



*City of Saratoga*

**Comprehensive Annual  
Financial Report**

**For the Fiscal Year Ended  
June 30, 2004**

**City of Saratoga**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2004**

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# CITY of SARATOGA

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

Incorporated October 22, 1956

## COUNCIL MEMBERS:

*Stan Bogosian*  
*Kathleen King*  
*Norman Kline*  
*Nick Streit*  
*Ann Waltonsmith*

December 16, 2004

To the Honorable Mayor and City Council  
City of Saratoga  
Saratoga, CA 95070

The Comprehensive Annual Financial Report (CAFR) of the City of Saratoga for the year ended June 30, 2004, 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. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups and component units of the City of Saratoga. All disclosures necessary to enable the reader to gain an understanding of the City of Saratoga's activities have been included.

GAAP 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 CAFR is presented in the following sections:

1. Introductory Section - The introductory section, which is unaudited, includes this letter of transmittal, a list of the City of Saratoga's elected officials and administrative personnel, an organization chart, the Government Finance Officers Association's (GFOA's) of the United States Certificate of Achievement for Excellence in Financial Reporting and the California Society of Municipal Finance Officer's (CSMFO) Certificate of Award for Financial Reporting to the City of Saratoga for its CAFR for the fiscal year ending June 30, 2003.
2. Management's Discussion and Analysis.
3. The basic financial statements include independent auditors' report, government-wide financial statements, fund financial statements, notes to the basic financial statements.
4. Required Supplemental Information - includes budgetary information, modified approached for city streets infrastructure capital assets and defined pension plan information.
5. Combining Statements for non-major governmental funds and fiduciary funds.
6. Statistical Section - Includes selected financial and demographic information, which is generally presented on a multi-year basis and is unaudited.

## **REPORTING ENTITY**

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 separate entities for which the City is fully accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units are combined with data of the City. Accordingly, the operations of the Landscaping and Lighting Assessment District #1 and the agency cash flows and cash balances of the Saratoga Public Finance Authority are reported in the City's financial statements.

## **CASH 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.

## **GOVERNMENTAL STRUCTURE AND RELATED INFORMATION**

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 30,300 as reported by the State of California 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 Finance Commission, Heritage Preservation Commission, Library Commission, Parks and Recreation Commission, Planning Commission, Public Safety Commission, and Arts and Youth Commission.

## ECONOMIC CONDITIONS AND OUTLOOK

Within a close proximity to many businesses associated with the high technology industry, Saratoga is viewed as a desirable place to live and serves primarily as a residential community to the Silicon Valley. There is limited commercial or industrial activity occurring within the City's boundaries.

Due to the community's residential character, the main measure of the City's economic condition is based on the stability of property taxes, motor vehicle license fees, sales tax, franchise fees, as well as the fluctuations in service charges which affects development taxes, permits and fees, and to a lesser extent, sales activity.

The local economy was hobbled by the weak high-tech sector and unfavorable business investment climate. Because of the poor economy, sales tax is down \$133,000 from FY02-03. Sales tax and Transient Occupancy tax are expected to have nominal increases, if not flat in FY04-05. Property tax continued to increase as the value of property subject to local tax base increased of about 7%. One substantial threat to the City's General Fund sources of revenues was the State Governor's "take-away" of Vehicle License Fee of \$576,000 in FY03-04 and expects to borrow from the City an additional \$319,381 in property in each of the next two years.

In response to the decline of revenues, the City's expenditures was reduced by implementing cuts to all department programs in areas such as training, use of consultant services and office equipment and supplies. Capital equipment purchases and facility maintenance was deferred. The contract cost with the Sheriff's office was reduced by 5%. Street sweeping services was reduced from weekly to a monthly basis. Other costs savings strategies used were the implementation of the holidays work furlough, which reduced payroll liability and utilities cost and the hiring freeze of 2 vacated positions, the consolidation of 2 positions into 1, and the freeze of employees' merit increases. These expenditures reductions are expected to carry to fiscal year 04-05 and possibility other operational changes are to be made. A study of the development fees is needed to bring them in line with the real costs of providing services related to new projects.

## FINANCIAL INFORMATION AND MAJOR INITIATIVES

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

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

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 of the operating budget lapse at year-end with the exception of the Capital Improvements Projects, which contains multiple-year projects. However, outstanding encumbrances of a material nature are typically reappropriated as part of the following year's budget process.

**OTHER INFORMATION**

**Independent Audit.** California law requires cities to prepare an annual audit by an independent certified public accountant. In addition to meeting the requirements set forth in statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984, as amended, and the related U.S. Office of Management and Budget's Circular. Generally accepted auditing standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditor's unqualified report is included in the financial section of this report. Caporicci & Larson, CPA's, performed the City's fiscal year 2001-2002 audit.

**Awards.** The City was awarded a certificate for its early implementation of GASB #34. Additionally, the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Achievement to the City for its Excellence in Financial Reporting on the CAFR for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

**Acknowledgements.** This CAFR represents the culmination of numerous hours of hard work expended by many individuals in the Accounting Division of the Administrative Services Department. In particular, we would like to express our appreciation to Vivian Gong, Accounting Supervisor and our staff members Jaye Tkach, Julie Ingraham, Karen Caselli and Corey Stick. Furthermore, we would like to thank Caporicci & Larson, CPA's for their helpful and timely assistance in the preparation of this report. Finally, we would like to give credit to the City Council and the Finance Advisory Commission 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



Michele Braucht  
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, 2003

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.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

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

As of June 30, 2004

**CITY COUNCIL**

Ann Waltonsmith - Mayor  
Kathleen King- Vice Mayor  
Nick Streit  
Norman Kline  
Stan Bogosian

**CITY STAFF**

Dave Anderson - City Manager  
Lorie Tinfow - Assistant City Manager  
Cathleen Boyer - City Clerk  
Michele Braucht - Administrative Services Director  
Tom Sullivan - Community Development Director  
John Cherbone - Public Works Director  
Joan Pisani - Recreation Director

**CITY ATTORNEY**

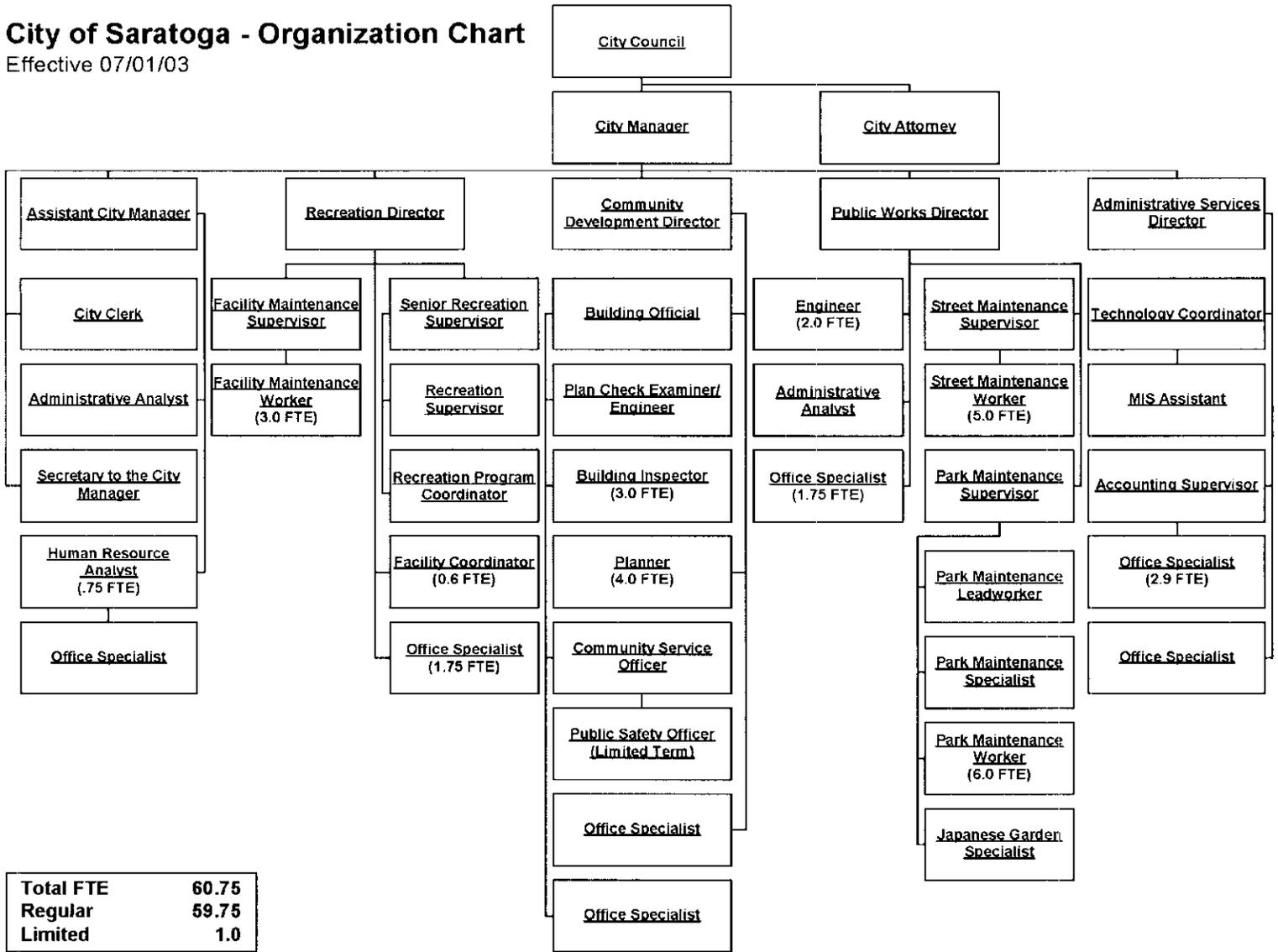
Richard S. Taylor - Shute, Mihaly & Weinberger

