            | \$ 61,531               | \$ 3,332        | -           | \$ 64,863                |
| <br><b><u>Assessment District Bonds</u></b> |                         |                 |             |                          |
| <b>Assets:</b>                              |                         |                 |             |                          |
| Cash and investments                        | \$ 1,061                | \$ 169          | \$ -        | \$ 1,230                 |
| <b>Total assets</b>                         | <b>\$ 1,061</b>         | <b>\$ 169</b>   | <b>\$ -</b> | <b>\$ 1,230</b>          |
| <b>Liabilities:</b>                         |                         |                 |             |                          |
| Deposits payables                           | \$ 1,061                | \$ 169          | -           | \$ 1,230                 |
| <b>Total liabilities</b>                    | <b>\$ 1,061</b>         | <b>\$ 169</b>   | <b>\$ -</b> | <b>\$ 1,230</b>          |
| <br><b><u>Total Agency Funds</u></b>        |                         |                 |             |                          |
| <b>Assets:</b>                              |                         |                 |             |                          |
| Cash and investments                        | \$ 61,903               | \$ 3,209        | \$ -        | \$ 65,112                |
| Accounts receivable                         | -                       | 152             | -           | 152                      |
| Interest receivable                         | 689                     | 140             | -           | 829                      |
| <b>Total assets</b>                         | <b>\$ 62,592</b>        | <b>\$ 3,501</b> | <b>\$ -</b> | <b>\$ 66,093</b>         |
| <b>Liabilities:</b>                         |                         |                 |             |                          |
| Deposits payable                            | \$ 62,592               | \$ 3,501        | \$ -        | \$ 66,093                |
| <b>Total liabilities</b>                    | <b>\$ 62,592</b>        | <b>\$ 3,501</b> | <b>\$ -</b> | <b>\$ 66,093</b>         |



**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**City of Saratoga**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
**June 30, 2007 and 2006**

|   | 2007                  | 2006                  |
|---|-----------------------|-----------------------|
| <b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>           |                       |                       |
| Land and land improvements                          | \$ 9,887,095          | \$ 9,887,095          |
| Buildings and structures                            | 23,066,577            | 20,502,349            |
| Machinery and equipment                             | 1,835,003             | 1,426,309             |
| Infrastructure                                      | 102,364,233           | 98,917,810            |
| Construction in progress                            | 4,798,318             | 8,520,821             |
| <b>Total governmental funds capital assets</b>      | <b>141,951,226</b>    | <b>139,254,384</b>    |
| Accumulated depreciation                            | (19,958,980)          | (17,984,014)          |
| <b>Total governmental funds capital assets, net</b> | <b>\$ 121,992,246</b> | <b>\$ 121,270,370</b> |
| <b>INVESTMENTS IN GOVERNMENTAL FUNDS</b>            |                       |                       |
| <b>CAPITAL ASSETS BY SOURCE:</b>                    |                       |                       |
| General Fund  | \$ 116,056,016        | \$ 109,636,671        |
| Special revenue funds                               | 1,418,730             | 1,418,730             |
| Capital projects funds                              | 24,379,132            | 28,101,635            |
| Donations   | 97,348                | 97,348                |
| Accumulated depreciation                            | (19,958,980)          | (17,984,014)          |
| <b>Total governmental funds capital assets</b>      | <b>\$ 121,992,246</b> | <b>\$ 121,270,370</b> |

**City of Saratoga**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**June 30, 2007**

|   | Land and<br>Land<br>Improvements | Buildings<br>and<br>Structures | Machinery<br>and<br>Equipment | Infrastructure       | Construction<br>in<br>Progress | Total                 |
|---|----------------------------------|--------------------------------|-------------------------------|----------------------|--------------------------------|-----------------------|
| <b>FUNCTION AND ACTIVITY</b>                            |                                  |                                |                               |                      |                                |                       |
| General and intergovernmental services:                 |                                  |                                |                               |                      |                                |                       |
| Management services                                     | \$ -                             | \$ 271,631                     | \$ 47,837                     | \$ -                 | \$ 42,737                      | \$ 362,205            |
| Administrative services                                 | -                                | 167,585                        | 452,698                       | -                    | -                              | 620,283               |
| Intergovernmental services                              | 118,184                          | 3,096,786                      | 67,606                        | -                    | (2,640,768)                    | 641,808               |
| Total general and<br>intergovernmental services         | 118,184                          | 3,536,002                      | 568,141                       | -                    | (2,598,031)                    | 1,624,296             |
| Public safety:  |                                  |                                |                               |                      |                                |                       |
| Police services   | -                                | -                              | 27,813                        | -                    | -                              | 27,813                |
| Code enforcement  | -                                | -                              | 22,548                        | -                    | -                              | 22,548                |
| Total public safety                                     | -                                | -                              | 50,361                        | -                    | -                              | 50,361                |
| Public works:   |                                  |                                |                               |                      |                                |                       |
| Streets and sidewalks                                   | 134,695                          | 30,628                         | 606,115                       | 102,364,233          | 4,354,303                      | 107,489,974           |
| Parks/open space  | 2,529,529                        | 2,656,850                      | 338,913                       | -                    | (419,890)                      | 5,105,402             |
| Total public works                                      | 2,664,224                        | 2,687,478                      | 945,028                       | 102,364,233          | 3,934,413                      | 112,595,376           |
| Community services                                      | 5,362,223                        | 2,543,198                      | 227,811                       | -                    | 2,635,068                      | 10,768,300            |
| Community development services                          | 1,742,464                        | 14,299,899                     | 43,662                        | -                    | 826,868                        | 16,912,893            |
| Total governmental funds capital assets                 | 9,887,095                        | 23,066,577                     | 1,835,003                     | 102,364,233          | 4,798,318                      | 141,951,226           |
| Accumulated depreciation                                | -                                | (3,836,845)                    | (1,389,093)                   | (14,733,042)         | -                              | (19,958,980)          |
| <b>Total governmental funds<br/>capital assets, net</b> | <b>\$ 9,887,095</b>              | <b>\$ 19,229,732</b>           | <b>\$ 445,910</b>             | <b>\$ 87,631,191</b> | <b>\$ 4,798,318</b>            | <b>\$ 121,992,246</b> |

