



# SARATOGA, CALIFORNIA

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2008

### City Council

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

**Prepared under the direction of :**  
David Anderson, City Manager  
Finance & Administrative Services Department



# CITY OF SARATOGA

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## **INTRODUCTORY SECTION**

**CITY OF SARATOGA  
ELECTED OFFICIALS AND  
ADMINISTRATIVE PERSONNEL**

**As of June 30, 2008**

**CITY COUNCIL \***

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

**CITY STAFF**

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

**CITY ATTORNEY**

Richard S. Taylor – Shute, Mihaly & Weinberger

**INDEPENDENT AUDITOR**

Vavrinek, Trine, Day & Co., LLP, CPA

*\* Council reorganization was completed on December 4, 2007*



# CITY OF SARATOGA

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CITY HALL  
13777 FRUITVALE AVENUE  
SARATOGA, CALIFORNIA 95070  
(408) 868-1200

December 19, 2008

Honorable Mayor and City Council,

The Comprehensive Annual Financial Report (CAFR) of the City of Saratoga for the year ended June 30, 2008, 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, 2008, 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 described in Government Accounting Standards Board (GASB) 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 Comprehensive Annual Financial Report is organized in three sections:

1. Introductory Section - The introductory section, includes the table of contents, letter of transmittal, a list of the City of Saratoga's elected officials and City administrative personnel, an organization chart and the Government Finance Officers Association's (GFOA's) of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting to the City of Saratoga for its CAFR for the fiscal year ending June 30, 2008.
2. Financial Section - The financial section includes the independent auditors' opinion, management's discussion and analysis, the basic financial statements, notes to the financial statements, combining statements of non-major funds, and required supplemental information.
3. Statistical Section - The statistical section includes both financial and non-financial data about the City. This information has been updated in accordance with the new GASB 44.

## **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 31,592 as reported by the Department of Finance. 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 Heritage Preservation Commission, Library Commission, Parks and Recreation Commission, Planning Commission, Public Safety Commission, and Youth Commission.

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. The City's Saratoga Public Financing Authority (PFA) component unit which provided financial oversight of local bond obligations was finalized in FY 2005/06. The Authority's final financial report was issued in FY 2006/07. 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 Districts 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 state's 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 began receiving 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 percentage allocated to the City as a result of the Tax Equity Allocation (TEA) 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. While the TEA legislation restored the cities to the full "low tax" level of 7%, the State required the cities to continue to remit the County's ERAF rate on these funds so that the bill would have no effect on the State budget. The ERAF rate the County remits is 47.7%, compared to the City of Saratoga's rate of 17.14%, resulting in a significant impact to the revenues received.

### **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 is 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.

The FY 2007/08 budget focused on maintaining the status quo level of services in anticipation of a leveling of the City's base revenue sources with the weakening economy. Departmental budgets were held or reduced to non-expansive levels. The City also prepared for a significant take by the State due to the publicity of the State's struggle with their budget. With the anticipation of decreasing resources, the FY 2007/08 budget process focused on operational efficiencies to streamline services, aligning fees with services provided to the public, and strengthening the organization's tracking and communication of City operations.

## **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. Vavrinek, Trine, Day & Co., LLP Certified Public Accountants performed the City's Fiscal Year 2007/08 financial 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, 2007. 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 Finance & Administrative Services Department. In particular, we would like to express our appreciation to Robert Edris, Sr. Accountant, Ann Xu, Accountant, Julie Ingraham, Karen Caselli, and Melanie Whitaker, Accounting Technicians. Furthermore, we would like to thank Vavrinek, Trine, Day & Co. CPA's for their helpful 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, 2007

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.



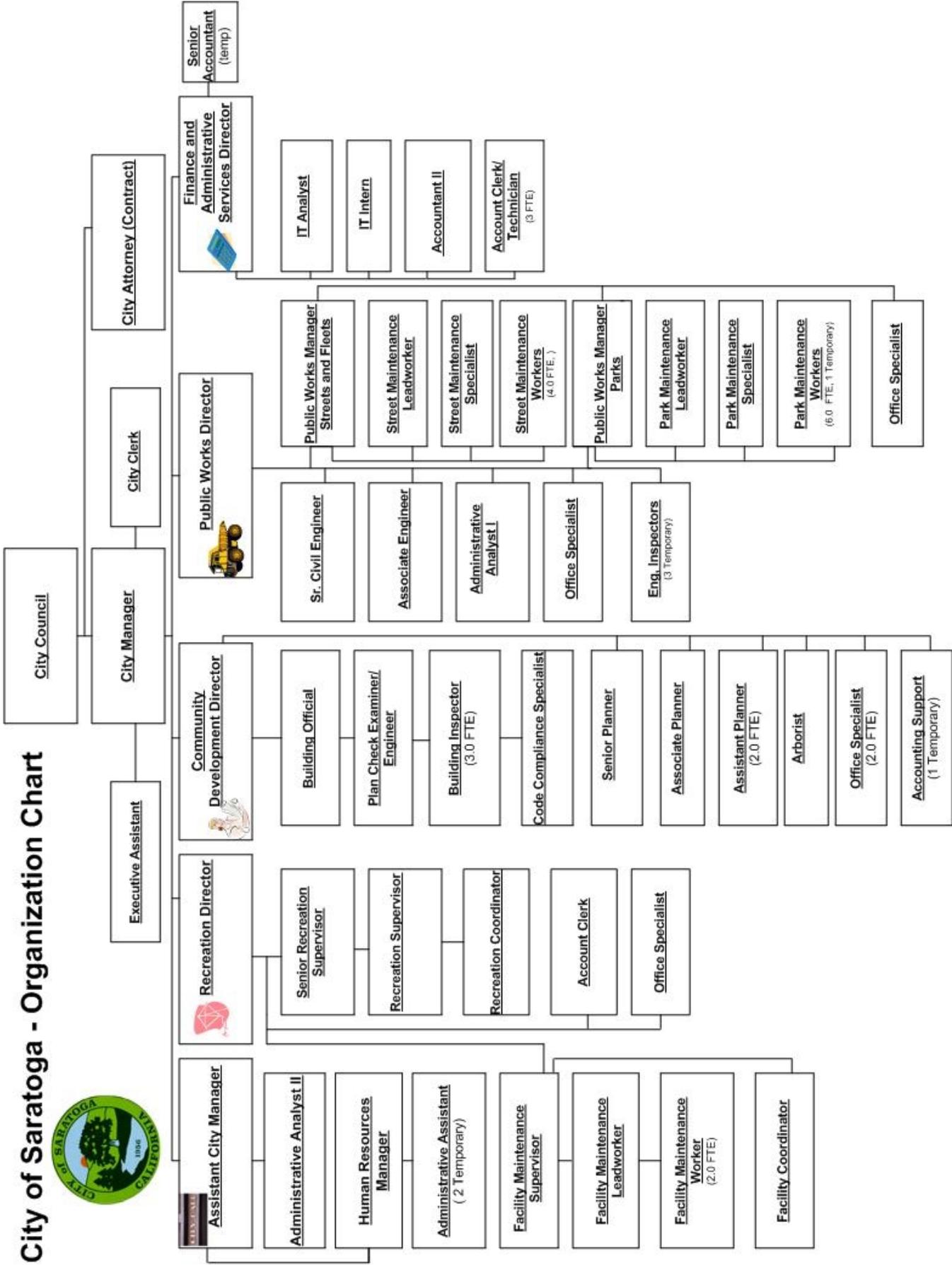
A handwritten signature in black ink, appearing to read "M. L. R. M.", written in a cursive style.

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", written in a cursive style.

Executive Director

# City of Saratoga - Organization Chart





## **FINANCIAL STATEMENTS**





## 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 (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Saratoga, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Saratoga, as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund and each major Special Revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis, and the required supplementary information as listed on the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, and combining individual non-major fund statements and schedules, and statistical section listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining, individual non-major fund statements and schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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 it.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California  
December 23, 2008

# CITY OF SARATOGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### INTRODUCTION

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2008 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 2007/08 FINANCIAL HIGHLIGHTS

- The City's total net assets were \$125,468,072 (reference pg #17).
- Total City revenues, including program and general revenues were \$22,660,539 while total expenses were \$19,815,778 (reference pg #18).
- Governmental program revenues were \$7,397,944, while Governmental program expenses were \$19,815,778 (reference pg #18).
- General Fund revenues were \$18,823,155, while General Fund expenditures were \$16,561,663 (reference pg #21).

### THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements are comprised of 1) Government-wide (City-wide) Financial Statements, and; 2) Fund Financial Statements. These two sets of financial statements provide the reader two different perspectives of the City's financial activities and financial position.

*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, 2008.

*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, 2008

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### **The Government -Wide Financial Statements**

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. 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 and recreation program fees.

*Business-Type Activities* - This category includes enterprise activities such as water, sewer, and utilities. Unlike governmental services, these services are fully 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.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. The City's funds are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* - The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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.

*Fiduciary Funds* - These funds 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. Fiduciary funds are not reflected in the government-wide financial statements because these resources are not available to support the City's programs. The City maintains one such fund, the Community Access Television Fund, which acts as 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, 2008**

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### **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.

### **SUPPLEMENTARY INFORMATION**

Combining and individual fund statements and schedules are included to provide information for non-major governmental funds, special revenue funds, fiduciary funds, and uses of capital assets. An unaudited statistical section provides historical and current data on financial trends, revenue and debt capacity, demographic and economic information, and operating information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as an indicator of the City's financial position. The City's Total Net Assets increased \$2,844,761, from \$122,623,311 in FY 2006/07 to \$125,468,072 in FY 2007/08.

The most significant portion of the City's net assets \$109,818,151 or 87.6% 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. These capital assets represent infrastructure which provides services to the citizens, consequently, these assets are not available for future spending.

\$9,709,681 or 7.6% of the City's net assets is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

\$5,940,240 or 4.8% of the City's net assets are subjected to external restrictions on how they may be used. Of these restricted net assets, \$4,768,478 is restricted for capital projects, \$853,619 is for repayment of long-term debt and \$318,143 is restricted for housing activities.