**INDEPENDENT AUDITOR**

Caporicci & Larson, CPAs

# City of Saratoga - Organization Chart

Effective 07/01/03





## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Saratoga, California (City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

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

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

*Caporicci & Larson*

Oakland, California  
November 22, 2004

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# CITY OF SARATOGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2004 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. The City of Saratoga is in its third year of reporting within the provisions of Governmental Accounting Standards Board Statement No.34 (GASB 34).

### FISCAL YEAR 2003-2004 FINANCIAL HIGHLIGHTS

- The City's total net assets were \$117,899,126.
- Total City revenues, including program and general revenues were \$15,589,803, while total expenses were \$16,867,534.
- Governmental program revenues were \$6,662,883, while Governmental Program expenses were \$16,867,534.
- General Fund revenues were \$12,406,075, while General Fund expenditures were \$11,559,753.

### OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

1. Introductory section, which includes the transmittal letter and general information.
2. Management's Discussion and Analysis.
3. The Basic Financial Statements, which included the governmental-wide and fund financial statements, along with the notes to the financial statements.
4. Required supplemental information.
5. Combining statements for non-major governmental funds and fiduciary funds.
6. Statistical information.

#### **The Basic Financial Statements**

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

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

Activities explains in detail the change in Net Assets for the fiscal year.

All of the City's activities are required to be grouped into government activities and business-type activities. The entire amount in the Statement of Net Assets and the Statement of Activities are also required to be separated into governmental activities or business-type activities in order to provide a summary of these two activities of the City as a whole. In the case of the City of Saratoga there are no business-type activities as of June 30, 2004.

The Fund Financial Statements report the City's operations in more detail than the governmental-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.

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

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

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

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

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

#### **Fund Financial Statements**

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

major activities of the City for the fiscal year, and may change from year to year as a result of changes in the pattern of the City's activities.

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

Internal Service Funds - the City has no internal service funds at June 30, 2004.

Enterprise Funds - the City has no enterprise funds at June 30, 2004.

Proprietary Funds - the City has no proprietary funds at June 30, 2004.

Fiduciary Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governmental units, and/or other funds. The City maintains two such funds:

- Community Access Television Trust Fund - acts as a trustee for the CATV Foundation Board for investment purposes.
- Assessment District Bonds - acts as an agent for bondholders for Village Parking Districts #2 and #3, the Leonard Road Improvement District and the Saratoga Public Financing Authority.

#### **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

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

#### **Combining and Individual Fund Statements and Schedules**

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

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

Net assets may serve over time as an indicator of the City's financial position. The total City's assets decreased .5 % to \$135,011,326 in fiscal year 2003-04 from \$135,698,311 in fiscal year 2002-03.

The most significant portion of the City's net assets \$118,999,458 or 88% accounts for its investment in capital assets (e.g., land, buildings, general government infrastructure, equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to the citizens: consequently, these assets are not available for future spending.

\$12,307,755 or 10.4 % of the City's net assets is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

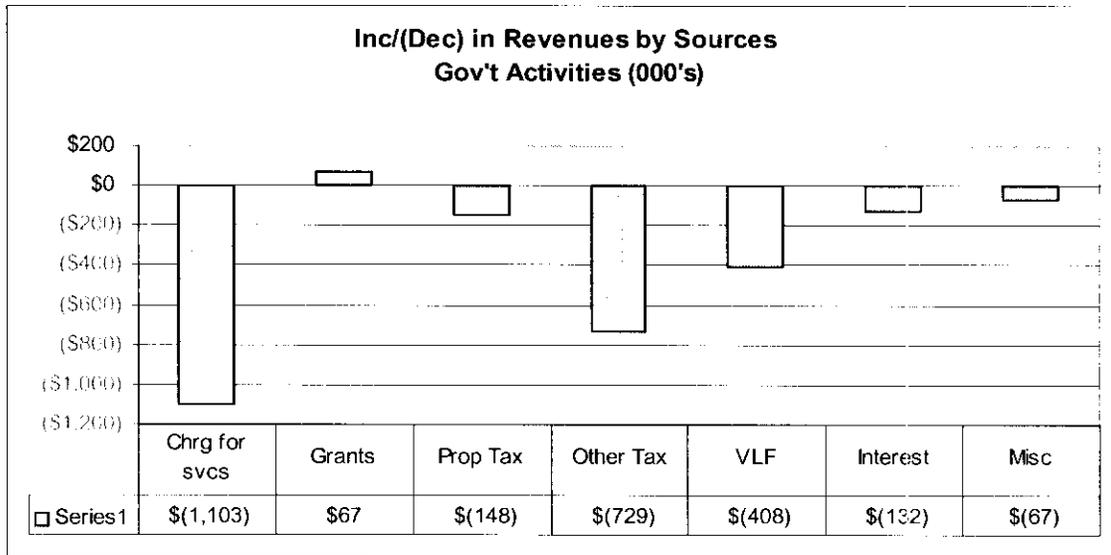
\$1,286,913 or 1.1 % of the City's net assets is subjected to external restrictions on how they may be used. Of these restricted net assets, \$500,937 is for restricted for capital projects, \$701,976 is for repayment of long-term debt and \$84,000 is restricted for housing activities.

**Statement of Net Assets  
(In Thousands)**

	Governmental Activities	
	2004	2003
Current Assets	\$ 16,012	\$ 16,974
Capital Assets	118,999	118,725
<b>Total Assets</b>	<b>135,011</b>	<b>135,699</b>
Current Liabilities	2,413	1,847
Long-term Debt	14,699	15,021
<b>Total Liabilities</b>	<b>17,112</b>	<b>16,868</b>
<b>Net Assets:</b>		
Invested in Capital Assets, net of debt	104,305	103,785
Restricted - Capital Projects	501	7,176
Restricted - Debt Service	702	836
Restricted - Special Projects	84	298
Unrestricted	12,307	6,736
<b>Total Net Assets</b>	<b>\$ 117,899</b>	<b>\$ 113,831</b>