**City of Saratoga**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**For the year ended June 30, 2007**

|   | Governmental<br>Funds Capital<br>Assets<br>July 1, 2006 | Additions                  | Deletions                    | Governmental<br>Funds Capital<br>Assets<br>June 30, 2007 |
|---|---|----------------------------|------------------------------|--|
| <b>FUNCTION AND ACTIVITY</b>                        |   |                            |                              |  |
| General and intergovernmental services:             |   |                            |                              |  |
| Management services                                 | \$ 362,205  | \$ -                       | \$ -                         | \$ 362,205   |
| Administrative services                             | 211,589   | 408,694                    | -                            | 620,283  |
| Intergovernmental services                          | 3,282,576   | -                          | (2,640,768)                  | 641,808  |
| Total general and intergovernmental services        | <u>3,856,370</u>  | <u>408,694</u>             | <u>(2,640,768)</u>           | <u>1,624,296</u>   |
| Public safety:                                      |   |                            |                              |  |
| Police services                                     | 27,813  | -                          | -                            | 27,813   |
| Code enforcement                                    | 22,548  | -                          | -                            | 22,548   |
| Total public safety                                 | <u>50,361</u>   | <u>-</u>                   | <u>-</u>                     | <u>50,361</u>  |
| Public works:                                       |   |                            |                              |  |
| Streets and sidewalks                               | 104,705,396   | 3,446,423                  | (661,845)                    | 107,489,974  |
| Parks/open space                                    | 2,961,064   | 4,785,106                  | (2,640,768)                  | 5,105,402  |
| Total public works                                  | <u>107,666,460</u>                                      | <u>8,231,529</u>           | <u>(3,302,613)</u>           | <u>112,595,376</u>                                       |
| Community services                                  | 10,768,300  | -                          | -                            | 10,768,300   |
| Community development services                      | 16,912,893  | -                          | -                            | 16,912,893   |
| Total governmental funds capital assets             | <u>139,254,384</u>                                      | <u>8,640,223</u>           | <u>(5,943,381)</u>           | <u>141,951,226</u>                                       |
| Accumulated depreciation                            | <u>(17,984,014)</u>                                     | <u>(1,974,966)</u>         | <u>-</u>                     | <u>(19,958,980)</u>                                      |
| <b>Total governmental funds capital assets, net</b> | <u><u>\$ 121,270,370</u></u>                            | <u><u>\$ 6,665,257</u></u> | <u><u>\$ (5,943,381)</u></u> | <u><u>\$ 121,992,246</u></u>                             |

# STATISTICAL SECTION (Unaudited)

This part of the City of Saratoga's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

| <b>Contents</b>  | <b><u>Page</u></b> |
|--|--------------------|
| Financial Trends   |                    |
| These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.  | 82-86              |
| Revenue Capacity   |                    |
| These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.  | 87-92              |
| Debt Capacity  |                    |
| These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.                    | 93-96              |
| Demographic and Economic Information   |                    |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.   | 97-98              |
| Operating Information  |                    |
| These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. | 99-102             |

**City of Saratoga**  
**Net Assets by Component**  
**Last Three Fiscal Years**  
**(accrual basis of accounting)**  
(amounts expressed in thousands)

|   | Fiscal Year       |                   |                   |
|---|-------------------|-------------------|-------------------|
|   | 2005              | 2006              | 2007              |
| Primary government                              |                   |                   |                   |
| Governmental activities                         |                   |                   |                   |
| Invested in capital assets, net of related debt | \$ 105,784        | \$ 107,100        | \$ 108,102        |
| Restricted                                      | 6,328             | 5,370             | 5,928             |
| Unrestricted                                    | 6,789             | 9,955             | 8,593             |
| Total primary government                        | <u>\$ 118,901</u> | <u>\$ 122,425</u> | <u>\$ 122,623</u> |