**CITY OF SARATOGA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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**NET ASSETS**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Current assets	\$ 18,463,116	\$ 17,551,165
Non-current assets	85,003	98,336
Capital assets	<u>123,413,151</u>	<u>121,992,246</u>
<b>Total Assets</b>	<u>141,961,270</u>	<u>139,641,747</u>
<b>Liabilities</b>		
Current liabilities	2,859,025	3,083,213
Long-term debt	<u>13,634,173</u>	<u>13,920,327</u>
<b>Total Liabilities</b>	<u>16,493,198</u>	<u>17,003,540</u>
<b>Net Assets</b>		
Investment in capital assets, net of related debt	109,818,151	108,102,246
Restricted for Capital Projects	4,768,478	4,337,666
Restricted for Debt Service	853,619	746,557
Restricted for Special Projects	318,143	844,003
Unrestricted	<u>9,709,681</u>	<u>8,607,837</u>
<b>Total Net Assets</b>	<u>\$ 125,468,072</u>	<u>\$ 122,638,309</u>

CITY OF SARATOGA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2008

STATEMENT OF CHANGES IN NET ASSETS

Functions/Programs	Governmental Activities		Increase (Decrease)
	2008	2007	
<b>Program Revenues</b>			
Charges for services	\$ 5,532,622	\$ 2,641,316	\$ 2,891,306
Operating grants and contributions	150,564	2,154,998	(2,004,434)
Capital grants and contributions	1,714,758	1,282,454	432,304
<b>Total Program Revenues</b>	<u>7,397,944</u>	<u>6,078,768</u>	<u>1,319,176</u>
<b>General Revenues</b>			
Property taxes	8,378,168	5,772,084	2,606,084
Voter approved debt	1,112,515	270,823	841,692
Sales taxes	1,057,977	994,680	63,297
Local taxes	693,950	1,099,174	(405,224)
Franchise fees	1,625,414	1,187,010	438,404
Motor vehicle in-lieu	148,865	176,771	(27,906)
Intergovernmental revenues	840,557	673,626	166,931
Investment earnings	1,056,891	2,812,875	(1,755,984)
Other revenues	348,258	131,951	216,307
<b>Total General Revenues</b>	<u>15,262,595</u>	<u>13,118,994</u>	<u>2,143,601</u>
<b>Expenses</b>			
General and intergovernmental services	6,292,527	4,532,488	1,760,039
Public safety services	4,165,945	3,844,330	321,615
Environmental services	441,875	487,243	(45,368)
Public works	4,883,909	5,938,148	(1,054,239)
Community services	1,285,739	1,436,964	(151,225)
Community development services	2,032,217	1,992,790	39,427
Interest on long-term debt (Unallocated)	713,566	767,983	(54,417)
<b>Total Expenses</b>	<u>19,815,778</u>	<u>\$ 18,999,946</u>	<u>\$ 815,832</u>
Increase in Net Assets	2,844,761		
<b>Net Assets, Beginning of Year</b>	<u>122,623,311</u>		
<b>Net Assets, End of Year</b>	<u>\$ 125,468,072</u>		

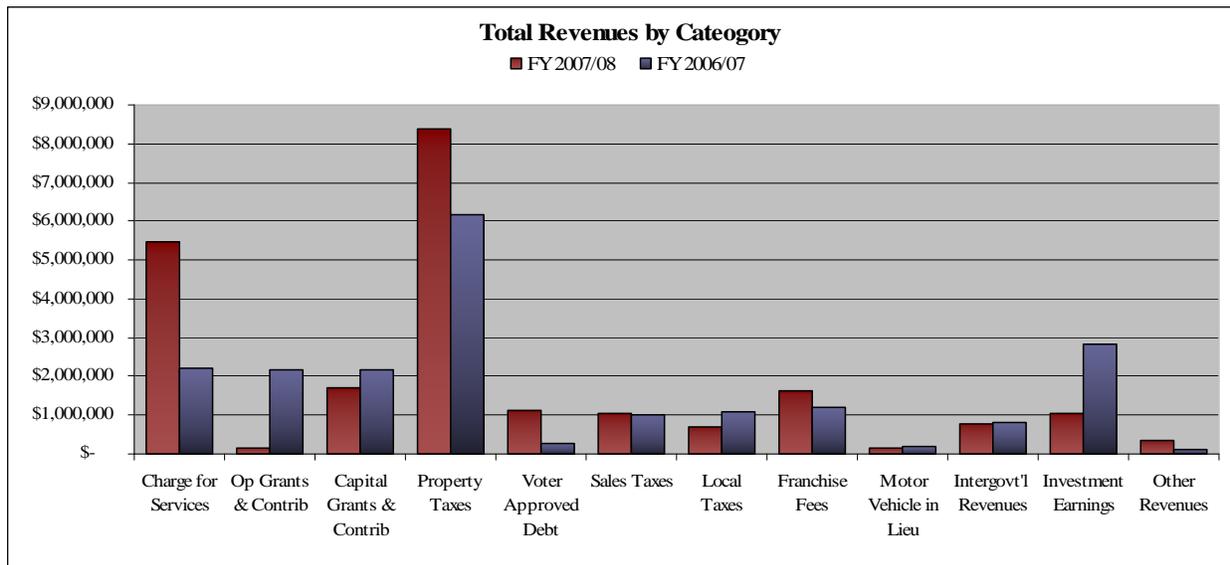
As shown in the above *Statement of Changes in Net Assets* schedule, the net change in revenues from the prior fiscal year for governmental activities from general revenues was an increase of: \$2,143,601. The net change in program revenues from the prior year was an increase of \$1,319,176 for a total increase in revenues of \$3,462,777. The net change in expenses from the prior year was \$815,529, resulting in an increase in Net Assets of \$2,844,761.

# CITY OF SARATOGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

An analysis and graphical representation of the changes in revenues and expenditures by type of significant events follows:

**CHART OF REVENUE INCREASE OR (DECREASE)**



### Increases in Revenues

- An increase of \$2,891,306 in the Charge for Services is primarily due to the initial increase resulting from establishing citywide Internal Service Funds which charge prorated fees back to departments for services and expenses.
- An increase of \$2,606,084 in Property Tax revenues is due in part to the continuing rise in property tax assessment values resulting from real estate turnover. Additional revenues are comprised of a categorization shift in the financial report allocation from the prior fiscal year.
- Voter Approved Debt revenues reflect actual property assessment receipts for the City's 2001 G.O. Library Improvement Bond. The \$841,692 increase is attributed to a report categorization change from the prior year.
- An increase of \$216,307 in Other Revenues is again a result of changes in revenue categorization. Other Revenues includes miscellaneous reimbursements, rebates, publication sales, and fines.

### Decreases in Revenues

- The decrease of \$2,004,434 in Operating Grants reflects a change in revenue reporting categorization from the prior year. As of FY 2007/08, operating grants are restricted to reflect funding received for use in the annual operating budget, and for this year include the State's annual SLESF/COPS grant, and CDBG grants for operating budget expenses.
- The decrease of \$1,755,984 in investment earnings from the prior year is again primarily a change in revenue reporting categorization. FY 2007/08 category of investment earnings are restricted solely to interest earned from the City's excess cash flow invested in LAIF. Interest rate declines contributed to an 8% drop in the amount of interest earned from the prior fiscal year.

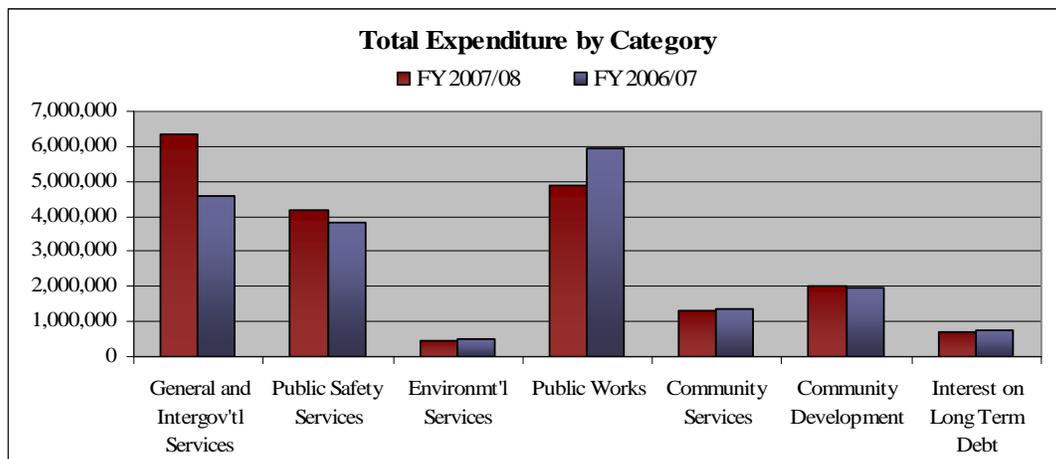
# CITY OF SARATOGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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- Local Taxes reflect a decrease of \$405,224. In FY 2007/08, Local Taxes are limited to Business License Tax, Transient Occupancy Tax, and Construction Tax. The decrease in this report reflects a change in the categorization of revenue from the prior year.

**CHART OF EXPENDITURE INCREASE OR (DECREASE)**



The net change in expenditures for Governmental Activities was an increase of \$887,034. Expenditures with significant events include:

### **Increases in Expenditures**

- A \$1,760,039 increase in General and Intergovernmental Services from the prior year is primarily from the establishment of Internal Service Funds and their resulting service charges to departments.
- Public Safety Services increased \$321,615 is primarily due to an increase in officer service levels. A School/Neighborhood Resource Officer was added in FY 2007/08.

### **Decreases in Expenditures**

- Public Works expenditures decreased by \$1,054,239 due to changes in financial structures from the prior year. All capital improvements are now classified within the Capital Projects Funds instead of within the Public Works Operating Budget.

### **MAJOR FUNDS: CHANGE IN FUND BALANCE**

Included in the Major Funds are the General Fund, the Capital Improvement Funds and the Other Governmental Funds. The Other Governmental funds include twenty-five Lighting and Landscape Assessment Districts, the Community Development Block Grant Funds, the Library Bond Debt Service Fund, and the Library Building Capital Improvement Fund. The net change of the Major Funds fiscal year transactions is a net increase of \$1,865,861.

**General Fund** - As shown in the following *Major Funds* table, the net change in the General Fund's Fund Balance was an increase of \$1,235,337. A net operating gain resulted from increases in various tax and service revenues, and expenditures coming in less than budget.

# CITY OF SARATOGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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Revenues are budgeted conservatively based upon the prior year experience and specific information, while expenditures are limited at anticipated program needs at not-to-exceed projected revenue levels. Revenues increased by \$2,690,935 from the prior year primarily due to increases in property taxes and the establishment of the Internal Service Fund charges.

### MAJOR FUNDS

	General	Capital Improvement	Other Governmental Funds
Fund Balance, Beginning of Year	\$ 9,161,279	\$ 3,444,025	\$ 2,484,198
Total Revenues	18,823,155	2,261,688	1,677,545
Total Expenditures	(16,561,663)	(3,523,306)	(1,430,243)
Transfer In	171,564	2,033,696	35,554
Transfer Out	(1,197,719)	(141,554)	(901,541)
Fund Balance, End of Year	<u>\$ 10,396,616</u>	<u>\$ 4,074,549</u>	<u>\$ 1,865,513</u>
Net Change in Fund Balance	<u>\$ 1,235,337</u>	<u>\$ 630,524</u>	<u>\$ (618,685)</u>

**Capital Improvement Project Fund** - As shown in the table above, the net change in the Capital Improvement Fund was an increase of \$630,524. The Capital Improvement Project Fund received numerous significant grants and donations, including a \$505,064 Proposition 1B street resurfacing grant, \$358,364 in STP street surfacing grant, \$168,768 in a Safe Route to Schools grant for street improvements, \$620,096 in several VTA grants, \$150,285 in donations for rehabilitating a community facility, and various smaller grants for improvement projects. As a result, revenues increased by \$1,973,208 from the prior year. As expected with increased grant funding, expenditures also increase by \$1,432,353, leaving a resulting net operating increase of \$630,524.

**Other Governmental Funds** - As shown in the table, there was a net decrease of \$618,507 in this group of funds. The Community Development Block Grant (CDBG) and the Lighting District Funds accounted for the bulk of the decrease in fund balance. Total revenues decreased by \$1,113,527, in large part from categorization changes from the prior year, but also from a decrease in intergovernmental revenues and investment earnings. Expenditures also reflect a decrease due to categorization changes, most notably in the budgetary change of Public Works expenditures.

### GOVERNMENTAL FUNDS – BUDGETARY HIGHLIGHTS

Changes from the City's General Fund 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 appropriations in a fund 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 fund's bottom line may be approved by the City Manager.