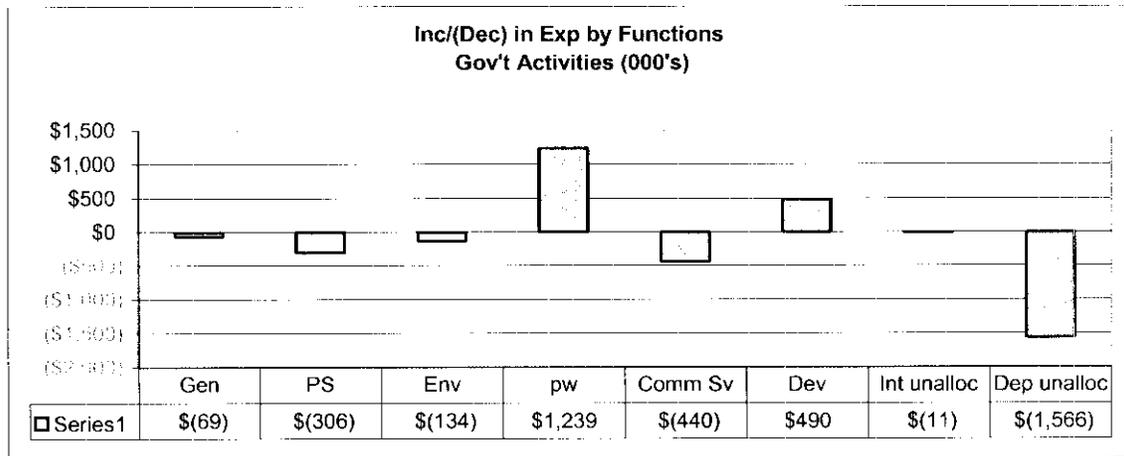
**Statement of Changes in Net Assets  
(In Thousands)**

	Governmental Activities	
	2004	2003
Program Revenues:		
Charges for services	\$ 4,663	\$ 5,767
Operating grants and contributions	954	1,703
Capital grants and contributions	1,045	229
Total Program Revenues	6,662	7,699
General Revenues:		
Property taxes	4,068	4,216
Sales taxes	895	1,028
Special assessments	-	471
Franchise taxes	984	933
Local taxes	1,129	1,304
Motor vehicle in-lieu fees	1,489	1,897
Investment earnings	114	247
Miscellaneous	248	315
Total General Revenues	8,927	10,411
Total Revenues	15,589	18,110
Expenses:		
General and intergovernmental services	3,149	3,218
Public safety	3,209	3,513
Environmental services	514	648
Public works	5,114	3,875
Community services	1,534	1,976
Community development services	2,575	2,086
Interest on long-term debt (unallocated)	772	783
Depreciation expenses (unallocated)	0	1,566
Total Expenses	16,867	17,665
Increase (decrease) in net assets	\$ (1,278)	\$ 445



Saratoga's revenues declined \$2,520,000 or approximately 13.9% compared to prior year.

- Charges for Services  
Decrease reflects a decreasing use of City services; Engineering Fees \$251,000, Recreation Fees \$155,000, Geology Review Fees by \$29,000, Building and Grading Fees \$115,000 and a decrease of \$465,000 in indirect cost charged internally to department.
- Grants  
Increase in Grants received in Public Safety and Infrastructure Capital Improvement Project funds, \$284,000 for Playground Safety, \$351,000 for the Citywide Traffic Signal Upgrade and \$305,000 for the Saratoga-Sunnyvale Gateway Project.
- Property Tax  
Decrease of \$238,000 in the voter approved property tax for the General Obligation Library Bond offset by an increase of \$90,000 in the general secured and non-secured property tax. Assessed property valuations increased 7.1%.
- Other Tax  
Decrease of \$729,000 is primary due to two events; Sales Tax decrease by \$133,000 and prior year special assessment of \$471,000 was a one-time event.
- Vehicle License Fee  
Decrease due to State failed to make three months of back fill payments of \$516,892.
- Interest  
Decrease due to declining LAIF interest rate.



Saratoga's expenditures declined by \$797,000 or 4.5%

- Gen (General Government)  
Decrease of \$69,000 primary due to the reduction of \$60,000 in legal fees.
- PS (Public Safety)  
Decrease of \$306,000 primarily due to elimination of one traffic safety officer and a reduction of investigative hours by detectives.
- Env (Environmental)  
Decrease of \$134,000 due to reduction of \$82,000 in Inter-agency dues pay to West Valley Solid Waste JPA and \$52,000 in other contract services.
- PW (Public Works)  
Increased by \$1,239,000 compared to prior year primary due to depreciation expense being recorded at the program level.
- Comm Sv (Community Services)  
Decrease of \$440,000 primary due to elimination of administration expense owed to the General fund and an increase of \$89,000 in depreciation expense recorded at the program level.
- Dev (Development Services)  
Increase by \$490,000 primary due to the recording of depreciation expenses at the program level.
- Int unalloc (Interest Unallocated)  
Decrease in Interest payment on the 2001 GO bond.
- Dep unalloc (Depreciation Unallocated)  
Fiscal year 2003-04 is the first year the City of Saratoga allocated depreciation expense at a program level: General Government \$137,000, Public Safety \$23,000, Public Works \$1,290,000, Community Services \$89,000 and Community Development \$370,000.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Changes from the City’s original budget to the final budget is detailed in the Required Supplementary Information Section along with a comparison to actual activity for the year ended.

Source of Funds

During the City’s mid-year review process, revenue projections were revised to reflect:

- Decrease of \$576,000 in vehicle license fee, 3 months no backfill that reflect the State Governor’s January 2004 budget proposal.
- Decrease of 10% or \$102,000 in retail activity and sales tax revenues.
- Increase of \$100,000 in document transfer tax.
- Increase of \$200,000 transfers in from 5-year capital improvement project to fund a feasibility study to support a redevelopment agency.

Use of Funds

During the City’s fiscal year, amendments to the original budget were revised to primarily reflect:

- Increase appropriations to \$121,000 in Litigation Services to cover anticipated claim settlement.
- Increase of \$590,000 in operating transfer out to the Streets/Road for pavement management plan projects.

	FY 2003-04 Adopted	FY 2003-04 Year End	Annual Inc/(Dec)
<b>Source of Funds</b>			
On-Going \$	20,204	\$ 19,648	\$ (556)
Transfers	-	200	200
<b>Total Source of Funds \$</b>	<b>20,204</b>	<b>\$ 19,848</b>	<b>\$ (356)</b>
<b>Use of Funds</b>			
On-Going \$	11,564	\$ 12,007	\$ 443
Transfers	2,065	2,306	241
<b>Total Use of Funds \$</b>	<b>13,629</b>	<b>\$ 14,313</b>	<b>\$ 684</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:

- 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 summarized 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 78% of streets are rated as Excellent to Good, 13% of streets are rated as Fair, and 9% of streets are rated as Poor to Substandard. The City estimated and spent \$1,961,844 to maintain and preserve eligible infrastructure assets. For more detail information on Capital Assets activity, please refer to Note G in the section entitled "Notes to the Basic Financial Statements" and "Required Supplementary Section".

As of June 30, 2004, the City had \$118,999,000 invested in a variety of capital assets, as reflected in the following schedule, which represents an increase of \$274,000 or .23% above the prior year

**Capital Assets at Year-end  
(Net of Depreciation - In Thousands)**

	Governmental Activities	
	2004	2003
Land	\$ 11,118	\$ 4,831
Buildings and Structures	16,914	2,975
Machinery and Equipment	569	747
Infrastructure	86,174	87,248
Construction in Progress	4,224	22,924
Total	<u>\$ 118,999</u>	<u>\$ 118,725</u>

The following reconciliation summarizes the change in Capital Assets, which primarily reflect the completion Library Expansion project and other park projects, and the continued progress of the City's adopted 5-year Capital Improvement Program.

**Changes in Capital Assets  
(In Thousands)**

	Governmental Activities	
	2004	2003
Beginning Balance	\$ 118,725	\$ 106,105
Additions:		
Buildings and Structures	14,418	
CIP	(12,354)	13,936
Infrastructure	30	-
Machinery and Equipment	88	251
Retirements:		
Inventory Adjustments	-	-
Depreciation	(1,908)	(1,567)
Ending Balance	<u>\$ 118,999</u>	<u>\$ 118,725</u>

**DEBT ADMINISTRATION**

**Outstanding Debt, at year-end  
(In Thousands)**

	Governmental Activities	
	2004	2003
2001 General Obligation Bond	\$ 14,695	\$ 14,940
Claims Payable	181	247
Compensated Absences	260	262
Total	<u>\$ 15,135</u>	<u>\$ 15,449</u>

The current portions of long-term debt (\$436,000 and \$428,000 for 2004 and 2003, respectively) are classified as current liabilities in the City’s Statement of Net Assets.