Source: CAFR

**City of Saratoga**  
**Changes in Net Assets**  
**Last Three Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

|  | Fiscal Year        |                   |                    |
|--|--------------------|-------------------|--------------------|
|  | 2005               | 2006              | 2007               |
| <b>Expenses</b>  |                    |                   |                    |
| Governmental Activities:                               |                    |                   |                    |
| General government                                     | \$ 4,160           | \$ 3,473          | \$ 4,532           |
| Public safety  | 3,736              | 3,427             | 3,844              |
| Environmental  | 379                | 465               | 487                |
| Public works   | 3,450              | 4,287             | 5,938              |
| Community services                                     | 1,929              | 1,395             | 1,437              |
| Community development services                         | 2,349              | 2,226             | 1,993              |
| Interest on long-term debt (Unallocated)               | 760                | 754               | 768                |
| Total Governmental Activities Expenses                 | <u>\$ 16,763</u>   | <u>\$ 16,027</u>  | <u>\$ 18,999</u>   |
| <b>Program Revenues</b>                                |                    |                   |                    |
| Governmental activities:                               |                    |                   |                    |
| Charges for services                                   |                    |                   |                    |
| General government                                     | \$ -               | \$ 31             | \$ 452             |
| Public safety  | 141                | 122               | -                  |
| Environmental  | 504                | 509               | -                  |
| Public works   | 8                  | 12                | 257                |
| Community services                                     | 757                | 1,008             | 604                |
| Community development services                         | 1,890              | 2,665             | 1,328              |
| Operating grants and contributions                     | 1,218              | 1,549             | 2,155              |
| Capital grants and contributions                       | 865                | 1,568             | 1,282              |
| Total governmental activities program revenues         | <u>5,383</u>       | <u>7,464</u>      | <u>6,078</u>       |
| Total primary government program revenues              | <u>\$ (11,380)</u> | <u>\$ (8,563)</u> | <u>\$ (12,921)</u> |
| Net (expense)/ revenue:                                |                    |                   |                    |
| Governmental activities                                | <u>\$ (11,380)</u> | <u>\$ (8,563)</u> | <u>\$ (12,921)</u> |
| Total primary government net expense                   | <u>\$ (11,380)</u> | <u>\$ (8,563)</u> | <u>\$ (12,921)</u> |
| <b>General Revenue and Other Changes in Net Assets</b> |                    |                   |                    |
| Governmental activities:                               |                    |                   |                    |
| Property taxes   | \$ 4,841           | \$ 5,652          | \$ 5,772           |
| Special assessments                                    | 302                | 348               | -                  |
| Voter approved property taxes                          | 1,174              | 1,021             | 271                |
| Sales taxes  | 1,011              | 988               | 995                |
| Local taxes  | 1,143              | 1,288             | 1,099              |
| Franchise taxes  | 995                | 1,040             | 1,187              |
| Motor vehicle in-lieu                                  | 420                | 718               | 177                |
| Total taxes  | <u>9,886</u>       | <u>11,055</u>     | <u>9,501</u>       |
| Intergovernmental                                      |                    |                   | 673                |
| Investment earnings                                    | 283                | 709               | 2813               |
| Other revenues   | 193                | 162               | 132                |
| Total Governmental activities                          | <u>10,362</u>      | <u>11,926</u>     | <u>13,119</u>      |
| Total primary government                               | <u>\$ 10,362</u>   | <u>\$ 11,926</u>  | <u>\$ 13,119</u>   |
| <b>Change in Net Assets</b>                            |                    |                   |                    |
| Governmental activities                                | <u>\$ (1,018)</u>  | <u>\$ 3,363</u>   | <u>\$ 198</u>      |
| Total primary government                               | <u>\$ (1,018)</u>  | <u>\$ 3,363</u>   | <u>\$ 198</u>      |
| Source: CAFR   |                    |                   |                    |

**City of Saratoga**  
**Governmental Activities Tax Revenues by Source**  
**Last Three Fiscal Years**  
**(accrual basis of accounting)**  
(amounts expressed in thousands)

---

|                                | Fiscal Year     |                  |                 |
|--------------------------------|-----------------|------------------|-----------------|
|                                | 2005            | 2006             | 2007            |
| Property Taxes                 | \$ 4,841        | \$ 5,652         | \$ 5,772        |
| Special Assessment             | 302             | 348              | -               |
| Voters Approved Property Taxes | 1,174           | 1,021            | 271             |
| Sales Taxes                    | 1,011           | 988              | 995             |
| Local Taxes                    | 1,143           | 1,288            | 1,099           |
| Motor Vehicle In-lieu          | 420             | 718              | 177             |
| Franchise Tax                  | 995             | 1,040            | 1,187           |
| Total                          | <u>\$ 9,886</u> | <u>\$ 11,055</u> | <u>\$ 9,501</u> |

Source: City of Saratoga

**City of Saratoga**  
**Fund Balances of Governmental Funds**  
**Last Three Fiscal Years**  
**(modified accrual basis of accounting)**  
(amounts expressed in thousands)

|                                    | Fiscal Year     |                  |                 |
|------------------------------------|-----------------|------------------|-----------------|
|                                    | 2005            | 2006             | 2007            |
| General Fund                       |                 |                  |                 |
| Reserved                           | \$ -            | \$ 1             | \$ 64           |
| Unreserved                         | 6,976           | 10,378           | 9,097           |
| Total General Fund                 | <u>\$ 6,976</u> | <u>\$ 10,379</u> | <u>\$ 9,161</u> |
| <br>                               |                 |                  |                 |
| All other governmental funds       |                 |                  |                 |
| Reserved                           | \$ 855          | \$ 865           | \$ 746          |
| Unreserved, reported in:           |                 |                  |                 |
| Special revenue funds              | 201             | 919              | 844             |
| Debt service funds                 | -               | -                | -               |
| Capital Project funds              | 5,322           | 3,586            | 4,338           |
| Total all other governmental funds | <u>\$ 6,378</u> | <u>\$ 5,370</u>  | <u>\$ 5,928</u> |