The following tables compare total Governmental Funds budget amounts to actuals. With respect to transfers, the table below shows a significant variance between budget and actuals. This variance was due to the closing of inactive funds per the Council's approval to correctly align the financial structure effective with the FY 2007/08 budget. The original and adjusted budget amounts include transfers approved in relation to the City's operating/capital budgeted operations, while actual transfers include transfers to close funds.

# CITY OF SARATOGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

	Original Budget	Adjusted Budget	Fiscal Year Actuals	Variance
Transfers in	\$ 2,194,170	\$ 3,160,491	\$ 2,240,814	\$ (919,677)
Transfers out	\$ 992,057	\$ 1,627,736	\$ 2,240,814	\$ 613,078

This second table shows the adopted and adjusted budget in comparison to actuals. For FY 2007/08 actual revenues, excluding intergovernmental, were more than estimated due to the City's policy of budgeting revenues conservatively. As a result of changes in the Capital Improvement Plan budgeting process, budgeted expenditures include carryforward Capital Improvement Plan (CIP) project balances in order to incorporate total appropriations into project funds. This resulted in an increase in budgeted expenditures for FY 2007/08 only. As a result, actual CIP expenditures are much lower than budgeted.

### BUDGET TO ACTUALS FISCAL YEAR JUNE 30, 2008

Source of Funds	Adopted Budget	Adjusted Budget	Actual	Adjusted Budget to Actual Variance
Property taxes	\$ 8,960,555	\$ 8,963,755	\$ 9,443,435	\$ 479,680
Other local taxes	1,720,900	1,720,900	1,831,227	110,327
Franchise fees	1,604,335	1,604,335	1,621,518	17,183
Motor vehicle in-lieu	235,400	235,400	148,865	(86,535)
Intergovernmental	9,549,857	9,658,857	2,269,890	(7,388,967)
Investment earnings	885,883	865,883	923,780	57,897
Other revenue	450,744	450,744	669,575	218,831
Charge for services	5,722,026	5,793,026	5,854,276	61,250
Transfers in	2,179,170	3,145,491	2,240,814	(904,677)
<b>Total Source of Funds</b>	<b>\$ 31,308,870</b>	<b>\$ 32,438,391</b>	<b>\$ 25,003,380</b>	<b>\$ (7,435,011)</b>
<b>Use of Funds</b>				
General and intergovernmental	\$ 5,781,773	\$ 5,370,153	\$ 4,082,504	\$ 1,287,649
Public safety	3,964,467	3,964,467	4,165,945	(201,478)
Environmental services	465,035	505,035	440,683	64,352
Public works	4,817,610	4,835,810	4,276,332	559,478
Community services	2,250,508	2,250,508	1,262,415	988,093
Community development	2,507,673	2,507,673	2,025,433	482,240
Capital outlay	13,751,501	13,751,501	4,245,959	9,505,542
Debt service	1,021,106	1,021,106	1,015,941	5,165
Transfers out	1,792,258	1,627,736	2,240,814	(613,078)
<b>Total Use of Funds</b>	<b>\$ 36,351,931</b>	<b>\$ 35,833,989</b>	<b>\$ 23,756,026</b>	<b>\$ 12,077,963</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:

# CITY OF SARATOGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

- 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.

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 \$1,691,466 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, 2008, the City had \$123,413,151 invested in a variety of capital assets, as reflected in the following schedule, which represents an increase of \$1,420,905 or slightly more than a 1% increase from the prior year.

### CAPITAL ASSETS AT YEAR END NET OF DEPRECIATION

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Land	\$ 9,887,095	\$ 9,887,095
Buildings and structures	18,739,078	19,229,732
Machinery and equipment	470,217	445,910
Infrastructure	86,571,890	87,631,191
Construction in progress	7,744,871	4,798,318
	<u>\$ 123,413,151</u>	<u>\$ 121,992,246</u>

The following reconciliation summarizes the changes in Capital Assets:

### CHANGES IN CAPITAL ASSETS

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>Beginning Balance</b>	\$ 121,992,246	\$ 121,270,370
Addition:		
Building and structures	-	2,564,228
Construction in progress	3,338,920	2,220,878
Infrastructure	517,473	3,446,423
Machinery and equipment	-	408,694
Retirements:		
Construction in progress	(392,364)	(5,943,381)
Depreciation	(2,043,124)	(1,974,966)
<b>Ending Balance</b>	<u>\$ 123,413,151</u>	<u>\$ 121,992,246</u>

Additional information on Capital Assets is included in note 5 to the financial statements.

# CITY OF SARATOGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### DEBT ADMINISTRATION

The net change in outstanding debt for the City of Saratoga is a decrease of \$271,154. During the fiscal year, the City did not enter into any new debt structures.

### OUTSTANDING DEBT AT YEAR END

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
2001 General Obligation Bond	\$ 13,595,000	\$ 13,890,000
Compensated absences	488,599	464,753
<b>Total Outstanding Debt</b>	<b>\$ 14,083,599</b>	<b>\$ 14,354,753</b>

The current portions of long-term debt (\$310,000 and \$295,000 for 2008 and 2007, 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 \$295,000 on the City's 2001 General Obligation \$15,000,000 bond issue.

Claims Payable - The City is a member of a pooled liability assurance network with the Association of Bay Area Governments. This JPA provides coverage for claims against the City, and any known liabilities at year end are included in the financial statements. Additional information on Outstanding Debt can be found in Note 6 to the financial statements.

### 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 resulted in a permanent increase in general fund property taxes to approximately 5.45% of the 1% ad valorem tax property owners pay.

The economy of the City and its major initiatives for the fiscal year are discussed 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**

# CITY OF SARATOGA

## STATEMENT OF NET ASSETS JUNE 30, 2008

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 15,698,155
Restricted cash and investments	1,901,682
Receivables:	
Accounts	714,799
Interest	125,543
Loans	13,333
Prepaid items	9,604
Total Current Assets	<u>18,463,116</u>
Noncurrent Assets:	
Loans receivable	85,003
Capital Assets:	
Non-depreciable	63,265,798
Depreciable, net	60,147,353
Total Capital Assets	<u>123,413,151</u>
Total Noncurrent Assets	<u>123,498,154</u>
<b>Total Assets</b>	<u>141,961,270</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	800,269
Accrued payroll	288,166
Other payable	216,727
Interest payable	296,690
Deposits payable	718,914
Unearned revenue	28,925
Claims payable	59,908
Long-term debt - due within one year	449,426
Total Current Liabilities	<u>2,859,025</u>
Noncurrent Liabilities:	
Long-term debt - due in more than one year	13,634,173
<b>Total Liabilities</b>	<u>16,493,198</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	<u>109,818,151</u>
Restricted for:	
Capital projects	4,768,478
Debt service	853,619
Special projects	318,143
Total Restricted	<u>5,940,240</u>
Unrestricted	<u>9,709,681</u>
<b>Total Net Assets</b>	<u>\$ 125,468,072</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF SARATOGA

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

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 Government Governmental Activities
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General and intergovernmental services	\$ 6,292,527	\$ 1,787,186	\$ -	\$ -	\$ 1,787,186	\$ (4,505,341)	
Public safety	4,165,945	410,822	100,000	-	510,822	(3,655,123)	
Environmental services	441,875	-	-	-	-	(441,875)	
Public works	4,883,909	313,410	-	-	313,410	(4,570,499)	
Community services	1,285,739	910,795	50,564	-	961,359	(324,380)	
Community development services	2,032,217	2,110,409	-	1,714,758	3,825,167	1,792,950	
Interest on long-term debt (unallocated)	713,566	-	-	-	-	(713,566)	
<b>Total</b>	<b>\$ 19,815,778</b>	<b>\$ 5,532,622</b>	<b>\$ 150,564</b>	<b>\$ 1,714,758</b>	<b>\$ 7,397,944</b>	<b>(12,417,834)</b>	
<b>General Revenues:</b>							
Taxes:							
Property taxes						8,099,071	
Special assessments						279,097	
Voter approved property tax						1,112,515	
Sales taxes						1,057,977	
Local taxes						693,950	
Franchise taxes						1,625,414	
Motor vehicle in-lieu						148,865	
Total taxes						13,016,889	
Intergovernmental						840,557	
Investment earnings						1,056,891	
Other revenues						348,258	
<b>Total General Revenues</b>						<b>15,262,595</b>	
<b>Change in Net Assets</b>						<b>2,844,761</b>	
<b>Net Assets - Beginning of Year</b>						<b>122,623,311</b>	
<b>Net Assets - End of Year</b>						<b>\$ 125,468,072</b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF SARATOGA**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Improvement		
<b>ASSETS</b>				
Cash and investments	\$ 11,316,622	\$ 4,381,533	\$ -	\$ 15,698,155
Restricted cash and investments	53,167	-	1,848,515	1,901,682
Receivables:				
Accounts	456,121	229,575	29,103	714,799
Interest	115,338	-	10,205	125,543
Loans	-	-	98,336	98,336
Prepaid items	8,054	1,550	-	9,604
<b>Total Assets</b>	<u>\$ 11,949,302</u>	<u>\$ 4,612,658</u>	<u>\$ 1,986,159</u>	<u>\$ 18,548,119</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 424,417	\$ 353,720	\$ 22,132	\$ 800,269
Accrued payroll	288,166	-	-	288,166
Deposits payable	718,914	-	-	718,914
Other payable	32,338	184,389	-	216,727
Deferred revenue	28,943	-	98,336	127,279
Claims payable	59,908	-	-	59,908
<b>Total Liabilities</b>	<u>1,552,686</u>	<u>538,109</u>	<u>120,468</u>	<u>2,211,263</u>
<b>Fund Balances:</b>				
Reserved for:				
Petty cash	1,300	-	-	1,300
Debt service	-	-	853,619	853,619
Unreserved, designated for:				
Operations	2,808,164	-	-	2,808,164
Economic uncertainty	1,500,000	-	-	1,500,000
Construction in progress	1,200,000	-	-	1,200,000
Community development services	782,380	-	-	782,380
Environmental services	679,917	-	-	679,917
Unreserved, undesignated, reported in:				
General Fund	3,424,855	-	-	3,424,855
Special revenue funds	-	-	318,143	318,143
Capital projects funds	-	4,074,549	693,929	4,768,478
<b>Total Fund Balances</b>	<u>10,396,616</u>	<u>4,074,549</u>	<u>1,865,691</u>	<u>16,336,856</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 11,949,302</u>	<u>\$ 4,612,658</u>	<u>\$ 1,986,159</u>	<u>\$ 18,548,119</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF SARATOGA

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

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**Total Fund Balances - Total Governmental Funds** \$ 16,336,856

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	63,265,798
Depreciable capital assets, net	<u>60,147,353</u>
Total Capital Assets	<u>123,413,151</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. (296,690)

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. 98,354

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	(13,595,000)
Compensated absences	<u>(488,599)</u>
Total Long-Term Liabilities	<u>(14,083,599)</u>

**Net Assets of Governmental Activities** \$ 125,468,072

The accompanying notes are an integral part of these financial statements.