During the year, the City made debt service payments that include the second principal reduction of \$245,000 on the City’s \$15,000,000, 2001 General Obligation Library bonds.

The decrease in compensated absences primarily reflects the changes in payable annual leave balances for City employees. Further information on the City’s outstanding debt can be found in the notes to the financial statements.

**ECONOMIC FACTORS**

In November of 2004, voters in California considered more than 270 local measures related to local agency taxes, fees and financing. One hundred eighteen (118) of these measures concerned city taxes, fees or financing. The City of Saratoga along with sixteen other cities proposed a Utility User Tax (UUT). All proposals were for general-purpose taxes and required majority voter approval. Voters approved six measures to continue existing taxes. All proposals to increase existing UUT failed and only two of seven proposals for new Utility User taxes passed. The voter’s did not approve the Utility User Tax for the city of Saratoga, which at 4% was anticipated to generate \$2,560,000 for a period of ten years.

Proposition 1A is a historic, bipartisan agreement that allows the State to *borrow* - but not permanently take -- local government revenues in the event of a fiscal emergency. The measure does not raise taxes, nor take funding from education or any other constituency. A direct fiscal impact on the City of Saratoga is that in fiscal year 2004-05 and 2005-06 the City will make a “contribution” of \$260,150 to the supplement the State of California’s budget, in fiscal year 2006-07 the City will be repaid in full \$520,300 for their contribution.

Major initiatives for the fiscal year 2004-2005 must take in to consideration the impact of those events highlighted above as such they are as follows:

- Maintain preparedness for economic downturns and sustain City operations by closely monitoring current revenues and expenditures.
- Continue to maintain General Fund Reserves in the amount of \$1,500,000 for economic uncertainty and \$2,403,623 for operations;
- Preserve the commitment of capital improvement reserves for projects related to public safety, infrastructure, parks and trails, and facilities; and
- Prioritize City services that can be rendered within the parameters of the current revenue climate.

**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.





**City of Saratoga**  
**Statement of Net Assets**  
**June 30, 2004**

	<u>Primary Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 12,820,688
Restricted cash and investments	1,286,913
Receivables:	
Accounts	1,510,332
Interest	47,980
Loans	345,955
Total current assets	<u>16,011,868</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable	60,583,974
Depreciable, net	58,415,484
Total capital assets	<u>118,999,458</u>
Total noncurrent assets	<u>118,999,458</u>
<b>Total assets</b>	<u>135,011,326</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	536,356
Accrued payroll	183,227
Interest payable	320,836
Deposits payable	885,399
Deferred revenues	1,039
Claims payable	50,000
Long-term debt - due within one year	436,635
Total current liabilities	<u>2,413,492</u>
Noncurrent liabilities:	
Long-term debt - due in more than one year	14,698,708
Total noncurrent liabilities	<u>14,698,708</u>
<b>Total liabilities</b>	<u>17,112,200</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	<u>104,304,458</u>
Restricted for:	
Capital projects	500,937
Debt service	701,976
Special projects	84,000
Total restricted	<u>1,286,913</u>
Unrestricted	<u>12,307,755</u>
<b>Total net assets</b>	<u>\$ 117,899,126</u>

See accompanying Notes to the Basic Financial Statements.

**City of Saratoga**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2004**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General and intergovernmental services	\$ 3,149,593	\$ 1,467,643	\$ -	\$ -	\$ 1,467,643
Public safety	3,208,027	216,400	185,620	284,000	686,020
Environmental services	513,539	514,382	29,016	-	543,398
Public works	5,113,509	124,927	585,186	669,837	1,379,950
Community services	1,535,575	917,563	10,000	91,134	1,018,697
Community development services	2,575,621	1,423,035	144,140	-	1,567,175
Interest on long-term debt (unallocated)	771,670	-	-	-	-
<b>Total</b>	<b>\$ 16,867,534</b>	<b>\$ 4,663,950</b>	<b>\$ 953,962</b>	<b>\$ 1,044,971</b>	<b>\$ 6,662,883</b>

**General revenues and taxes:**

Taxes:

Property taxes

Sales taxes

Franchise taxes

Local taxes

Motor vehicle in-lieu fees

Total taxes

Investment earnings

Miscellaneous

**Total general revenues and taxes**

**Change in net assets**

**Net assets - beginning of year, as restated**

**Net assets - end of year**

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Net (Expense)  
Revenue and  
Changes in  
Net Assets

Primary  
Government  
Governmental  
Activities

---

\$ (1,681,950)  
(2,522,007)  
29,859  
(3,733,559)  
(516,878)  
(1,008,446)  
(771,670)  

---

(10,204,651)

4,068,218

895,028

983,620

1,128,441

1,488,954

---

8,564,261

114,537

248,122

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8,926,920

(1,277,731)

119,176,857

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\$ 117,899,126





# GOVERNMENTAL FUND FINANCIAL STATEMENTS

## **General Fund**

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

## **Community Development Block Grant Special Revenue Fund**

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.

## **Streets and Roads Special Revenue Fund**

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

## **Capital Improvement Capital Projects Fund**

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

## **Other Governmental Funds**

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

**City of Saratoga**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

	Major Funds					Total Governmental Funds
	General	Community Development Block Grant	Streets and Roads	Capital Improvement	Other Governmental Funds	
<b>ASSETS</b>						
Cash and investments	\$ 6,775,033	\$ -	\$ 607,645	\$ 4,197,606	\$ 1,240,404	\$ 12,820,688
Restricted cash and investments	269,675	84,000	5,776	225,486	701,976	1,286,913
Receivables:						
Accounts	702,101	43,395	-	757,840	6,996	1,510,332
Interest	47,980	-	-	-	-	47,980
Loans	-	345,955	-	-	-	345,955
Due from other funds	48,604	-	-	-	-	48,604
<b>Total assets</b>	<b>\$ 7,843,393</b>	<b>\$ 473,350</b>	<b>\$ 613,421</b>	<b>\$ 5,180,932</b>	<b>\$ 1,949,376</b>	<b>\$ 16,060,472</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 242,172	\$ -	\$ 42,091	\$ 230,164	\$ 21,929	\$ 536,356
Accrued payroll	159,707	-	19,559	-	3,961	183,227
Due to other funds	-	43,395	-	-	5,209	48,604
Deposits payable	885,399	-	-	-	-	885,399
Deferred revenue	-	345,955	-	1,039	-	346,994
Claims payable	50,000	-	-	-	-	50,000
<b>Total liabilities</b>	<b>1,337,278</b>	<b>389,350</b>	<b>61,650</b>	<b>231,203</b>	<b>31,099</b>	<b>2,050,580</b>
<b>Fund Balances:</b>						
Reserved for:						
Encumbrances	269,675	-	5,776	225,486	-	500,937
Petty cash	300	-	-	-	-	300
Debt service	-	-	-	-	701,976	701,976
Special projects	-	84,000	-	-	-	84,000
Unreserved, designated for:						
Operations	2,403,623	-	-	-	-	2,403,623
Economic uncertainty	1,500,000	-	-	-	-	1,500,000
PERS	139,668	-	-	-	-	139,668
MIS	128,198	-	-	-	-	128,198
Unreserved, undesignated, reported in:						
General fund	2,064,651	-	-	-	-	2,064,651
Special revenue funds	-	-	545,995	-	36,609	582,604
Capital projects funds	-	-	-	4,724,243	1,179,692	5,903,935
<b>Total fund balances</b>	<b>6,506,115</b>	<b>84,000</b>	<b>551,771</b>	<b>4,949,729</b>	<b>1,918,277</b>	<b>14,009,892</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,843,393</b>	<b>\$ 473,350</b>	<b>\$ 613,421</b>	<b>\$ 5,180,932</b>	<b>\$ 1,949,376</b>	<b>\$ 16,060,472</b>

See accompanying Notes to the Basic Financial Statements.

**City of Saratoga**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2004**

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<b>Total Fund Balances - Total governmental funds</b>	<u>\$ 14,009,892</u>
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	60,583,974
Depreciable capital assets, net	<u>58,415,484</u>
Total capital assets	<u>118,999,458</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	<u>(320,836)</u>
Deferred revenues reported in Governmental Funds Balance Sheet includes balance of loans receivable. The balance was deferred because funds were not available to pay for current-period expenditures.	<u>345,955</u>
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:	
General obligation bonds	(14,695,000)
Claims payable	(180,865)
Compensated absences	<u>(259,478)</u>
Total long-term liabilities	<u>(15,135,343)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 117,899,126</u></u>

See accompanying Notes to the Basic Financial Statements.