Source: CAFR

**City of Saratoga**  
**Changes in Fund Balances of governmental funds**  
**Last Three Fiscal Years**  
**(modified accrual basis of accounting)**  
(amounts expressed in thousands)

|  | Fiscal Years    |                 |                 |
|--|-----------------|-----------------|-----------------|
|  | 2005            | 2006            | 2007            |
| <b>Revenues</b>                                    |                 |                 |                 |
| Property Taxes                                     | \$ 6,304        | \$ 7,022        | \$ 6,043        |
| Other Local Taxes                                  | 1,862           | 2,275           | 2,121           |
| Licenses and permits                               | 100             | 79              | 1,340           |
| Fines and forfeitures                              | 162             | 259             | 396             |
| Intergovernmental-State                            | 1,375           | 2,660           | 3,631           |
| Intergovernmental-Federal                          | 90              | -               | -               |
| Intergovernmental-Other                            | 671             | 976             | 629             |
| Franchise Fees                                     | 1,294           | 1,041           | 1,187           |
| Use of money and property                          | 664             | 752             | 2,813           |
| Other Revenues                                     | 153             | 1,719           | 151             |
| Current Service Charge                             | 3,093           | 2,715           | 900             |
| <b>Total Revenues</b>                              | <b>15,768</b>   | <b>19,498</b>   | <b>19,211</b>   |
| <b>Expenditures</b>                                |                 |                 |                 |
| General Government                                 | 3,238           | 3,346           | 3,806           |
| Public Safety                                      | 3,731           | 3,423           | 3,824           |
| Environmental Services                             | 379             | 462             | 444             |
| Public Works                                       | 2,220           | 3,039           | 5,270           |
| Community Services                                 | 1,875           | 1,210           | 1,381           |
| Community Development                              | 1,990           | 1,847           | 1,962           |
| Capital Outlay                                     | 1,777           | 2,908           | 2,130           |
| Debt Service                                       |                 |                 |                 |
| Principal  | 255             | 270             | 280             |
| Interest   | 766             | 760             | 774             |
| <b>Total Expenditures</b>                          | <b>16,231</b>   | <b>17,265</b>   | <b>19,871</b>   |
| Excess of revenues<br>over (under) expenditures    | (463)           | 2,233           | (660)           |
| <b>Other financing sources (uses)</b>              |                 |                 |                 |
| Transfers in                                       | 2,492           | 499             | 3,422           |
| Transfers out                                      | (2,492)         | (499)           | (3,422)         |
| <b>Total other financing sources (uses)</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| <b>Net change in fund balances</b>                 | <b>\$ (463)</b> | <b>\$ 2,233</b> | <b>\$ (660)</b> |
| Debt as a percentage of noncapital<br>expenditures | 7.06%           | 7.17%           | 5.94%           |

Source: CAFR

**City of Saratoga**  
**Governmental Activities Tax Revenues by Source**  
**Last Three Fiscal Years**  
**(modified accrual basis of accounting)**  
(amounts expressed in thousands)

|                                | Fiscal Year |           |          |
|--------------------------------|-------------|-----------|----------|
|                                | 2005        | 2006      | 2007     |
| Property Taxes                 | \$ 4,841    | \$ 5,652  | \$ 5,772 |
| Special Assessment             | 302         | 348       | -        |
| Voters Approved Property Taxes | 1,174       | 1,021     | 271      |
| Sales Taxes                    | 1,011       | 988       | 995      |
| Local Taxes                    | 1,143       | 1,288     | 1,099    |
| Motor Vehicle In-lieu          | 420         | 718       | 177      |
| Franchise Tax                  | 995         | 1,040     | 1,187    |
| Total                          | \$ 9,886    | \$ 11,055 | \$ 9,501 |

Source: City of Saratoga

**City of Saratoga**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Three Fiscal Years**  
(amounts expressed in thousands)

| Fiscal Year Ended June 30 | Residential Property | Commerical Property | Industrial Property | Institu-tional | Vacant Land | Other Property | Unsecured Property | Total Assessed Value | Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate |
|---------------------------|----------------------|---------------------|---------------------|----------------|-------------|----------------|--------------------|----------------------|--------------------------------|------------------------------|-----------------------|
| 2005                      | \$ 7,114,095         | \$ 166,071          | \$ 8,746            | \$ 33,509      | \$ 70,276   | \$ 35,127      | \$ 42,965          | \$ 7,470,789         | \$ (76,932)                    | \$ 7,393,857                 | 1.0560                |
| 2006                      | 7,883,965            | 177,149             | 8,921               | 38,027         | 90,611      | 32,858         | 46,874             | 8,278,405            | (133,951)                      | 8,144,454                    | 1.0529                |
| 2007                      | 8,467,894            | 187,142             | 9,099               | 45,706         | 107,228     | 39,536         | 39,764             | 8,896,369            | (140,859)                      | 8,755,510                    | 1.0412                |