**CITY OF SARATOGA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Improvement		
<b>REVENUES:</b>				
Property taxes	\$ 7,922,815	\$ -	\$ 1,520,620	\$ 9,443,435
Other local taxes	1,831,227	-	-	1,831,227
Licenses & permits	1,670,769	-	-	1,670,769
Fines & forfeiture	343,744	-	-	343,744
Intergovernmental - State	321,908	1,272,272	47,247	1,641,427
Intergovernmental - Other	69,834	656,930	50,564	777,328
Franchise fees	1,621,518	-	-	1,621,518
Use of money and property	878,932	-	44,848	923,780
Other revenue	163,261	148,126	14,444	325,831
Current service charges	3,999,147	184,360	-	4,183,507
<b>Total Revenues</b>	<b>18,823,155</b>	<b>2,261,688</b>	<b>1,677,723</b>	<b>22,762,566</b>
<b>EXPENDITURES:</b>				
Current:				
General and intergovernmental services	4,082,504	-	-	4,082,504
Public safety	4,165,945	-	-	4,165,945
Environmental services	440,683	-	-	440,683
Public works	3,869,812	-	406,520	4,276,332
Community services	1,254,633	-	7,782	1,262,415
Community development services	2,025,433	-	-	2,025,433
Capital outlay	722,653	3,523,306	-	4,245,959
Debt service:				
Principal	-	-	295,000	295,000
Interest and fiscal charges	-	-	720,941	720,941
<b>Total Expenditures</b>	<b>16,561,663</b>	<b>3,523,306</b>	<b>1,430,243</b>	<b>21,515,212</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,261,492</b>	<b>(1,261,618)</b>	<b>247,480</b>	<b>1,247,354</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	171,564	2,033,696	35,554	2,240,814
Transfers out	(1,197,719)	(141,554)	(901,541)	(2,240,814)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,026,155)</b>	<b>1,892,142</b>	<b>(865,987)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,235,337</b>	<b>630,524</b>	<b>(618,507)</b>	<b>1,247,354</b>
<b>FUND BALANCES:</b>				
Beginning of year	9,161,279	3,444,025	2,484,198	15,089,502
End of year	\$ 10,396,616	\$ 4,074,549	\$ 1,865,691	\$ 16,336,856

The accompanying notes are an integral part of these 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, 2008

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**Net Change in Fund Balances - Total Governmental Funds** \$ 1,247,354

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. This is the amount of capital assets recorded in the current period. 3,464,029

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. (2,043,124)

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. (102,027)

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. (23,846)

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 295,000

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. 7,375

**Change in Net Assets of Governmental Activities** \$ 2,844,761

The accompanying notes are an integral part of these financial statements.

**CITY OF SARATOGA**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 38,365
Interest receivable	<u>296</u>
<b>Total Assets</b>	<u><u>\$ 38,661</u></u>
 <b>LIABILITIES</b>	
Deposits payable	<u><u>\$ 38,661</u></u>

The accompanying notes are an integral part of these financial statements.

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Saratoga, California, (the 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 31,592 at June 30, 2008. 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, 2008, 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.

The following entity is reported as blended component unit:

Lighting and Landscaping Assessment District - The Lighting and Landscaping Assessment District (the 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. The activity for the District has been included in the accompanying basic financial statements and no separate financial statements are issued.

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

#### ***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

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/Transfers 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.

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

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

##### **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.

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 Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

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

- 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.

#### *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 constitution 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 for interfund services provided and used 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 \$10,000. 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 to 10 years
Infrastructure	15 to 50 years

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

#### *F. Capital Assets, Continued*

In June 1999, 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.

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.

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

#### *G. Interest Payable*

In the government-wide financial statements, interest payable of long-term debt is recognized as an 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.

#### *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 OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

#### *K. Fund Balances, Continued*

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 \$2,808,164. 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.

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.

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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

#### *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.

#### *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.

#### *P. New GASB Pronouncements*

**GASB Statement No. 45** - In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers. This Statement is not effective for the City until June 30, 2009. The City has not determined its effect on the financial statements.

**GASB Statement No. 48** - In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This Statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. The City has implemented with no effect on the financial statements.

**GASB Statement No. 49** - In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This Statement is not effective for the City until June 30, 2009. The City has not determined its effect on the financial statements.

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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

#### *P. New GASB Pronouncements, Continued*

**GASB Statement No. 50** - In May 2008, GASB issued Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The City has implemented with no significant effect on the financial statements.

**GASB Statement No. 51** - In June 2008, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This Statement is not effective until June 30, 2010. The City has not determined its effect on the financial statements.

**GASB Statement No. 52** - In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. This Statement is not effective until June 30, 2009. The City has not determined its effect on the financial statements.

**GASB Statement No. 53** - In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by State and local governments. This Statement is not effective until June 30, 2010. The City has not determined its effect on the financial statements.

### NOTE 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, 2008:

	Statement of Net Assets		Total
	Governmental Activities	Fiduciary Funds	
Cash and investments	\$ 15,698,155	\$ 38,365	\$ 15,736,520
Restricted cash and investments	1,901,682	-	1,901,682
Total	<u>\$ 17,599,837</u>	<u>\$ 38,365</u>	<u>\$ 17,638,202</u>

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 2 - CASH AND INVESTMENTS, Continued

The City's Cash and Investments at June 30, 2008, in more detail:

Cash and cash equivalents:

Petty cash	\$ 1,300
Demand deposit	296,801
Total Cash and Cash Equivalents	<u>298,101</u>

Investments:

Local Agency Investment Fund (LAIF)	17,340,076
Total Cash and Investments excluding fiscal agent	<u>17,638,177</u>

Cash and investments with fiscal agents	25
Total Cash and Investments including fiscal agents	<u>\$ 17,638,202</u>

#### *A. Cash Deposits*

The carrying amounts of the City's cash deposits were \$296,801 at June 30, 2008. Bank balances before reconciling items were \$352,906 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 percent 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 percent 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 (FDIC). 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.

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 2 - CASH AND INVESTMENTS, Continued

#### ***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.

#### ***C. External Investment Pool***

The City's investments with LAIF at June 30, 2008, 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, 2008, the City had \$17,340,076 invested in LAIF which had invested 2.29 percent of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.99950219 was used to calculate the fair value of the investments in LAIF.

**CITY OF SARATOGA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**NOTE 2 - CASH AND INVESTMENTS, Continued**

***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, 2008, the City had the following:

	Fair Value	Investment Maturities in Years Less Than One Year
State of California - Local Agency Investment Fund (LAIF)	\$ 17,340,076	\$ 17,340,076

Credit Risk

As of June 30, 2008, 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, \$25 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, 2008.

**NOTE 3 - LOANS RECEIVABLE**

The City had the following loans receivable as of June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due within One Year	Due more Than 1 Year
Housing Rehabilitation Loan Program	\$ 112,780	\$ -	\$ (14,444)	\$ 98,336	\$ 13,333	\$ 85,003

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, 2008, the City had outstanding SHARP loans of \$98,336.

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.

**CITY OF SARATOGA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**NOTE 4 - FUND FINANCIAL STATEMENTS INTERFUND TRANSACTIONS**

*Transfers In/Out*

Transfers for the year ended June 30, 2008, were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -	\$ 1,197,719	\$ -	\$ 1,197,719
Capital Improvement	141,554	-	-	141,554
Other Governmental Funds	30,010	835,977	35,554	901,541
Total	<u>\$ 171,564</u>	<u>\$ 2,033,696</u>	<u>\$ 35,554</u>	<u>\$ 2,240,814</u>

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

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008, consisted of the following:

	Primary Government				Balance June 30, 2008
	Balance July 1, 2007	Additions	Retirements	Reclassification	
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 9,887,095	\$ -	\$ -	\$ -	\$ 9,887,095
Construction in process	4,798,318	3,338,917	-	(392,364)	7,744,871
Infrastructure:					
Street pavement system	45,241,465	-	-	3,084,574	48,326,039
Total Capital Assets, not being depreciated	59,926,878	3,338,917	-	2,692,210	65,958,005
Capital assets, being depreciated:					
Buildings and structures	23,066,577	-	-	-	23,066,577
Machinery and equipment	1,835,003	125,112	-	-	1,960,115
Infrastructure:					
Bridges	1,563,654	-	-	-	1,563,654
Signs and lights	1,124,376	-	-	207,013	1,331,389
Drainage system	39,855,914	-	-	14,679	39,870,593
Sidewalks	14,578,824	-	-	(2,913,902)	11,664,922
Total capital assets, being depreciated	82,024,348	125,112	-	(2,692,210)	79,457,250
Accumulated depreciation:					
Buildings and structures	(3,836,846)	(490,653)	-	-	(4,327,499)
Machinery and equipment	(1,389,093)	(100,802)	-	-	(1,489,895)
Infrastructure:					
Bridges	(917,175)	763	-	-	(916,412)
Signs and lights	(640,165)	(27,040)	-	-	(667,205)
Drainage system	(9,686,922)	(1,046,291)	-	-	(10,733,213)
Sidewalks	(3,488,779)	(379,101)	-	-	(3,867,880)
Total accumulated depreciation	(19,958,980)	(2,043,124)	-	-	(22,002,104)
Total capital assets, being depreciated, net	62,065,368	(1,918,012)	-	(2,692,210)	57,455,146
<b>Governmental Activities</b>					
<b>Capital Assets, Net</b>	<b>\$ 121,992,246</b>	<b>\$ 1,420,905</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 123,413,151</b>

### Depreciation Expense by Function:

General Government	\$ 1,420,223
Public Works	599,231
Community Services	21,655
Community Development	2,015
Total Depreciation Expense	<u>\$ 2,043,124</u>

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 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.

### NOTE 6 – LONG-TERM DEBT

A summary of the City's long-term debt transactions for the year ended June 30, 2008, is presented below:

Description	Balance			Balance June 30, 2008	Classification	
	July 1, 2007	Additions	Retirements		Due Within One Year	Due In More than One Year
General Obligation Bonds:						
2001 Library Bonds	\$ 13,890,000	\$ -	\$ (295,000)	\$ 13,595,000	\$ 310,000	\$ 13,285,000
Compensated absences	464,753	23,846	-	488,599	139,426	349,173
Total	<u>\$ 14,354,753</u>	<u>\$ 23,846</u>	<u>\$ (295,000)</u>	<u>\$ 14,083,599</u>	<u>\$ 449,426</u>	<u>\$ 13,634,173</u>

#### **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 percent to 6 percent 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 percent to 101 percent 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, 2008, the outstanding balance of the bonds was \$13,595,000.

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

Year Ended	Principal	Interest	Total
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	395,000	620,581	1,015,581
2014-2018	2,205,000	2,782,656	4,987,656
2019-2023	2,685,000	2,176,806	4,861,806
2024-2028	3,465,000	1,387,841	4,852,841
2029-2033	3,485,000	377,606	3,862,606
Total	<u>\$ 13,595,000</u>	<u>\$ 10,036,516</u>	<u>\$ 23,631,516</u>

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### 6. LONG-TERM DEBT, Continued

#### Compensated Absences

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) has been accrued and amounts to \$488,599 at June 30, 2008. The compensated absences liability will generally be liquidated through the General Fund.

### NOTE 7 - 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, 2008, the City contributed \$130,951 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, 2008, the City contributed \$189,811 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 \$59,908 reported at June 30, 2008, 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:

<u>Year Ended</u>	<u>Claims Payable July 1, 2007</u>	<u>Fiscal Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Claims Payable June 30, 2008</u>
2006	\$ -	\$ 92,957	\$ -	\$ 92,957
2007	\$ 92,957	\$ -	\$ (54,262)	\$ 38,695
2008	\$ 38,695	\$ 21,213	\$ -	\$ 59,908

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

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.