**City of Saratoga**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2004**

	Major Funds					Total Governmental Funds
	General	Community Development Block Grant	Streets and Roads	Capital Improvement	Other Governmental Funds	
<b>REVENUES:</b>						
Property taxes	\$ 3,020,515	\$ -	\$ -	\$ -	\$ 1,141,335	\$ 4,161,850
Other local taxes	1,822,785	-	-	-	-	1,822,785
Intergovernmental - State	1,687,387	-	582,340	1,159,301	100,000	3,529,028
Intergovernmental - Federal	-	102,553	-	-	-	102,553
Franchise fees	983,621	-	-	-	-	983,621
Use of money and property	386,450	41,587	2,846	-	8,380	439,263
Current service charges	3,037,674	-	10,598	-	34,788	3,083,060
Reimbursement of interfund cost allocations	1,467,643	-	-	-	-	1,467,643
<b>Total revenues</b>	<b>12,406,075</b>	<b>144,140</b>	<b>595,784</b>	<b>1,159,301</b>	<b>1,284,503</b>	<b>15,589,803</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General and intergovernmental services	3,037,062	-	-	-	-	3,037,062
Public safety	3,172,922	-	-	-	12,997	3,185,919
Environmental services	488,495	-	26,973	-	-	515,468
Public works	1,208,717	-	2,316,769	-	301,703	3,827,189
Community services	1,357,048	102,728	-	-	-	1,459,776
Community development services	2,216,151	-	-	-	-	2,216,151
Capital outlay	79,358	-	10,548	1,737,637	369,563	2,197,106
<b>Debt service:</b>						
Principal	-	-	-	-	245,000	245,000
Interest and fiscal charges	-	-	-	-	776,774	776,774
<b>Total expenditures</b>	<b>11,559,753</b>	<b>102,728</b>	<b>2,354,290</b>	<b>1,737,637</b>	<b>1,706,037</b>	<b>17,460,445</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>846,322</b>	<b>41,412</b>	<b>(1,758,506)</b>	<b>(578,336)</b>	<b>(421,534)</b>	<b>(1,870,642)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	464,664	-	2,305,793	98,369	65,000	2,933,826
Transfers out	(2,370,793)	-	-	(200,000)	(363,033)	(2,933,826)
<b>Total other financing sources (uses)</b>	<b>(1,906,129)</b>	<b>-</b>	<b>2,305,793</b>	<b>(101,631)</b>	<b>(298,033)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(1,059,807)</b>	<b>41,412</b>	<b>547,287</b>	<b>(679,967)</b>	<b>(719,567)</b>	<b>(1,870,642)</b>
<b>FUND BALANCES:</b>						
Beginning of year, as restated	7,565,922	42,588	4,484	5,629,696	2,637,844	15,880,534
End of year	\$ 6,506,115	\$ 84,000	\$ 551,771	\$ 4,949,729	\$ 1,918,277	\$ 14,009,892

See accompanying Notes to the Basic Financial Statements.

# City of Saratoga

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2004

Net Change in Fund Balances - Total governmental funds \$ (1,870,642)

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

Governmental funds reported 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 by which capital outlays exceeded depreciation in the current period.

Capital outlay	2,182,504
Depreciation expense	(1,907,970)
	<u>274,534</u>

Long-term claims payable 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 claims payable were not reported as expenditures in governmental funds.

66,329

Long-term compensated absences 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 were not reported as expenditures in governmental funds.

1,944

Bond proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. 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	<u>245,000</u>
---------------------------	----------------

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

5,104

**Change in Net Assets of Governmental Activities \$ (1,277,731)**



# FIDUCIARY FUND FINANCIAL STATEMENTS

## Agency Funds

Agency Funds is the aggregate of all the agency funds.

**City of Saratoga**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2004**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 120,151
Restricted cash and investments	331,282
Accounts receivable	<u>42,946</u>
<b>Total assets</b>	<b>\$ 494,379</b>
<b>LIABILITIES</b>	
Deposits payable	\$ 87,376
Due to assessment district bondholders	<u>407,003</u>
<b>Total liabilities</b>	<b>\$ 494,379</b>

See accompanying Notes to the Basic Financial Statements.

**City of Saratoga**  
**Index to Notes to the Basic Financial Statements**  
**For the year ended June 30, 2004**

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**City of Saratoga**  
**Index to Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2003**

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**City of Saratoga**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

The City was incorporated as a municipal corporation in 1956 under the general laws of the State of California, and had a population of 30,300 at June 30, 2004. 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, 2004, the City's staff comprised 59 full time 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. Fire services are provided by special district. Emergency management, 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 22 employees. Major projects may be contracted out to reduce costs.
- ◆ Community Development - Zoning administration, plan checking and advance planning services are provided by 12 employees.
- ◆ Culture, Recreation and Community Support services are provided by a total of 10 employees.
- ◆ General Government services are provided by a total of 14 employees.

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

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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

**A. Financial Reporting Entity, Continued**

The following entities are reported as blended component units:

*Saratoga Public Financing Authority* - The Saratoga Public Financing Authority (Authority) is a joint powers authority organized by the City of Saratoga (City) and the City of Saratoga Parking Authority (Parking Authority) on June 16, 1993, under the laws of the State of California. The Authority was organized to provide financial assistance to the City and Districts for public improvements for the City and the purchase by the Authority of Local Obligations within the meaning of the Act.

*Lighting and Landscaping Assessment District* - The Lighting and Landscaping Assessment District (District) was established in 1980 for the levy and the collections of assessments upon the several lots or parcels of land in the District, and for the construction or installation of improvements, including maintenance.

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

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

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

**Government-Wide Financial Statements**

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

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

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

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

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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

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

**Government-Wide Financial Statements, Continued**

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

- ◆ Due from/to other funds
- ◆ Transfers in/out

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria. The following funds are major funds:

**General Fund**

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

**Community Development Block Grant Special Revenue Fund**

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 program.

**Streets and Roads Special Revenue Fund**

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

**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.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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

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

**Governmental Fund Financial Statements, Continued**

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 (generally 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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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

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

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 construction of capital projects.

**E. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**F. Interfund Transactions**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, are reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**G. Capital Assets**

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

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

Buildings and structures	40 years
Machinery and equipment	5-10 years
Infrastructure	20-50 years

The City has not allocated the depreciation expense to departments.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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

**G. Capital Assets, Continued**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure 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, 2001. This condition assessment will be performed every 3 years. 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	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

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, 2004. 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

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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

**G. Capital Assets, Continued**

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.

**H. Interest Payable**

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

**I. 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.

**J. 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.

**K. 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

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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

**K. Long-Term Obligations, Continued**

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.

**L. Fund Balances**

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

City Council has designated an amount for operations, which it has defined as being equal to the greater of one-quarter of the total budgeted General Fund appropriations for the current budget year or \$2,000,000. The designation is increased annually by an amount equal to the interest the City earned on an equivalent amount of cash and investments.

**M. 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.”

**N. 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.

**O. 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.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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

*O. Property Tax and Special Assessments, Continued*

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.

*P. Use of Estimates*

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

**2. CASH AND INVESTMENTS**

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2004:

	Government-Wide Statement of Net Assets Governmental Activities	Fiduciary Funds Statement of Net Assets	Total
Pooled cash and investments	\$ 12,820,688	\$ 120,151	\$ 12,940,839
Restricted cash and investments	1,286,913	331,282	1,618,195
<b>Total</b>	<b>\$ 14,107,601</b>	<b>\$ 451,433</b>	<b>\$ 14,559,034</b>

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.

*A. Cash Deposits*

The carrying amounts of the City's cash deposits were \$263,835 at June 30, 2004. Bank balances before reconciling items were \$531,103 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.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**2. CASH AND INVESTMENTS, Continued**

**A. Cash Deposits, Continued**

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

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**B. Investments**

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

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

The City has complied with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. No current adjustments have been made to the accompanying basic financial statements, because the City's investments were primarily in the State of California Local Agency Investment Fund and the fair value adjustment was immaterial.