Source: HdL Coren & Cone, Santa Clara County Assessor 2006/2007 Combined Tax Rolls

Other Property includes: Irrigated, Dry Farm, Recreational, Government, SBE Nonunitary, Unknown & Miscellaneous

**City of Saratoga**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Last Three Fiscal Years**

|  | Fiscal Year |         |         |
|--|-------------|---------|---------|
|  | 2005        | 2006    | 2007    |
| General  | 1.00000     | 1.00000 | 1.00000 |
| County Retirement  | 0.0388      | 0.0388  | 0.0388  |
| County Library   | 0.0024      | 0.0024  | 0.0024  |
| Campbell School District   | 0.0529      | 0.0512  | 0.0508  |
| Cupertino Elementary School District                                       | 0.036       | 0.035   | 0.0289  |
| Moreland Elementary School District  | 0.0612      | 0.0561  | 0.0556  |
| Saratoga School District   | 0.0361      | 0.0356  | 0.0351  |
| Campbell Union High School District  | 0.0197      | 0.0224  | 0.0198  |
| Fremont Union High School District   | 0.0268      | 0.026   | 0.0243  |
| Los Gatos-Saratoga Joint Union High School District                        | 0.0409      | 0.0371  | 0.0351  |
| Foothill-DeAnza Community College District                                 | 0.0129      | 0.0119  | 0.0346  |
| West Valley-Mission Community College District                             | 0           | 0.014   | 0.0126  |
| City of Saratoga   | 0.01484     | 0.0117  | 0.00955 |
| Saratoga Fire District   | 0.0017      | 0.0052  | 0.0049  |
| Santa Clara Valley Water District – State Water Project (Land and Improver | 0.0086      | 0.0069  | 0.007   |
| Santa Clara Valley Water District – Zone W-1 (Land and Improvement)        | 0.0006      | 0.0009  | 0.0002  |

Source: California Municipal Statistics, Inc

**City of Saratoga**  
**Principal Property Taxpayers**  
**6/30/2007**

(amounts expressed in thousands)

| Taxpayer                            | Primary Use   | 2005             |      |                             | 2006             |      |                             |
|-------------------------------------|---------------|------------------|------|-----------------------------|------------------|------|-----------------------------|
|                                     |               | Taxable Assessed | Rank | % of Total Taxable Assessed | Taxable Assessed | Rank | % of Total Taxable Assessed |
|                                     |               | Value            |      | Value                       | Value            |      | Value                       |
| Cupertino Village Associates LLC    | Commercial    |                  |      |                             |                  |      |                             |
| Quito Village Group LLC             | Commercial    | \$ 16,640        | 2    | 0.23%                       | \$ 16,640        | 2    | 0.20%                       |
| John M. Sobrato                     | Residential   |                  |      |                             |                  |      |                             |
| Gregpenn Property                   | Residential   |                  |      |                             |                  |      |                             |
| San Jose Water Works                | Miscellaneous | 9,904            | 4    | 0.13%                       | 9,904            | 4    | 0.12%                       |
| Coyote Properties LLC               | Vacant Land   |                  |      |                             |                  |      |                             |
| David L. House                      | Vacant Land   | 8,872            | 9    | 0.12%                       | 8,872            | 9    | 0.11%                       |
| Argonaut Associates LLV             | Commercial    | 11,427           | 3    | 0.15%                       | 11,427           | 3    | 0.14%                       |
| Ashok Krishnamurthi, Et.Al.         | Residential   |                  |      |                             |                  |      |                             |
| David J. & Terri E. Morrison        | Commercial    | 9,606            | 5    | 0.13%                       | 9,606            | 5    | 0.12%                       |
| Public Storage Props IX Inc         | Commercial    | 8,530            | 10   | 0.12%                       | 8,530            | 10   | 0.10%                       |
| Saratoga Office Center Partners LLC | Commercial    | 19,300           | 1    | 0.26%                       | 19,300           | 1    | 0.24%                       |
| David C. & Roxanne N. Peterschmidt  | Residential   | 9,173            | 7    | 0.12%                       | 9,173            | 7    | 0.11%                       |
| Deloise A. Jordan                   | Residential   | 9,020            | 8    | 0.12%                       | 9,020            | 8    | 0.11%                       |
| Total                               |               | 102,472          |      |                             | 102,472          |      |                             |
| Assessed value                      |               | 7,393,858        |      |                             | 8,144,454        |      |                             |

Source: HdL Coren & Cone, Santa Clara County Assessor 2006/2007 Combined Tax Rolls

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| 2007                   |        |      |                                   |
|------------------------|--------|------|-----------------------------------|
| Taxable Assessed Value |        | Rank | % of Total Taxable Assessed Value |
| \$                     | 19,850 | 1    | 0.23%                             |
|                        | 16,973 | 2    | 0.19%                             |
|                        | 16,299 | 3    | 0.19%                             |
|                        | 14,280 | 4    | 0.16%                             |
|                        | 10,778 | 5    | 0.12%                             |
|                        | 10,197 | 6    | 0.12%                             |
|                        | 9,773  | 7    | 0.11%                             |
|                        | 9,710  | 8    | 0.11%                             |
|                        | 9,644  | 9    | 0.11%                             |
|                        | 9,791  | 10   | 0.11%                             |