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 7 - RISK MANAGEMENT, Continued

The following represents summary audited financial information of ABAG Plan Corporation for the fiscal year ended June 30, 2007 (most recent available):

Total Assets	<u>\$ 43,306,059</u>
Total Liabilities	<u>\$ 20,606,784</u>
Net Assets	<u>\$ 22,699,275</u>
Total Revenues	<u>\$ 8,368,584</u>
Total Expenses	<u>\$ 9,211,526</u>
Net Decrease in Net Assets	<u>\$ (377,217)</u>

The following represents summary audited financial information of ABAG Comp Shared Risk Pool for the fiscal year ended June 30, 2008:

Total Assets	<u>\$ 5,531,065</u>
Total Liabilities	<u>\$ 3,443,668</u>
Net Assets	<u>\$ 2,087,397</u>
Total Revenues	<u>\$ 17,528,967</u>
Total Expenses	<u>\$ 17,171,720</u>
Net Increase in Net Assets	<u>\$ 357,247</u>

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

### NOTE 8 - RETIREMENT PLANS

#### **Pension Plan**

*Plan Description* - The City contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan. CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS act 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 CalPERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95811.

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 8 - RETIREMENT PLANS, Continued

*Funding Policy* - Active plan members are required by State statute to contribute for miscellaneous employees 7 percent (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 \$358,139 for the year ended June 30, 2008. The City employer is required to contribute for fiscal year 2007/08 at an actuarially determined rate of 11.73 percent of annual covered payroll for miscellaneous employees.

*Annual Pension Cost* - For fiscal year 2007/08, the City's annual pension cost was \$538,526. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 12 percent (12%) investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.25 percent to 14.45 percent for miscellaneous employees depending on age, service, and type of employment, and (c) 3.25 percent per year payroll growth adjustments. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. CalPERS 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, 2005, was 20 years for miscellaneous employees for prior and current service unfunded liability.

#### Three-Year Annual Pension Costs Trend Information for CalPERS

Fiscal Year	Annual Pension Cost (APC)	APC Contributed	Net Pension Obligation
2006	\$ 397,304	100%	\$ -
2007	465,232	100%	-
2008	538,526	100%	-

### NOTE 9 - NET ASSETS

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

As of June 30, 2008, the investment in capital assets, net of related debt consisted of the following:

Capital assets, net	\$ 123,413,151
2001 General Obligation Library Bonds	<u>(13,595,000)</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 109,818,151</u>

#### B. Restricted Net Assets

As of June 30, 2008, the restricted net assets consisted of the following:

	Restricted For			Total
	Capital Projects	Debt Service	Special Projects	
Restricted net assets	<u>\$ 4,768,478</u>	<u>\$ 853,619</u>	<u>\$ 318,143</u>	<u>\$ 5,940,240</u>

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 10 - 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 JP A's are governed by boards consisting of representatives from their members. The boards control the operations of each JP A, including selection of management and approval of operating budgets, independent of any influence by its members beyond their representation on the board.

### NOTE 11 - EXCESS EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations in individual funds during the fiscal year 2008-2009.

### NOTE 12 - 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.

# CITY OF SARATOGA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 12 - COMMITMENTS AND CONTINGENCIES, Continued

#### *C. Commitments*

The City had several outstanding contracts or planned construction projects as of June 30, 2008. These projects are evidenced by contractual commitments with contractors and include:

Vendor	Original Commitment	Commitment Remaining
George Bianci Construction	\$ 598,747	\$ 57,811
Town of Los Gatos	90,000	49,200
G, Bartolotto & Co	773,667	84,573
Schaaf & Wheeler Corporation	6,000	2,019
Colony Landscape Maintenance	195,000	8,645
Solectric Electric Contractors	14,100	4,020
Cal-West Lighting & Signal	9,600	9,600
MPA Design, Inc	68,000	13,656
Furlo & Furlo	30,000	22,242
Metro PCS	11,473	11,473
CRW Industries	838,080	299,456
	\$ 2,634,667	\$ 562,695

As of June 30, 2008, 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, 2008

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### NOTE 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  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - BUDGETARY INFORMATION, Continued**

The following are the budget comparison schedules for General Fund.

**Budget Comparison Schedule, General Fund**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>FUND BALANCES - BEGINNING</b>	\$ 5,348,374	\$ 6,284,272	\$ 9,161,279	\$ 2,877,007
<b>RESOURCES (INFLOWS):</b>				
Property taxes	7,503,000	7,503,000	7,922,815	419,815
Other local taxes	1,483,100	1,483,100	1,831,227	348,127
Licenses & permits	1,416,740	1,416,740	1,670,769	254,029
Fines & forfeiture	230,000	230,000	343,744	113,744
Intergovernmental - State	364,000	400,000	321,908	(78,092)
Intergovernmental -Other	25,544	25,544	69,834	44,290
Franchise fees	1,599,335	1,599,335	1,621,518	22,183
Use of money and property	782,350	782,350	878,932	96,582
Other revenue	43,200	83,800	163,261	79,461
Charges for services	4,879,719	4,934,719	3,999,147	(935,572)
Transfer in	195,761	618,330	171,564	(446,766)
<b>Amount available for appropriation</b>	<u>23,871,123</u>	<u>25,361,190</u>	<u>28,155,998</u>	<u>2,794,808</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
General and intergovernmental services	5,017,735	5,171,225	4,082,504	1,088,721
Public safety	4,160,259	4,160,259	4,165,945	(5,686)
Environmental services	465,035	465,035	440,683	24,352
Public works	3,929,652	3,944,652	3,869,812	74,840
Community services	1,394,828	1,394,828	1,254,633	140,195
Community development services	2,298,881	2,298,881	2,025,433	273,448
Capital outlay	888,311	888,311	722,653	165,658
Transfer out	400,000	1,050,321	1,197,719	(147,398)
<b>Total charges to appropriations</b>	<u>13,536,966</u>	<u>19,373,512</u>	<u>17,759,382</u>	<u>1,614,130</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 10,334,157</u>	<u>\$ 5,987,678</u>	<u>\$ 10,396,616</u>	<u>\$ 4,408,938</u>

# CITY OF SARATOGA

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2008

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### NOTE 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, 2007. 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 140 centerline miles of pave surfaces. The City's road system can be grouped by function class and includes 23.4 centerline miles of arterial, 23.3 centerline miles of collector, and 93.3 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 FOR THE YEAR ENDED JUNE 30, 2008

### NOTE 2 - MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The following conditions were defined:

Condition	Rating
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, 2008, the City's street system was rated at a PCI index of 70 on the average with the detail condition as follows:

Condition	Percent of Streets
Excellent to Good	86%
Poor	13%
Very Poor	1%

The City expended \$1,691,466 on street maintenance for the year ended June 30, 2008. These routine maintenance expenditures delayed deterioration. The budget required to maintain and improve the current level of overall condition through the year 2011 is a minimum of \$6,000,000. (\$2,000,000 projected budget each year for the years ending June 30, 2009, 2010 and 2011.)

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:

Fiscal Year	Budget	Actual Expenditures	Funded By		Total Funded	PCI Index
			General Fund	Gas Tax Fund		
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
2007-08	2,246,152	1,691,466	1,252,709	438,757	1,691,466	70

As of August 2008, approximately 40 percent 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 \$11,600,000 for all streets with an expected annual budget of \$1,000,000.



## **SUPPLEMENTARY INFORMATION**



## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

*Streets and Roads* - This fund, closed in FY 2007/08, accounted 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 are to 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, closed in FY 2007/08, accounted 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  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	Special Revenue		
	Streets and Roads	Lighting and Landscaping Assessment District	Community Development Block Grant
<b>ASSETS</b>			
Restricted cash and investments	\$ -	\$ 228,689	\$ 83,454
Receivables:			
Accounts	-	963	24,040
Interest	-	2,302	827
Loans	-	-	98,336
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 231,954</u>	<u>\$ 206,657</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 22,132	\$ -
Deferred Revenue	-	-	98,336
<b>Total Liabilities</b>	<u>-</u>	<u>22,132</u>	<u>98,336</u>
<b>Fund Balances:</b>			
Reserved for:			
Debt service	-	-	-
Unreserved, undesignated, reported in:			
Special revenues funds	-	209,822	108,321
Capital projects funds	-	-	-
<b>Total Fund Balances</b>	<u>-</u>	<u>209,822</u>	<u>108,321</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 231,954</u>	<u>\$ 206,657</u>

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<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total Other Governmental Funds</u>
Library Bond	Park Development	Library Expansion	
\$ 845,505	\$ -	\$ 690,867	\$ 1,848,515
4,100	-	-	29,103
4,014	-	3,062	10,205
-	-	-	98,336
<u>\$ 853,619</u>	<u>\$ -</u>	<u>\$ 693,929</u>	<u>\$ 1,986,159</u>
-	-	-	22,132
-	-	-	98,336
<u>-</u>	<u>-</u>	<u>-</u>	<u>120,468</u>
853,619	-	-	853,619
-	-	-	318,143
-	-	693,929	693,929
<u>853,619</u>	<u>-</u>	<u>693,929</u>	<u>1,865,691</u>
<u>\$ 853,619</u>	<u>\$ -</u>	<u>\$ 693,929</u>	<u>\$ 1,986,159</u>

**CITY OF SARATOGA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue		
	Streets and Roads	Lighting and Landscaping Assessment District	Community Development Block Grant
<b>REVENUES:</b>			
Property taxes	\$ -	\$ 453,173	\$ -
Intergovernmental - State	-	2,180	-
Intergovernmental - Other	-	-	50,564
Use of money and property	-	12,913	4,288
Other	-	-	14,444
<b>Total Revenues</b>	<u>-</u>	<u>468,266</u>	<u>69,296</u>
<b>EXPENDITURES:</b>			
Current:			
Public works	-	406,520	-
Community services	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>406,520</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>61,746</u>	<u>69,296</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	(438,337)	(168,000)	(50,564)
<b>Total Other Financing Sources (Uses)</b>	<u>(438,337)</u>	<u>(168,000)</u>	<u>(50,564)</u>
<b>Net Change in Fund Balances</b>	(438,337)	(106,254)	18,732
<b>FUND BALANCES:</b>			
Beginning of year	438,337	316,076	89,589
End of year	<u>\$ -</u>	<u>\$ 209,822</u>	<u>\$ 108,321</u>