The City's investments with Local Agency Investment Fund (LAIF) at June 30, 2004, 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.

City of Saratoga  
Notes to the Basic Financial Statements, Continued  
For the year ended June 30, 2004

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2. CASH AND INVESTMENTS, continued

B. *Investments, Continued*

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

As of June 30, 2004, the City had \$13,923,628 invested in LAIF which had invested 1.603% of the pool investment funds in Structured Notes and Asset-Backed Securities.

C. *Credit Risk*

Governmental Accounting Standards Board Statement No. 3 requires that deposits and investments be classified by credit risk.

Classifications of deposits and investments by credit risk are as follows:

**Deposits**

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Deposits which are uninsured or uncollateralized.

**Investments**

Category 1 - Insured or registered, with securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

Investments Not Subject to Categorization - Investments in the California Local Agency Investment Fund (LAIF) are not categorized, as GASB No. 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments are not categorized because the underlying assets are open-ended mutual funds. Guaranteed investment contracts are not categorized because they are direct contractual investments and are not securities. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**2. CASH AND INVESTMENTS, Continued**

*C. Credit Risk, Continued*

Deposits and investments were categorized as follows at June 30, 2004:

	Category 1	Category 3	Not Required to be Categorized	Fair Value
<b>City Treasury:</b>				
Demand deposits:				
Cash deposit	\$ 263,835	\$ -	\$ -	\$ 263,835
Investments:				
Money market mutual funds	-	-	40,273	40,273
Local agency investment fund	-	-	13,923,628	13,923,628
<b>Total investments</b>	-	-	13,963,901	13,963,901
<b>Total deposits and investments</b>	263,835	-	13,963,901	14,227,736
<b>Cash and investments with Fiscal Agents</b>				
Money market mutual funds	-	171,298	-	171,298
Guaranteed investment contract	-	160,000	-	160,000
<b>Total cash and investments with fiscal agents</b>	-	331,298	-	331,298
<b>Total</b>	\$ 263,835	\$ 331,298	\$ 13,963,901	\$ 14,559,034

At June 30, 2004, the City had no category 2 deposits or investments.

*D. Summary of Investments to Maturity*

Investments grouped by maturity date at June 30, 2004, are shown below:

Maturity	Fair Value
Current to one year	\$ 13,963,901

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**3. LOANS RECEIVABLE**

The City had the following loan receivable as of June 30, 2004:

	Balance <u>July 1, 2003</u>	Additions	Deletions	Balance <u>June 30, 2004</u>
Housing Rehabilitation Loan Program	\$ 394,217	\$ -	\$ (48,262)	\$ 345,955

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, 2004, the City had outstanding SHARP loans of \$345,955. During the year ended June 30, 2004, the City received \$48,262 in repayments from all participants.

In the governmental fund financial statements, these loans have been offset by deferred revenue as they are not expected to be repaid immediately.

In the government-wide financial statements, the amount of deferred revenue was recognized as revenues.

**4. FUND FINANCIAL STATEMENTS INTERFUND TRANSACTIONS**

**A. Due from/to Other Funds**

Due from/to other funds as of June 30, 2004 were as follows:

	<u>Due to Other Funds</u>		
	<u>Special Revenue Fund</u>		
	Community Development Block Grant	Other Governmenta Funds	<u>Total</u>
<u>Due from Other Funds</u>			
General Fund	\$ 43,395	\$ 5,209	\$ 48,604

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**4. FUND FINANCIAL STATEMENTS INTERFUND TRANSACTIONS, Continued**

*B. Transfers In/Out*

Transfers for the year ended June 30, 2004 were as follows:

Transfers Out	Transfers In				Total
	General Fund	Special Revenue Fund Street and Roads	Capital Projects Fund Capital Improvement	Other Governmental Funds	
General Fund	\$ -	\$ 2,305,793	\$ -	\$ 65,000	\$ 2,370,793
Capital Projects Fund:					
Capital Improvements	200,000	-	-	-	200,000
Other Governmental Funds	264,664	-	98,369	-	363,033
<b>Total</b>	<b>\$ 464,664</b>	<b>\$ 2,305,793</b>	<b>\$ 98,369</b>	<b>\$ 65,000</b>	<b>\$ 2,933,826</b>

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

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2004, consisted of the following:

	Primary Government			Balance June 30, 2004
	Balance July 1, 2003	Additions	Retirements	
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,830,840	\$ 6,287,190	\$ -	\$ 11,118,030
Construction in progress	22,924,027	2,087,331	(20,786,879)	4,224,479
Infrastructure:				
Street pavement system	45,182,765	58,700	-	45,241,465
Total capital assets not being depreciated	72,937,632	8,433,221	(20,786,879)	60,583,974
Capital assets, being depreciated:				
Buildings and structures	4,860,089	14,418,358	-	19,278,447
Machinery and equipment	1,973,716	88,141	-	2,061,857
Infrastructure:				
Bridges	1,563,654	-	-	1,563,654
Signs and lights	762,527	-	-	762,527
Drainage system	39,844,721	11,193	-	39,855,914
Sidewalks	11,475,780	18,470	-	11,494,250
Total capital assets being depreciated	60,480,487	14,536,162	-	75,016,649
Accumulated depreciation	(14,693,195)	(1,907,970)	-	(16,601,165)
Total capital assets being depreciated, net	45,787,292	12,628,192	-	58,415,484
<b>Governmental activities capital assets, net</b>	<b>\$ 118,724,924</b>	<b>\$ 21,061,413</b>	<b>\$ (20,786,879)</b>	<b>\$ 118,999,458</b>

Depreciation Expense by Function:

General Government	\$ 137,006
Public Safety	22,759
Public Works	1,289,752
Community Services	88,676
Community Development	369,777
<b>Total</b>	<b>\$ 1,907,970</b>

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.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**6. LONG-TERM DEBT**

A summary of the City's long-term debt transactions for the year ended June 30, 2004, is presented below:

Description	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
General Obligation Bonds:						
2001 Library Bonds	\$ 14,940,000	\$ -	\$ (245,000)	\$ 14,695,000	\$ 255,000	\$ 14,440,000
Claims payable	247,194	-	(66,329)	180,865	-	180,865
Compensated absences	261,422	-	(1,944)	259,478	181,635	77,843
<b>Total</b>	<b>\$ 15,448,616</b>	<b>\$ -</b>	<b>\$ (313,273)</b>	<b>\$ 15,135,343</b>	<b>\$ 436,635</b>	<b>\$ 14,698,708</b>

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

On May 1, 2001, the City issued General Obligation Bonds Series 2001 in the amount of \$15,000,000. The proceeds of the bonds were used to improve, renovate, and expand the Saratoga Community Library. The bonds are payable from and secured by certain property taxes within the City. Interest on the bonds ranges from 5% to 6% and is payable on February 1 and August 1 of each year, commencing February 1, 2002. Principal is due annually beginning on August 1, 2002, in amounts ranging from \$60,000 to \$940,000. The bonds mature on August 1, 2032 and are subject to redemption prior to maturity at redemption prices ranging from 100% to 101% of par. The bonds may be called for redemption beginning on or after August 1, 2011, at the option of the City. At June 30, 2004, the outstanding balance of the bonds was \$14,695,000.

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

For the Year Ending June 30,	Principal	Interest	Total
2005	\$ 255,000	\$ 763,631	\$ 1,018,631
2006	270,000	750,506	1,020,506
2007	280,000	736,756	1,016,756
2008	295,000	720,906	1,015,906
2009	310,000	702,756	1,012,756
2010 - 2014	1,860,000	3,209,180	5,069,180
2015 - 2019	2,275,000	2,670,655	4,945,655
2020 - 2024	2,825,000	2,036,554	4,861,554
2025 - 2029	3,645,000	1,201,595	4,846,595
2030 - 2032	2,680,000	215,776	2,895,776
<b>Total</b>	<b>\$ 14,695,000</b>	<b>\$ 13,008,315</b>	<b>\$ 27,703,315</b>

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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

**Claims Payable**

At June 30, 2004, the claims payable has been accrued. See Note 8 Risk Management for more information. The total amount of the long-term claims payable was \$180,865 at June 30, 2004.