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127,295

8,755,510

**City of Saratoga**  
**Property Tax Levies and Collections**  
**Last Three Fiscal Years**

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| Fiscal Year<br>Ended<br>June 30 | Total Tax<br>Levy for<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy <sup>1</sup> |            | Collections in<br>Subsequent<br>Years <sup>1</sup> | Total Collections to Date |            |
|---------------------------------|--------------------------------------|--|------------|--|---------------------------|------------|
|                                 |                                      | Amount   | Percentage |  | Amount                    | Percentage |
| 2005                            | \$ 4,972,875                         | \$ 4,839,668   | 97%        | 133,207  | \$ 4,972,875              | 3%         |
| 2006                            | 5,243,038                            | 5,112,766  | 98%        | 130,272  | 5,243,038                 | 2%         |
| 2007                            | N/A                                  | N/A  | N/A        | N/A  | N/A                       | N/A        |

Source: County of Santa Clara Assessor Office

Note: 1 Information presented differs from the information required per GASB 44.  
 Data for collected and delinquent tax collections by levy year is not available from the County of Santa Clara Assessor's Office.  
 Data for the collections in subsequent years represents total delinquent amount received during the fiscal year. It does not reflect the actual fiscal year of the tax levy.  
 N/A= Not available

**City of Saratoga**  
**Ratios of Outstanding Debt by Type**  
**Last Three Fiscal Years**

(amounts expressed in thousands, except per capita amount)

|                               | Fiscal Year      |                  |                  |
|-------------------------------|------------------|------------------|------------------|
|                               | 2005             | 2006             | 2007             |
| Governmental Activities       |                  |                  |                  |
| General Obligation Bonds      | \$ 14,440        | \$ 14,170        | \$ 13,890        |
| Special Assessment Bonds      | -                | -                | -                |
| Capital Leases                | -                | -                | -                |
| Total Primary Government      | <u>\$ 14,440</u> | <u>\$ 14,170</u> | <u>\$ 13,890</u> |
| Percentage of Personal Income | N/A              | N/A              | N/A              |
| Per Capita                    | 468              | 460              | 430              |

Source: CAFR

Note: 1. Information for the City of Saratoga not available

**City of Saratoga**  
**Ratios of General Bonded Debt Outstanding**  
**Last Three Fiscal Years**  
**(amounts expressed in thousands, except per capita amount)**

|  | Fiscal Year      |                  |                  |
|--|------------------|------------------|------------------|
|  | 2005             | 2006             | 2007             |
| General Obligation Bonds                                 | \$ 14,440        | \$ 14,170        | \$ 13,900        |
| Less Amount Available in Debt Service Fund               | (855)            | (865)            | (747)            |
| Total  | <u>\$ 13,585</u> | <u>\$ 13,305</u> | <u>\$ 13,153</u> |
| Percentage of Estimated Actual Taxable Value of Property | 0.18%            | 0.16%            | 0.15%            |
| Per Capita   | 440              | 431              | 427              |

Source: CAFR & California Municipal Statistics, Inc

**City of Saratoga**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2007**

(amounts expressed in thousands)

|   | Debt<br>Outstanding | Estimated<br>Percentage<br>Applicable | Estimated<br>Share of<br>Overlapping<br>Debt |
|---|---------------------|---------------------------------------|--|
| <b>Overlapping Tax and Assessment Debt:</b>                                       |                     |                                       |  |
| Foothill-De Anza Community College District                                       | \$486,687           | 1.78%                                 | \$8,668                                      |
| West Valley Community College District  | 91,585              | 11.847                                | 10,850                                       |
| Campbell Union High School District   | 115,790             | 5.569                                 | 6,448  |
| Fremont Union High School District  | 135,495             | 3.807                                 | 5,158  |
| Los Gatos-Saratoga Joint Union High School District                               | 67,790              | 41.244                                | 27,959                                       |
| Campbell Union School District  | 1,057,377           | 6.984                                 | 7,385  |
| Cupertino Union School District   | 121,617             | 6.281                                 | 7,639  |
| Moreland School District  | 103,473             | 12.916                                | 13,365                                       |
| Saratoga Union School District  | 53,795              | 85.964                                | 46,244                                       |
| Saratoga Fire Protection District   | 5,564               | 97.685                                | 5,435  |
| City of Saratoga  | <b>13,890</b>       | <b>100.00</b>                         | <b>13,890</b>                                |
| Santa Clara Valley Water District Benefit Assessment District                     | 173,070             | 3.718                                 | 6,435  |
| <b>Total Overlapping Tax and Assessment Debt</b>                                  |                     |                                       | <b>\$159,476</b>                             |
| <b>Direct and Overlapping General Fund Debt:</b>                                  |                     |                                       |  |
| Santa Clara County General Fund Obligations                                       | \$831,605           | 3.72%                                 | \$30,919                                     |
| Santa Clara County Board of Education Certificates of Participation               | 16,325              | 3.718                                 | 607  |
| Foothill-DeAnza Community College District Certificates of Participation          | 29,700              | 1.781                                 | 529  |
| West Valley Community College District Certificates of Participation              | 33,920              | 11.847                                | 4,019  |
| Los Gatos-Saratoga Joint Union High School District Certificates of Participation | 3,985               | 41.244                                | 1,644  |
| Cupertino Union School District Certificates of Participation                     | 3,475               | 6.281                                 | 218  |
| Saratoga Union School District Certificates of Participation                      | 7,130               | 85.964                                | 6,129  |
| Midpeninsula Regional Open Space Park District General Fund Obligations           | 108,465             | 6.559                                 | 7,114  |
| <b>Total Direct and Overlapping General Fund Debt</b>                             |                     |                                       | <b>\$51,179</b>                              |
| <b>Combined Total Debt</b>  |                     |                                       | <b>\$ 210,655</b>                            |