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Debt Service		Capital Projects		Total Other Governmental Funds
Library Bond	Park Development	Library Expansion		
\$ 1,067,447	\$ -	\$ -		\$ 1,520,620
45,067	-	-		47,247
-	-	-		50,564
10,489	-	17,158		44,848
-	-	-		14,444
<u>1,123,003</u>	<u>-</u>	<u>17,158</u>		<u>1,677,723</u>
-	-	-		406,520
-	-	7,782		7,782
295,000	-	-		295,000
720,941	-	-		720,941
<u>1,015,941</u>	<u>-</u>	<u>7,782</u>		<u>1,430,243</u>
<u>107,062</u>	<u>-</u>	<u>9,376</u>		<u>247,480</u>
-	35,554	-		35,554
-	(244,640)	-		(901,541)
-	(209,086)	-		(865,987)
107,062	(209,086)	9,376		(618,507)
<u>746,557</u>	<u>209,086</u>	<u>684,553</u>		<u>2,484,198</u>
<u>\$ 853,619</u>	<u>\$ -</u>	<u>\$ 693,929</u>		<u>\$ 1,865,691</u>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>FUND BALANCES - BEGINNING</b>	\$ (1,067,200)	\$ (848,000)	\$ 438,337	\$ 1,286,337
<b>    Amount Available for Appropriation</b>	<u>(1,067,200)</u>	<u>(848,000)</u>	<u>438,337</u>	<u>1,286,337</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Transfers out	-	-	438,337	(438,337)
<b>    Total Charges to Appropriations</b>	<u>-</u>	<u>-</u>	<u>438,337</u>	<u>(438,337)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ (1,067,200)</u>	<u>\$ (848,000)</u>	<u>\$ -</u>	<u>\$ 848,000</u>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCES - BEGINNING</b>	\$ (5,054)	\$ 48,353	\$ 316,076	\$ 267,723
<b>RESOURCES (INFLOWS):</b>				
Property taxes	441,649	444,849	453,173	8,324
Intergovernmental - State	-	-	2,180	2,180
Use of money and property	-	-	12,913	12,913
<b>Amount Available for Appropriation</b>	<u>436,595</u>	<u>493,202</u>	<u>784,342</u>	<u>291,140</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public works	527,362	530,562	406,520	124,042
Transfer out	-	120,000	168,000	(48,000)
<b>Total Charges to Appropriations</b>	<u>527,362</u>	<u>650,562</u>	<u>574,520</u>	<u>76,042</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ (90,767)</u>	<u>\$ (157,360)</u>	<u>\$ 209,822</u>	<u>\$ 367,182</u>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCES - BEGINNING</b>	\$ 96,618	\$ 131,915	\$ 89,589	\$ (42,326)
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	-	-	4,288	4,288
Other	-	-	14,444	14,444
Transfer in	208,399	208,399	50,564	(157,835)
<b>Amount Available for Appropriation</b>	<u>305,017</u>	<u>340,314</u>	<u>158,885</u>	<u>(181,429)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Transfer out	516,787	516,787	50,564	466,223
<b>Total Charges to Appropriations</b>	<u>516,787</u>	<u>516,787</u>	<u>50,564</u>	<u>466,223</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ (211,770)</u>	<u>\$ (176,473)</u>	<u>\$ 108,321</u>	<u>\$ 284,794</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>FUND BALANCES - BEGINNING</b>	\$ 633,000	\$ 721,913	\$ 746,557	\$ 24,644
<b>RESOURCES (INFLOWS):</b>				
Property taxes	1,015,906	1,015,906	1,067,447	51,541
Intergovernmental - State	-	-	45,067	45,067
Use of money and property	-	-	10,489	10,489
<b>Amount Available for Appropriation</b>	<u>1,648,906</u>	<u>1,737,819</u>	<u>1,869,560</u>	<u>131,741</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Debt service:				
Principal	295,000	295,000	295,000	-
Interest and fiscal charges	726,106	726,106	720,941	5,165
<b>Total Charges to Appropriations</b>	<u>1,021,106</u>	<u>1,021,106</u>	<u>1,015,941</u>	<u>5,165</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 627,800</u>	<u>\$ 716,713</u>	<u>\$ 853,619</u>	<u>\$ 136,906</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCES - BEGINNING</b>	\$ 72,200	\$ 198,699	\$ 209,086	\$ 10,387
<b>RESOURCES (INFLOWS):</b>				
Transfer in	-	-	35,554	35,554
<b>Amount Available for Appropriation</b>	<u>72,200</u>	<u>198,699</u>	<u>244,640</u>	<u>45,941</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Transfer out	190,280	190,280	244,640	(54,360)
<b>Total Charges to Appropriations</b>	<u>190,280</u>	<u>190,280</u>	<u>244,640</u>	<u>(54,360)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ (118,080)</u>	<u>\$ 8,419</u>	<u>\$ -</u>	<u>\$ (8,419)</u>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCES - BEGINNING</b>	\$ 785,400	\$ 683,921	\$ 684,553	\$ 632
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	15,000	15,000	17,158	2,158
<b>Amount Available for Appropriation</b>	<b>800,400</b>	<b>698,921</b>	<b>701,711</b>	<b>2,790</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Community services	57,000	57,000	7,782	49,218
<b>Total Charges to Appropriations</b>	<b>57,000</b>	<b>57,000</b>	<b>7,782</b>	<b>49,218</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 743,400</b>	<b>\$ 641,921</b>	<b>\$ 693,929</b>	<b>\$ 52,008</b>



## 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 No. 2 and No. 3, the Leonard Road Improvement District and the Saratoga Public Financing Authority which is financed by assessments placed on the County tax roll.

**CITY OF SARATOGA**

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2008**

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	<u>Cable T.V. Trust</u>	<u>Assessment District Bonds</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 38,365	\$ -	\$ 38,365
Interest receivable	296	-	296
<b>Total Assets</b>	<u>\$ 38,661</u>	<u>\$ -</u>	<u>\$ 38,661</u>
<b>LIABILITIES</b>			
Deposits payable	<u>\$ 38,661</u>	<u>\$ -</u>	<u>\$ 38,661</u>

**CITY OF SARATOGA**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Cable T.V. Trust</b>				
<b>Assets:</b>				
Cash and investments	\$ 63,882	\$ 4,483	\$ (30,000)	\$ 38,365
Accounts receivable	152	-	(152)	-
Interest receivable	829	296	(829)	296
<b>Total Assets</b>	<b>\$ 64,863</b>	<b>\$ 4,779</b>	<b>\$ (30,981)</b>	<b>\$ 38,661</b>
<b>Liabilities:</b>				
Deposits payable	\$ 64,863	\$ 4,779	\$ (30,981)	\$ 38,661
<b>Assessment District Bonds</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,230	\$ -	\$ (1,230)	\$ -
<b>Liabilities:</b>				
Deposits payables	\$ 1,230	\$ -	\$ (1,230)	\$ -
<b>Total Agency Funds</b>				
<b>Assets:</b>				
Cash and investments	\$ 65,112	\$ 4,483	\$ (31,230)	\$ 38,365
Accounts receivable	152	-	(152)	-
Interest receivable	829	296	(829)	296
<b>Total Assets</b>	<b>\$ 66,093</b>	<b>\$ 4,779</b>	<b>\$ (32,211)</b>	<b>\$ 38,661</b>
<b>Liabilities:</b>				
Deposits payable	\$ 66,093	\$ 4,779	\$ (32,211)	\$ 38,661



**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, 2008 AND 2007

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	<u>2008</u>	<u>2007</u>
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>		
Land and land improvements	\$ 9,887,095	\$ 9,887,095
Buildings and structures	23,066,577	23,066,577
Machinery and equipment	1,960,112	1,835,003
Infrastructure	102,756,600	102,364,233
Construction in progress	7,744,871	4,798,318
<b>Total Governmental Funds Capital Assets</b>	<u>145,415,255</u>	<u>141,951,226</u>
Accumulated depreciation	<u>(22,002,104)</u>	<u>(19,958,980)</u>
<b>Total Governmental Funds Capital Assets, Net</b>	<u><u>\$ 123,413,151</u></u>	<u><u>\$ 121,992,246</u></u>
<b>INVESTMENTS IN GOVERNMENTAL FUNDS</b>		
<b>CAPITAL ASSETS BY SOURCE:</b>		
General Fund	\$ 116,778,672	\$ 116,056,016
Special revenue funds	1,418,730	1,418,730
Capital projects funds	27,120,505	24,379,132
Donations	97,348	97,348
Accumulated depreciation	<u>(22,002,104)</u>	<u>(19,958,980)</u>
<b>Total Governmental Funds Capital Assets</b>	<u><u>\$ 123,413,151</u></u>	<u><u>\$ 121,992,246</u></u>

**CITY OF SARATOGA**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
JUNE 30, 2008**

<b>FUNCTION AND ACTIVITY</b>	<u>Land and Land Improvements</u>	<u>Buildings and Structures</u>	<u>Machinery and Equipment</u>
General and intergovernmental services:			
Management services	\$ -	\$ 271,631	\$ 47,837
Administrative services	-	167,585	577,807
Intergovernmental services	118,184	3,096,786	67,606
<b>Total General and Intergovernmental Services</b>	<u>118,184</u>	<u>3,536,002</u>	<u>693,250</u>
Public safety:			
Police services	-	-	27,813
Code enforcement	-	-	22,548
<b>Total Public Safety</b>	<u>-</u>	<u>-</u>	<u>50,361</u>
Public works:			
Streets and sidewalks	134,695	30,628	606,118
Parks/open space	2,529,529	2,656,850	338,913
<b>Total Public Works</b>	<u>2,664,224</u>	<u>2,687,478</u>	<u>945,031</u>
Community services	5,362,223	2,543,198	227,811
Community development services	1,742,464	14,299,899	43,662
<b>Total Governmental Funds Capital Assets</b>	<u>9,887,095</u>	<u>23,066,577</u>	<u>1,960,115</u>
Accumulated depreciation	-	(4,327,499)	(1,489,895)
<b>Total Governmental Funds Capital Assets, Net</b>	<u>\$ 9,887,095</u>	<u>\$ 18,739,078</u>	<u>\$ 470,220</u>

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Infrastructure	Construction in Progress	Total
\$ -	\$ 115,676	\$ 435,144
-	-	745,392
-	-	3,282,576
-	115,676	4,463,112
-	-	27,813
-	-	22,548
-	-	50,361
102,756,597	4,748,536	108,276,574
-	-	5,525,292
102,756,597	4,748,536	113,801,866
-	2,880,659	11,013,891
-	-	16,086,025
102,756,597	7,744,871	145,415,255
(16,184,710)	-	(22,002,104)
<u>\$ 86,571,887</u>	<u>\$ 7,744,871</u>	<u>\$ 123,413,151</u>

**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, 2008**

	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	July 1, 2007	Additions	Deletions	June 30, 2008
<b>FUNCTION AND ACTIVITY</b>				
General and intergovernmental services:				
Management services	\$ 362,205	\$ 72,940	\$ -	\$ 435,145
Administrative services	620,283	125,109	-	745,392
Intergovernmental services	641,808	2,640,768	-	3,282,576
Total General and Intergovernmental Services	1,624,296	2,838,817	-	4,463,113
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	107,489,974	2,494,604	(1,708,004)	108,276,574
Parks/open space	5,105,402	419,890	-	5,525,292
Total Public Works	112,595,376	2,914,494	(1,708,004)	113,801,866
Community services	10,768,300	1,163,741	(918,151)	11,013,890
Community development services	16,912,893	-	(826,868)	16,086,025
Total Governmental Funds Capital Assets	141,951,226	6,917,052	(3,453,023)	145,415,255
Accumulated depreciation	(19,958,980)	(2,043,124)	-	(22,002,104)
<b>Total Governmental Funds Capital Assets, Net</b>	<b>\$ 121,992,246</b>	<b>\$ 4,873,928</b>	<b>\$ (3,453,023)</b>	<b>\$ 123,413,151</b>

**CITY OF SARATOGA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCES - BEGINNING</b>	\$ 3,444,025	\$ 3,444,025	\$ 3,444,025	\$ -
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental - State	2,354,301	2,354,301	1,272,272	(1,082,029)
Intergovernmental - Other	6,747,957	6,707,957	656,930	(6,051,027)
Other revenue	30,000	179,000	332,486	153,486
Transfer in	1,641,262	1,641,262	2,033,696	392,434
<b>Amount Available for Appropriation</b>	<u>14,217,545</u>	<u>14,326,545</u>	<u>7,739,409</u>	<u>(6,587,136)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Capital outlay	14,091,003	14,690,003	3,523,306	11,166,697
Transfer out	20,000	141,000	141,554	(554)
<b>Total Charges to Appropriations</b>	<u>14,111,003</u>	<u>14,831,003</u>	<u>3,664,860</u>	<u>11,166,143</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 106,542</u>	<u>\$ (504,458)</u>	<u>\$ 4,074,549</u>	<u>\$ 4,579,007</u>