The claims payable liability will generally be liquidated through the General Fund.

**Compensated Absences**

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) has been accrued and amounts to \$259,478 at June 30, 2004.

The compensated absences liability will generally be liquidated through the General Fund.

**7. NON-CITY OBLIGATIONS**

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

	<u>Original Amount</u>	<u>Outstanding at June 30, 2004</u>
Parking Assessment Districts #2 and #3	\$ 1,244,900	\$ 160,000
Leonard Road Improvement Assessment District	101,686	50,000
Saratoga Public Financing Authority 1993 Revenue Bonds	1,600,000	370,000

The City is the collecting agent for Village Parking Assessment Districts #2 and #3 and the Leonard Road Improvement District, but is not obligated for the repayment of debt issued by these Districts. As a result, these Districts have not been included in the basic financial statements of the City.

**8. RISK MANAGEMENT**

The City participates in the following public entity risk pools:

ABAG Plan Corporation (ABAG PLAN) covers general liability claims in an amount up to \$7,000,000. The City has a deductible or uninsured liability of up to \$25,000 per claim. Once the City's deductible is met ABAG PLAN becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2004, the City contributed \$116,685 for current year coverage and received no refund of prior year excess contributions.

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**8. RISK MANAGEMENT, Continued**

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, 2004, the City contributed \$289,987 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 \$230,865 reported at June 30, 2004, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability amounts were as follows:

Year Ended June 30,	Claims Payable July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2002	\$ 100,000	\$ 32,061	\$ (32,061)	\$ 100,000
2003	100,000	214,052	(16,858)	297,194
2004	297,194	(32,044)	(34,285)	230,865

Claims liability is presented on the Statement of Net Assets as follows at June 30, 2004:

Current portion of claims payable	\$ 50,000
Claims payable - due in more than one year (Note 6)	180,865
<b>Total</b>	<b>\$ 230,865</b>

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 the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

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**8. RISK MANAGEMENT, Continued**

The following represents summary audited financial information of ABAG Plan Corporation for the fiscal year ended June 30, 2003:

Total assets	<u>\$ 41,602,323</u>
Total liabilities	<u>\$ 11,578,210</u>
Fund equity	<u>\$ 30,024,113</u>
Total revenues	<u>\$ 9,590,770</u>
Total expenses	<u>\$ 1,928,095</u>
Net increase in fund equity	<u>\$ 7,662,675</u>

The following represents summary audited financial information of ABAG Comp Shared Risk Pool for the fiscal year ended June 30, 2003:

Total assets	<u>\$ 1,109,010</u>
Total liabilities	<u>\$ 876,136</u>
Fund equity	<u>\$ 232,874</u>
Total revenues	<u>\$ 602,100</u>
Total expenses	<u>\$ 134,995</u>
Net increase in fund equity	<u>\$ 467,105</u>

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

**9. RETIREMENT PLANS**

**Pension Plan**

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

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**9. RETIREMENT PLANS, Continued**

**Pension Plan, Continued**

*Funding Policy* - Active plan members are required by state statute to contribute for miscellaneous employees 7% of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$267,497 for the year ended June 30, 2004. The City employer is required to contribute for fiscal year 2003-2004 at an actuarially determined rate of 0% of annual covered payroll for miscellaneous employees.

*Annual Pension Cost* - For fiscal year 2003-2004, the City's annual pension cost was \$0. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.75% to 14.2% for miscellaneous employees depending on age, service, and type of employment, and (c) 3.75% per year payroll growth adjustments. Both (a) and (b) included an inflation component of 3.50%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2001, was 37 years for miscellaneous employees.

**THREE-YEAR TREND INFORMATION FOR PERS**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/02	\$ -	100%	\$ -
6/30/03	-	100%	-
6/30/04	-	100%	-

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**10. NET ASSETS**

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

As of June 30, 2004, the investment in capital assets, net of related debt consisted of the following:

Capital assets, net (Note 5)	\$ 118,999,458
2001 General Obligation Library Bonds (Note 6)	<u>(14,695,000)</u>
<b>Investment in capital assets, net of related debt</b>	<b><u>\$ 104,304,458</u></b>

**B. Restricted Net Assets**

As of June 30, 2004, the restricted net assets consisted of the following:

	Restricted for			Total
	Capital Projects	Debt Service	Special Projects	
Restricted cash and investments	\$ 500,937	\$ 701,976	\$ 84,000	\$ 1,286,913

**11. JOINT POWERS AGREEMENTS**

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

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

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

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**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.

As of June 30, 2004, 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.

**13. PRIOR PERIOD ADJUSTMENTS**

**Government-Wide Financial Statements**

The City recorded the following prior period adjustments to correct prior year deferred revenues as part of GASB Statement No. 34 implementation. Accordingly, the net assets as of July 1, 2003 have been restated as follows:

	Net Assets, as Previously Reported	Prior Period Adjustment Deferred Revenues	Net Assets, as Restated
Government-Wide Activities:			
Net assets	\$ 118,830,902	\$ 345,955	\$ 119,176,857
<b>Total government-wide activities</b>	<b>\$ 118,830,902</b>	<b>\$ 345,955</b>	<b>\$ 119,176,857</b>

**City of Saratoga**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2004**

**13. PRIOR PERIOD ADJUSTMENTS, Continued**

**Fund Financial Statements**

The City recorded the following certain reclassifications to City funds to more accurately reflect the transaction in the prior years:

General Fund - The City determined that activity recorded in the Special Revenue funds: Traffic Safety, Development Services, Environmental Programs, and Recreation and the Deposits Agency fund should be reclassified to General fund.

Community Development Block Grant Special Revenue Fund - The City determined that prior year revenue collected from County was recorded in this fund in error.

Capital Improvement Capital Projects Fund - The City determined that prior year revenue collected from County was misclassified to Community Development Block Grant fund.

	Fund Balances, as Previously Reported	Prior Period Adjustments		Fund Balances, as Restated
		Cash	Reclassification of Funds	
Major Fund:				
General Fund	\$ 5,203,828	\$ -	2,362,094	\$ 7,565,922
Community Development Block Grant	57,190	(14,602)	-	42,588
Capital Improvement	5,615,094	14,602	-	5,629,696
<b>Total</b>	<b>\$ 10,876,112</b>	<b>\$ -</b>	<b>\$ 2,362,094</b>	<b>\$ 13,238,206</b>



**City of Saratoga**  
**Required Supplementary Information**  
**For the year ended June 30, 2004**

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**1. BUDGETARY INFORMATION**

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

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance. The City does not adopt an annual budget for all capital projects funds. All capital projects funds are budgets on the project length basis.

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. Encumbrances outstanding at year-end are reported as a reservation of fund balances. They do not constitute expenditures or estimated liabilities.

**City of Saratoga**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

**1. BUDGETARY INFORMATION, Continued**

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

**Budget Comparison Schedule, General Fund**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>Fund Balances - Beginning, as restated</b>	<u>\$ 6,899,374</u>	<u>\$ 6,899,374</u>	<u>\$ 7,565,922</u>	<u>\$ 666,548</u>
<b>Resources (inflows):</b>				
Property taxes	3,060,190	3,060,190	3,020,515	(39,675)
Other local taxes	1,902,035	1,902,035	1,822,785	(79,250)
Intergovernmental - State	1,934,007	1,376,833	1,687,387	310,554
Franchise fees	932,582	932,582	983,621	51,039
Use of money and property	471,360	471,360	386,450	(84,910)
Current service charges	3,537,635	3,537,635	3,037,674	(499,961)
Reimbursement of interfund cost allocations	1,467,643	1,467,643	1,467,643	-
Transfers in	-	200,000	464,664	264,664
Amount available for appropriations	<u>20,204,826</u>	<u>19,847,652</u>	<u>20,436,661</u>	<u>589,009</u>
<b>Charges to Appropriations (outflows):</b>				
Current:				
General and intergovernmental services	3,086,209	3,152,209	3,037,062	115,147
Public safety	3,188,793	3,188,793	3,172,922	15,871
Environmental services	609,385	643,132	488,495	154,637
Public works	1,209,565	1,209,565	1,208,717	848
Community services	1,403,425	1,620,307	1,357,048	263,259
Community development services	2,047,633	2,077,633	2,216,151	(138,518)
Capital outlay	19,300	115,875	79,358	36,517
Transfers out	2,064,949	2,305,793	2,370,793	(65,000)
Total charges to appropriations	<u>13,629,259</u>	<u>14,313,307</u>	<u>13,930,546</u>	<u>382,761</u>
<b>Fund Balances - Ending</b>	<u><u>\$ 6,575,567</u></u>	<u><u>\$ 5,534,345</u></u>	<u><u>\$ 6,506,115</u></u>	<u><u>\$ 971,770</u></u>