1

<sup>1</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

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

Source: California Municipal Statistics, Inc.

**City of Saratoga**  
**Legal Debt Margin Information**  
**Last Three Fiscal Years**

(amounts expressed in thousands)

|   | Fiscal Year           |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | 2005                  | 2006                  | 2007                  |
| Debt Limit  | \$ 1,120,618.4        | \$ 1,241,760.8        | \$ 1,334,455.4        |
| Total net debt applicable to limit                                      | 13,585                | 13,305                | 13,143                |
| Legal debt margin   | 1,107,033             | 1,228,456             | 1,321,312             |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 1.21%                 | 1.07%                 | 0.98%                 |
| Legal Debt Margin Calculation   |                       |                       |                       |
| Assessed value <sup>1</sup>   | 7,393,857             | 8,144,454             | 8,755,510             |
| Add back: exempt real property <sup>1</sup>                             | 76,932                | 133,951               | 140,859               |
| Total assessed value <sup>1</sup>                                       | 7,470,789             | 8,278,405             | 8,896,369             |
| Debt limit (15% of total assessed value)                                | 1,120,618             | 1,241,761             | 1,334,455             |
| Debt applicable to limit:   |                       |                       |                       |
| General obligation bonds  | 14,440                | 14,170                | 13,890                |
| Less: Amount set aside for repayment of general obligation debt         | (855)                 | (865)                 | (747)                 |
| Total net debt applicable to limit                                      | 13,585                | 13,305                | 13,143                |
| Legal debt margin   | <u>\$ 1,107,033.4</u> | <u>\$ 1,228,455.8</u> | <u>\$ 1,321,312.4</u> |

Note: Under state finance law, the City's outstanding debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

<sup>1</sup>Source: Santa Clara County

**City of Saratoga**  
**Demographic and Economic Statistics**  
**Last Three Fiscal Years**

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| Fiscal Year | City Population | Personal Income (in thousands) | Per Capita Personal Income | Labor Force | Unemployment Rate |
|-------------|-----------------|--------------------------------|----------------------------|-------------|-------------------|
| 2005        | 30,850          | 88,404                         | 50,373                     | 12,600      | 2.5%              |
| 2006        | 30,835          | N/A                            | N/A                        | 12,700      | 2.1%              |
| 2007        | 32,308          | 179,963                        | N/A                        | 12,900      | 2.3%              |

Notes:

<sup>1</sup> Source: State of California Department of Finance

<sup>2</sup> Information for the City of Saratoga information not available.

Personal income and per Capita Personal Income for the San Jose-Sunnyvale-Santa Clara Metropolitan area

Source :<http://www.bea.gov/bea>

<sup>3</sup> Annual Average. Source is EDD <http://www.labormarketinfo.edd.ca.gov>

<sup>4</sup> source: [http://esri.com.data.community\\_data/index.html](http://esri.com.data.community_data/index.html)

**City of Saratoga  
Principal Employers  
Last Three Fiscal Years**

| Employer                  | 2005      |      |  | 2006      |      |  |
|---------------------------|-----------|------|--|-----------|------|--|
|                           | Employees | Rank | Percentage of Total City Employment <sup>1</sup> | Employees | Rank | Percentage of Total City Employment <sup>1</sup> |
| Gene's Fine Foods         | 85        | 1    | 1.39%  | 85        | 1    | 1.39%  |
| Safeway                   | 65        | 2    | 1.06%  | 65        | 2    | 1.06%  |
| Saratoga Country Club     | 65        | 3    | 1.06%  | 65        | 3    | 1.06%  |
| 24 Hour Fitness           | 30        | 4    | 0.49%  | 30        | 4    | 0.49%  |
| Windemere SVP             | 27        | 5    | 0.44%  | 27        | 5    | 0.44%  |
| Longs Drugs               | 20        | 6    | 0.33%  | 20        | 6    | 0.33%  |
| Classic Car Wash          | 20        | 7    | 0.33%  | 20        | 7    | 0.33%  |
| Harmonie European Day Spa | 20        | 8    | 0.33%  | 20        | 8    | 0.33%  |
| Hinshaw, Draa & Marsh     | 20        | 9    | 0.33%  | 20        | 9    | 0.33%  |
| Bella Saratoga            | 20        | 10   | 0.33%  | 20        | 10   | 0.33%  |
| Jakes of Saratoga         | 20        | 11   | 0.33%  | 20        | 11   | 0.33%  |
| La Fondue                 | 20        | 12   | 0.33%  | 20        | 12   | 0.33%  |
| The Plumed Horse          | 20        | 13   | 0.33%  | 20        | 13   | 0.33%  |
| Viaggio                   | 20        | 14   | 0.33%  | 20        | 14   | 0.33%  |