## **STATISTICAL SECTION**



## 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>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.	76-80
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the governments most significant local revenue source, the property tax.	81-87
<b>Debt Capacity</b> These schedules present information to help the reader assess the afford ability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	88-90
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	91-93
<b>Operating Information</b> 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.	94-96

**CITY OF SARATOGA**

**NET ASSETS BY COMPONENT  
LAST FOUR FISCAL YEARS (Accrual Basis of Accounting)  
(amounts expressed in thousands)**

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	Fiscal Year			
	2005	2006	2007	2008
Primary government				
Governmental activities				
Investment in capital assets, net of related debt	\$ 105,784	\$ 107,100	\$ 108,102	\$ 109,818
Restricted	6,328	5,370	5,928	5,940
Unrestricted	6,789	9,955	8,593	9,710
Total primary government	<u>\$ 118,901</u>	<u>\$ 122,425</u>	<u>\$ 122,623</u>	<u>\$ 125,468</u>

Source: CAFR

# CITY OF SARATOGA

## CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS (Accrual Basis of Accounting) (amounts expressed in thousands)

	Fiscal Year			
	2005	2006	2007	2008
<b>Expenses:</b>				
Governmental activities:				
General and intergovernmental services	\$ 4,160	\$ 3,473	\$ 4,532	\$ 6,293
Public safety	3,736	3,427	3,844	4,166
Environmental services	379	465	487	441
Public works	3,450	4,287	5,938	4,884
Community services	1,929	1,395	1,437	1,286
Community development services	2,349	2,226	1,993	2,032
Interest on long-term debt (unallocated)	760	754	768	714
Total governmental activities expenses	<u>16,763</u>	<u>16,027</u>	<u>18,999</u>	<u>19,816</u>
<b>Program revenues:</b>				
Charges for services:				
General and intergovernmental services	-	31	452	1,787
Public safety	141	122	-	411
Environmental services	504	509	-	-
Public works	8	12	257	313
Community services	757	1,008	604	911
Community development services	1,890	2,665	1,328	2,110
Operating grants and contributions	1,218	1,549	2,155	151
Capital grants and contributions	865	1,568	1,282	1,715
Total governmental activities program revenues	<u>5,383</u>	<u>7,464</u>	<u>6,078</u>	<u>7,398</u>
Net (expense) revenue and change in net assets	<u>(11,380)</u>	<u>(8,563)</u>	<u>(12,921)</u>	<u>(12,418)</u>
<b>General revenue and other changes in net assets</b>				
Taxes:				
Property taxes	4,841	5,652	5,772	8,099
Special assessments	302	348	-	279
Voter approved property taxes	1,174	1,021	271	1,113
Sales taxes	1,011	988	995	1,058
Local taxes	1,143	1,288	1,099	694
Franchise taxes	995	1,040	1,187	1,625
Motor vehicle in-lieu	420	718	177	149
Total Taxes	<u>9,886</u>	<u>11,055</u>	<u>9,501</u>	<u>13,017</u>
Intergovernmental	-	-	673	841
Investment earnings	283	709	2,813	1,057
Other revenues	193	323	132	348
Total general revenues	<u>10,362</u>	<u>12,087</u>	<u>13,119</u>	<u>15,263</u>
Change in net assets	(1,018)	3,524	198	2,845
Net assets - beginning of year	119,919	118,901	122,425	122,623
Net assets - end of year	<u>\$ 118,901</u>	<u>\$ 122,425</u>	<u>\$ 122,623</u>	<u>\$ 125,468</u>

Source: CAFR

# CITY OF SARATOGA

## GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE LAST FOUR FISCAL YEARS (Accrual Basis of Accounting) (amounts expressed in thousands)

---

	Fiscal Year			
	2005	2006	2007	2008
<b>Tax revenues:</b>				
Property taxes	\$ 4,841	\$ 5,652	\$ 5,772	\$ 8,099
Special assessments	302	348	-	279
Voter approved property taxes	1,174	1,021	271	1,113
Sales taxes	1,011	988	995	1,058
Local taxes	1,143	1,288	1,099	694
Motor vehicle in-lieu	995	1,040	1,187	1,625
Franchise taxes	420	718	177	149
Total tax revenues	<u>\$ 9,886</u>	<u>\$ 11,055</u>	<u>\$ 9,501</u>	<u>\$ 13,017</u>

Source: CAFR

# CITY OF SARATOGA

## FUND BALANCES OF GOVERNMENTAL FUNDS LAST FOUR FISCAL YEARS (Modified Accrual Basis of Accounting) (amounts expressed in thousands)

---

	Fiscal Year			
	2005	2006	2007	2008
General fund:				
Reserved	\$ -	\$ 1	\$ 64	\$ 1
Unreserved	<u>6,979</u>	<u>10,378</u>	<u>9,097</u>	<u>10,395</u>
Total general fund	<u>\$ 6,979</u>	<u>\$ 10,379</u>	<u>\$ 9,161</u>	<u>\$ 10,396</u>
All other governmental funds:				
Reserved				
Debt service funds	\$ 855	\$ 865	\$ 746	\$ 854
Unreserved, reported in:				
Special revenue funds	201	919	844	318
Capital project funds	<u>5,322</u>	<u>3,586</u>	<u>4,338</u>	<u>4,768</u>
Total all other governmental funds	<u>\$ 6,378</u>	<u>\$ 5,370</u>	<u>\$ 5,928</u>	<u>\$ 5,940</u>

Source: CAFR

# CITY OF SARATOGA

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST FOUR FISCAL YEARS (Modified Accrual Basis of Accounting) (amounts expressed in thousands)

	Fiscal Year			
	2005	2006	2007	2008
<b>Revenues:</b>				
Property taxes	\$ 6,304	\$ 7,022	\$ 6,043	\$ 9,443
Other local taxes	1,862	2,275	2,121	1,831
Licensed and permits	100	79	1,340	1,671
Fines and forfeitures	162	259	396	344
Intergovernmental - state	1,375	2,660	3,631	1,641
Intergovernmental - federal	90	-	-	-
Intergovernmental - other	671	976	629	777
Franchise fees	1,294	1,041	1,187	1,622
Use of money any property	664	752	2,813	924
Other revenues	153	1,719	151	326
Current services charges	3,093	2,715	900	4,184
Total tax revenues	<u>15,768</u>	<u>19,498</u>	<u>19,211</u>	<u>22,763</u>
<b>Expenditures:</b>				
Current:				
General and intergovernmental services	3,238	3,346	3,806	4,083
Public safety	3,731	3,423	3,824	4,166
Environmental services	379	462	444	441
Public works	2,220	3,039	5,270	4,276
Community services	1,875	1,210	1,381	1,262
Community development services	1,990	1,847	1,962	2,026
Capital outlay	1,777	2,908	2,130	4,246
Debt service:				
Principal	255	270	280	295
Interest and fiscal charges	766	760	774	721
Total expenditures	<u>16,231</u>	<u>17,265</u>	<u>19,871</u>	<u>21,516</u>
Excess of revenues over (under) expenditures	(463)	2,233	(660)	1,247
<b>Other financing sources (uses):</b>				
Transfers in	2,492	499	3,422	2,241
Transfers out	<u>(2,492)</u>	<u>(499)</u>	<u>(3,422)</u>	<u>(2,241)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (463)</u>	<u>\$ 2,233</u>	<u>\$ (660)</u>	<u>\$ 1,247</u>
Debt as a percentage of noncapital expenditures	7.06%	7.17%	5.94%	5.62%

# CITY OF SARATOGA

## PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST FOUR FISCAL YEARS

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	Fiscal Year			
	2005	2006	2007	2008
General	1.00000	1.00000	1.00000	1.00000
County Retirement	0.03880	0.03880	0.03880	0.03880
County Library	0.00240	0.00240	0.00240	0.00240
City of Saratoga	0.01484	0.01170	0.00955	0.01130
Campbell School District	0.05290	0.05120	0.05080	0.04750
Cupertino Elementary School District	0.03600	0.03500	0.02890	0.03370
Moreland Elementary School District	0.06120	0.05610	0.05560	0.05690
Saratoga School District	0.03610	0.03560	0.03510	0.03630
Campbell Union High School District	0.01970	0.02240	0.01980	0.02850
Fremont Union High School District	0.02680	0.02600	0.02430	0.02410
Los Gatos-Saratoga Joint Union High School District	0.04090	0.03710	0.06510	0.03450
Foothill-DeAnza Community College District	0.01290	0.01190	0.03460	0.01130
West Valley-Mission Community College District	-	0.01400	0.01260	0.01180
Saratoga Fire District	0.00170	0.00520	0.00490	0.00530
Santa Clara Valley Water District - State Water Project	0.00860	0.00690	0.00700	0.00670
Santa Clara Valley Water District - Zone W-1	0.00060	0.00090	0.00020	0.00400

Source: California Municipal Statistics, Inc.

# CITY OF SARATOGA

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST FOUR FISCAL YEARS (amounts expressed in thousands)

---

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Institutional	Vacant Property	Other Property	Unsecured Property
2005	\$ 7,114,095	\$ 166,071	\$ 8,746	\$ 33,509	\$ 70,276	\$ 35,127	\$ 42,965
2006	7,883,965	177,149	8,921	38,027	90,611	32,858	46,874
2007	8,467,894	187,142	9,099	45,706	107,228	39,536	39,764
2008	9,025,628	208,369	9,281	50,590	110,656	49,023	35,775

Source: <sup>1</sup> HdL Coren & Cone, Santa Clara County Assessor 2007/08 Combined Tax Rolls  
Other property includes: Irrigated, Dry Farm, Recreational Government, and Miscellaneous

<sup>2</sup> California Municipal Statistics, Inc.

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Total Assessed Property	Less: Tax Exempt Real Property	Total Taxable <sup>1</sup> Assessed Value	Total <sup>2</sup> Direct Tax Rate
\$ 7,470,789	\$ (76,932)	\$ 7,393,857	1.0560
8,278,405	(133,951)	8,144,454	1.0529
8,896,369	(140,859)	8,755,510	1.0508
9,489,322	(159,369)	9,329,953	1.0525

**CITY OF SARATOGA**

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND FOUR YEARS AGO  
JUNE 30, 2008  
(amounts expressed in thousands)**

Taxpayer	2008		% of Total Taxable Assessed Value
	Taxable Assessed Value	Rank	
Cupertino Village Associates, LLC	\$ 33,535	1	0.36%
Quito Village Group, LLC	17,658	2	0.19%
John M. & Abby J. Sobrato	16,958	3	0.18%
Gregpenn Properties, LLC	15,288	4	0.16%
David L. House	15,134	5	0.16%
San Jose Water Works	11,460	6	0.12%
David J. & Terri E. Morrison	10,192	7	0.11%
Argonaut Associates, LLV	10,102	8	0.11%
Ashok Krishnamurthi	10,034	9	0.11%
David C. & Roxanne N. Petterschmidt	9,812	10	0.11%
Saratoga Office Center Partners, LLC			
Deloise A. Jordan			
Public Storage Props IX Inc			
Assessed Value	<u>\$ 9,329,953</u>		

<sup>1</sup> Earliest information available

Source: HdL Coren & Cone, Santa Clara County Assessor 2008 Combined Tax Rolls

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2005 <sup>1</sup>		
Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
\$ 16,640	2	0.23%
8,872	9	0.12%
9,904	4	0.13%
9,606	5	0.13%
11,427	3	0.15%
9,173	7	0.12%
19,300	1	0.26%
9,020	8	0.12%
8,530	10	0.12%
<hr/>		
<u>\$ 7,393,858</u>		

# CITY OF SARATOGA

## PROPERTY TAX LEVIES AND COLLECTIONS LAST FOUR FISCAL YEARS

---

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage		Amount	Percentage
2005	\$ 4,972,875	\$ 4,839,668	97.3%	\$ 133,207	\$ 4,972,875	100.0%
2006	5,243,038	5,112,766	97.5%	130,272	5,243,038	100.0%
2007	6,032,558	6,040,230	100.1%	(7,672)	6,032,558	100.0%
2008	8,108,364	8,106,743	100.0%	-	8,106,743	100.0%

Source: City of Saratoga

Note: Information on this schedule is not provided from the County of Santa Clara. An estimate has been used for the total tax levy for the fiscal year based upon collections of prior year property taxes in the next fiscal year.