Source:

California Employment Development Department, Labor Market Information Division  
www.labormarketinfo.edd.ca.gov

Per Janice at EDD-Total average employment 3rd Qtr. 2005

6129

6129

City of Saratoga Business License database

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| 2007      |      |   |
|-----------|------|---|
| Employees | Rank | Percentage<br>of Total City<br>Employment |
| 85        | 1    | 1.39%                                     |
| 65        | 2    | 1.06%                                     |
| 65        | 3    | 1.06%                                     |
| 30        | 4    | 0.49%                                     |
| 27        | 5    | 0.44%                                     |
| 20        | 6    | 0.33%                                     |
| 20        | 7    | 0.33%                                     |
| 20        | 8    | 0.33%                                     |
| 20        | 9    | 0.33%                                     |
| 20        | 10   | 0.33%                                     |
| 20        | 11   | 0.33%                                     |
| 20        | 12   | 0.33%                                     |
| 20        | 13   | 0.33%                                     |
| 20        | 14   | 0.33%                                     |

**City of Saratoga**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Three Fiscal Years**

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| <b>Function</b>       | <b>Fiscal Year</b> |              |             |
|-----------------------|--------------------|--------------|-------------|
|                       | <b>2005</b>        | <b>2006</b>  | <b>2007</b> |
| General Government    | 12.65              | 10.75        | 10          |
| Public Works          | 20.8               | 20.75        | 24          |
| Community Development | 13                 | 13           | 16          |
| Parks And Recreation  | 10.3               | 10.35        | 6           |
| <b>Total</b>          | <b>56.75</b>       | <b>54.85</b> | <b>56</b>   |

Source: City of Saratoga Budget Document

**City of Saratoga**  
**Operating Indicators by Function**  
**Last Three Fiscal Years**

| Function                                     | Fiscal Year |        |        |
|--|-------------|--------|--------|
|  | 2005        | 2006   | 2007   |
| <b>Public Safety</b>                         |             |        |        |
| Part 1 crimes <sup>1</sup>                   | 463         | 426    | 426    |
| Total Incidents                              | 42,011      | 40,567 | 40,567 |
| Police reports                               | 1,767       | 1,659  | 1,659  |
| <b>Public Works</b>                          |             |        |        |
| Street resurfacing (miles)                   | N/A         | 5      | 5      |
| Street lights repaired                       | 2           | 3      | 3      |
| Potholes filled (sq. ft.)                    | N/A         | 5,000  | 5,000  |
| <b>Community Development</b>                 |             |        |        |
| Total permit valuation <sup>3</sup> (\$000)  | 74,668      | 94,485 | 94,485 |
| <b>Parks and Recreation</b>                  |             |        |        |
| Classes, Trips (enrollment) Community events | 6,579       | 6,458  | 6,458  |
| Sports Programs (e.g. basketball, softball)  | 470         | 473    | 473    |
| Child Care programs (Enrollment)             | 189         | 163    | 163    |
| Day/Summer Camps (Enrollment)                | 301         | 287    | 287    |
| Teen/Youth Council (Enrollment)              | 2,506       | 3,798  | 3,798  |
| Danc3e Program (Four quarters)               | 432         | 452    | 452    |
| Senior Center (Enrollment/attendance days)   | 22,312      | 22,591 | 22,591 |

Notes: Indicators are not available for the general government function.

<sup>1</sup>Part 1 Crimes are the following as reported to DOJ: homicide, rape, robbery, burglary, assault, theft, auto theft, and arson.

Source: City of Saratoga various records

**City of Saratoga**  
**Capital Asset Statistics by Function**  
**as of June 30, 2007**

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| <b>Function</b>                 | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---------------------------------|-------------|-------------|-------------|
| Public Safety                   |             |             |             |
| Police Station                  | 1           | 1           | 1           |
| Fire Station                    |             |             |             |
| Saratoga Fire District          | 1           | 1           | 1           |
| Central Fire District           | 1           | 1           | 1           |
| Public Works                    |             |             |             |
| Streets Miles - Private         | 13          | 13          | 13          |
| Streets Miles - Public          | 137         | 137         | 137         |
| West Valley Sanitation District |             |             |             |
| Number of Connections           | 8601        | 8621        | 8621        |
| Length of Sewer Lines           | 20          | 20          | 20          |
| Cupertino Sanitation District   |             |             |             |
| Number of Connections           | 2118        | 2118        | 2118        |
| Length of Sewer Lines           | 36          | 36          | 36          |
| Parks and Recreation            |             |             |             |
| Parks acreage                   | 81          | 81          | 81          |
| Parks                           | 15          | 15          | 15          |

Source: City of Saratoga various records

Note: No capital asset indicators are available for the general government or community development functions.