# CITY OF SARATOGA

## RATIOS OF OUTSTANDING DEBT BY TYPE LAST FOUR FISCAL YEARS (amounts expressed in thousands)

---

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
General obligation bonds	\$ 14,440	\$ 14,170	\$ 13,890	\$ 13,595
Total primary government	<u>\$ 14,440</u>	<u>\$ 14,170</u>	<u>\$ 13,890</u>	<u>\$ 13,595</u>
Percentage of Personal Income <sup>1</sup>	0.00%	0.00%	N/A	N/A
Per capita <sup>2</sup>	468	460	443	430

Source: CAFR

Note: <sup>1</sup>Bureau of Economic Analysis - personal income information only available through 2006.  
San Jose-Sunnyvale-Santa Clara region.

<sup>2</sup>Population information from California State Controller's Office.

# CITY OF SARATOGA

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST FOUR FISCAL YEARS (amounts expressed in thousands, except per capita amount)

---

	Fiscal Year			
	2005	2006	2007	2008
General obligation bonds	\$ 14,440	\$ 14,170	\$ 13,890	\$ 13,595
Less: Amount available in debt service fund	(855)	(865)	(747)	(854)
Total primary government	<u>\$ 13,585</u>	<u>\$ 13,305</u>	<u>\$ 13,143</u>	<u>\$ 12,741</u>
Percentage of actual taxable value of property	0.18%	0.16%	0.15%	0.14%
Per capita <sup>1</sup>	440	431	419	403

Source: CAFR

<sup>1</sup>Population information from California State Controller's Office.

# CITY OF SARATOGA

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2008

(amounts expressed in thousands)

	Debt <u>Outstanding</u>	Estimated Percentage <u>Applicable<sup>1</sup></u>	Estimated Share of Overlapping <u>Debt</u>
<b>Direct and Overlapping Tax and Assessment Debt:</b>			
Foothill-De Anza Community College District	\$ 484,814	1.811%	\$ 8,780
West Valley Community College District	86,325	11.676%	10,079
Campbell Union High School District	143,980	5.510%	7,933
Fremont Union High School District	132,000	3.852%	5,085
Los Gatos-Saratoga Joint Union High School District	65,100	41.077%	26,741
Campbell Union School District	104,347	6.897%	7,197
Cupertino Union School District	128,130	6.439%	8,250
Moreland School District	72,492	12.777%	9,262
Saratoga Union School District	52,537	86.250%	45,313
Saratoga Fire Protection District	5,419	97.615%	5,290
City of Saratoga	13,595	100.000%	13,595
Santa Clara Valley Water District Benefit Assessment	165,020	3.680%	6,073
Total Direct and Overlapping Tax and Assessment Debt			<u>153,598</u>
<b>Overlapping General Fund Debt:</b>			
Santa Clara County General Fund Obligations	895,655	3.680%	\$ 32,960
Santa Clara County Pension Obligations	389,485	3.680%	14,333
Santa Clara County Board of Education			
Certificates of Participation	15,445	3.680%	568
Santa Clara County Vector Control District			
Certificates of Participation	4,275	3.680%	157
Foothill-De Anza Community College District			
Certificates of Participation	27,685	1.811%	501
Los Gatos-Saratoga Joint Union High School District			
Certificates of Participation	3,795	41.077%	1,559
Cupertino Union School District			
Certificates of Participation	2,375	6.439%	153
Saratoga Union School District			
Certificates of Participation	6,890	86.250%	5,943
Midpeninsula Open Space Park District			
General Fund Obligations	104,840	6.490%	6,804
Total Overlapping General Fund Debt			<u>62,978</u>
Combined Total Debt <sup>2</sup>			<u>\$ 216,576</u>

<sup>1</sup> Percentage of overlapping agencies assessed valuation located within boundaries of the City.

<sup>2</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

# CITY OF SARATOGA

## LEGAL DEBT MARGIN INFORMATION LAST FOUR FISCAL YEARS (amounts expressed in thousands)

	Fiscal Year			
	2005	2006	2007	2008
Debt Limit	\$ 1,120,618	\$ 1,241,761	\$ 1,334,455	\$ 1,423,398
Total net debt applicable to limit	13,585	13,305	13,143	12,741
Legal debt margin	<u>\$ 1,107,033</u>	<u>\$ 1,228,456</u>	<u>\$ 1,321,312</u>	<u>\$ 1,410,657</u>
Total net debt applicable to the limit as a percentage of debt limit	1.21%	1.07%	0.98%	0.90%
Legal debt margin calculation				
Assessed value	\$ 7,393,857	\$ 8,144,454	\$ 8,755,510	\$ 9,329,953
Add back: exempt real property	76,932	133,951	140,859	159,369
Total assessed value	<u>\$ 7,470,789</u>	<u>\$ 8,278,405</u>	<u>\$ 8,896,369</u>	<u>\$ 9,489,322</u>
Debt limit (15% of total assessed value)	\$ 1,120,618	\$ 1,241,761	\$ 1,334,455	\$ 1,423,398
Debt applicable to limit:				
General obligation bonds	\$ 14,440	\$ 14,170	\$ 13,890	\$ 13,595
Less: Amount available in debt service fund	(855)	(865)	(747)	(854)
Total net debt applicable to limit	<u>13,585</u>	<u>13,305</u>	<u>13,143</u>	<u>12,741</u>
Legal debt margin	<u>\$ 1,107,033</u>	<u>\$ 1,228,456</u>	<u>\$ 1,321,312</u>	<u>\$ 1,410,657</u>

Source: CAFR

**CITY OF SARATOGA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST FOUR FISCAL YEARS**

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<u>Fiscal Year</u>	<u>City Population<sup>1</sup></u>	<u>Personal Income (in millions)<sup>2</sup></u>	<u>Per Capita Personal Income<sup>3</sup></u>	<u>Labor Force<sup>4</sup></u>	<u>Unemployment Rate<sup>4</sup></u>
2005	30,850	\$ 224,702	\$ 50,373	12,600	2.5%
2006	30,835	240,484	N/A	12,700	2.1%
2007	31,352	N/A	N/A	12,900	2.3%
2008	31,592	N/A	73,848	13,100	3.2%

Source:

- <sup>1</sup> State of California Controllers Office
- <sup>2</sup> Bureau of Economic Analysis – San Jose, Sunnyvale, Santa Clara region
- <sup>3</sup> Claritas Inc.
- <sup>4</sup> State of California Employment Development Department

# CITY OF SARATOGA

## PRINCIPAL EMPLOYERS LAST FOUR FISCAL YEARS

Employer	2008			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
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	20	4	0.33%	30	4	0.49%
Longs Drug	20	5	0.33%	20	6	0.33%
Classic Car Wash	20	6	0.33%	20	7	0.33%
Harmonie European Day Spa	20	7	0.33%	20	8	0.33%
Hinshaw, Draa & Marsh	20	8	0.33%	20	9	0.33%
Jakes of Saratoga	20	9	0.33%			
Bella Saratoga	18	10	0.29%	20	10	0.33%
Windemere SVP				27	5	0.44%
Total City Employment <sup>2</sup>	6,129			6,129		

Source: City of Saratoga

<sup>1</sup> Earliest information available

<sup>2</sup> Current information unavailable

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2006			2005 <sup>1</sup>		
Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
85	1	1.39%	85	1	1.39%
65	2	1.06%	65	2	1.06%
65	3	1.06%	65	3	1.06%
30	4	0.49%	30	4	0.49%
20	6	0.33%	20	6	0.33%
20	7	0.33%	20	7	0.33%
20	8	0.33%	20	8	0.33%
20	9	0.33%	20	9	0.33%
20	10	0.33%	20	10	0.33%
27	5	0.44%	27	5	0.44%
6,129			6,129		

**CITY OF SARATOGA**

**FULL-TIME EQUIVALENT CITY GOVERNMENT  
EMPOLYEEES BY FUNCTION  
LAST FOUR FISCAL YEARS**

---

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
General government	12.65	10.75	11.00	13.00
Public works	20.80	20.75	21.75	22.75
Community development	13.00	13.00	14.00	14.00
Parks and recreation	10.30	10.35	10.60	10.60
Total	<u>56.75</u>	<u>54.85</u>	<u>57.35</u>	<u>60.35</u>

Source: City of Saratoga Budget Document

# CITY OF SARATOGA

## OPERATING INDICATORS BY FUNCTION LAST FOUR FISCAL YEARS

Function	Fiscal Year			
	2005	2006	2007	2008
<b>Public safety</b>				
Part 1 crimes <sup>1</sup>	463	426	425	381
Total incidents	42,011	40,567	39,663	41,243
Police reports	1,767	1,659	1,767	1,941
<b>Public Works</b>				
Street resurfacing (miles)	N/A	5	14	N/A
Street lights repaired	2	3	3	12
Potholes filled (sq. ft.)	N/A	5,000	5,000	7,000
<b>Community Development</b>				
Total permit valuation (\$000)	74,668	94,485	69,935	70,442
<b>Parks and Recreation</b>				
Classes, trips (enrollment) community events	5,192	5,260	4,606	4,740
Sports programs (e.g. basketball, softball)	470	473	515	591
Child care programs (enrollment)	200	163	159	225
Day/summer camps (enrollment)	301	287	205	242
Teen/youth council (enrollment)	2,506	3,798	2,221	94
Dance program (four quarters)	412	452	211	42
Senior center (enrollment/attendance days)	22,312	22,591	18,515	17,826

Source: City of Saratoga various records

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

**CITY OF SARATOGA**

**OPERATING INDICATORS BY FUNCTION  
LAST FOUR FISCAL YEARS**

Function	Fiscal Year			
	2005	2006	2007	2008
Public safety				
Police Station	1	1	-	-
Fire Station				
Saratoga Fire District	1	1	1	1
Central Fire District	1	1	1	1
Public Works				
Street Miles - Private	13	13	13	13
Street Miles - Public	137	137	137	137
West Valley Sanitation District				
Number of Connections	8,601	8,621	8,651	8,651
Length of Sewer Lines	120	120	127	127
Cupertino Valley Sanitation District				
Number of Connections	2,118	2,118	2,915	2,927
Length of Sewer Lines	36	36	36	36
Parks and Recreation				
Parks Acreage	81	81	81	81
Parks	15	15	15	15

Source: City of Saratoga various records