**City of Saratoga**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

**1. BUDGETARY INFORMATION, Continued**

**Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>Fund Balances - Beginning, as restated</b>	\$ 53,569	\$ 53,569	\$ 42,588	\$ (10,981)
<b>Resources (inflows):</b>				
Intergovernmental - Federal	170,406	170,406	102,553	(67,853)
Use of money and property	3,030	3,030	41,587	38,557
Amount available for appropriations	227,005	227,005	186,728	(40,277)
<b>Charges to Appropriations (outflows):</b>				
Community services	140,848	140,848	102,728	38,120
Capital outlay	63,294	63,294	-	63,294
Total charges to appropriations	204,142	204,142	102,728	101,414
<b>Fund Balances - Ending</b>	\$ 22,863	\$ 22,863	\$ 84,000	\$ 61,137

**City of Saratoga**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

**1. BUDGETARY INFORMATION, Continued**

**Budgetary Comparison Schedule, Street and Roads Special Revenue Fund**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>Fund Balances - Beginning</b>	\$ -	\$ -	\$ 4,484	\$ 4,484
<b>Resources (inflows):</b>				
Intergovernmental - State	590,362	590,362	582,340	(8,022)
Use of money and property	-	-	2,846	2,846
Current service charges	103,000	117,480	10,598	(106,882)
Transfers in	1,715,324	2,305,793	2,305,793	-
Amount available for appropriations	2,408,686	3,013,635	2,906,061	(107,574)
<b>Charges to Appropriations (outflows):</b>				
Current:				
Environmental services	35,096	35,096	26,973	8,123
Public works	2,373,590	2,892,022	2,316,769	575,253
Capital outlay	-	37,500	10,548	26,952
Total charges to appropriations	2,408,686	2,964,618	2,354,290	610,328
<b>Fund Balances - Ending</b>	\$ -	\$ 49,017	\$ 551,771	\$ 502,754

**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.

**City of Saratoga**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

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

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, 2001. 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 135.2 centerline miles of pave surfaces. The City's road system can be grouped by function class and includes 19.3 centerline miles of arterial, 23.3 centerline miles of collector, and 92.6 miles as residential.

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

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

The City Policy is to achieve an average rating of 70 for all streets, which is a 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, 2004, the City's street system was rated at a PCI index of 70 on the average with the detail condition as follows:

<u>Condition</u>	<u>% of Streets</u>
Excellent to Good	78%
Fair	13%
Poor to Substandard	9%

**City of Saratoga**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2004**

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

The City expended \$1,489,667 on street maintenance for the year ended June 30, 2004. These routine maintenance expenditures delayed deterioration. The budget required to maintain and improve the current level of overall condition through the year 2006 is a minimum of \$4,500,000. (\$1,500,000 projected budget each year for the years ending June 30, 2004, 2005, and 2006.)

A schedule 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 General Fund	Funded by Gas Tax Fund	Total Funded
1999-00	\$ 1,846,839	\$ 1,686,129	\$ 1,095,289	\$ 590,840	\$ 1,686,129
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

As of June 30, 2004, approximately 22% 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 amounted to approximately \$13,817,763 for all streets.

**3. DEFINED PENSION PLAN**

A schedule of funding progress for the year ended June 30, 2004 including the past three actuarial valuations is presented below.

**Miscellaneous Employees**

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2001	\$ 19,419,719	\$ 14,742,788	\$ (4,676,931)	131.7%	\$ 3,035,996	-154.0%
6/30/2002	18,292,349	15,889,904	(2,402,445)	115.1%	3,620,470	-66.4%
6/30/2003	2,372,879,034	2,596,966,545	224,087,511	91.4%	725,020,458	30.9%

\* Latest information available.





## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

*Local Law Enforcement* - This fund accounts for State Supplemental Law Enforcement entitlement allocated based on population.

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

### Debt Service Fund

*Library Bond* - Santa Clara County lease revenues are accumulated in this fund to pay annual principal and interest payments on the 1976 and 2001 library bonds.

### Capital Projects Funds

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

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

**City of Saratoga**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2004**

	Special Revenue		Debt Service	Capital Projects		Total Other Governmental Funds
	Local Law Enforcement	Lighting and Landscaping Assessment District	Library Bond	Park Development	Library Expansion	
<b>ASSETS</b>						
Cash and investments	\$ 2,125	\$ 52,236	\$ -	\$ 200	\$ 1,185,843	\$ 1,240,404
Restricted cash and investments	-	-	701,976	-	-	701,976
Accounts receivable	-	564	5,209	-	1,223	6,996
<b>Total assets</b>	<b>\$ 2,125</b>	<b>\$ 52,800</b>	<b>\$ 707,185</b>	<b>\$ 200</b>	<b>\$ 1,187,066</b>	<b>\$ 1,949,376</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 14,355	\$ -	\$ -	\$ 7,574	\$ 21,929
Accrued payroll	2,125	1,836	-	-	-	3,961
Due to other funds	-	-	5,209	-	-	5,209
<b>Total liabilities</b>	<b>2,125</b>	<b>16,191</b>	<b>5,209</b>	<b>-</b>	<b>7,574</b>	<b>31,099</b>
<b>Fund Balances:</b>						
Reserved for:						
Debt service	-	-	701,976	-	-	701,976
Unreserved, undesignated, reported in:						
Special revenues funds	-	36,609	-	-	-	36,609
Capital projects funds	-	-	-	200	1,179,492	1,179,692
<b>Total fund balances</b>	<b>-</b>	<b>36,609</b>	<b>701,976</b>	<b>200</b>	<b>1,179,492</b>	<b>1,918,277</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,125</b>	<b>\$ 52,800</b>	<b>\$ 707,185</b>	<b>\$ 200</b>	<b>\$ 1,187,066</b>	<b>\$ 1,949,376</b>

# City of Saratoga

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Nonmajor Governmental Funds

For the year ended June 30, 2004

	Special Revenue		Debt Service	Capital Projects		Total Other Governmental Funds
	Local Law Enforcement	Lighting and Landscaping Assessment District	Library Bond	Park Development	Library Expansion	
<b>REVENUES:</b>						
Property taxes	\$ -	\$ 253,950	\$ 887,385	\$ -	\$ -	\$ 1,141,335
Intergovernmental - State	100,000	-	-	-	-	100,000
Use of money and property	3,749	385	16	-	4,230	8,380
Current service charges	-	16,788	-	18,000	-	34,788
<b>Total revenues</b>	<b>103,749</b>	<b>271,123</b>	<b>887,401</b>	<b>18,000</b>	<b>4,230</b>	<b>1,284,503</b>
<b>EXPENDITURES:</b>						
Current:						
Public safety	12,997	-	-	-	-	12,997
Public works	-	301,703	-	-	-	301,703
Capital outlay	-	-	-	-	369,563	369,563
Debt service:						
Principal	-	-	245,000	-	-	245,000
Interest and fiscal charges	-	-	776,774	-	-	776,774
<b>Total expenditures</b>	<b>12,997</b>	<b>301,703</b>	<b>1,021,774</b>	<b>-</b>	<b>369,563</b>	<b>1,706,037</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>90,752</b>	<b>(30,580)</b>	<b>(134,373)</b>	<b>18,000</b>	<b>(365,333)</b>	<b>(421,534)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	65,000	-	65,000
Transfers out	(264,664)	-	-	(98,369)	-	(363,033)
<b>Total other financing sources (uses)</b>	<b>(264,664)</b>	<b>-</b>	<b>-</b>	<b>(33,369)</b>	<b>-</b>	<b>(298,033)</b>
<b>Net change in fund balances</b>	<b>(173,912)</b>	<b>(30,580)</b>	<b>(134,373)</b>	<b>(15,369)</b>	<b>(365,333)</b>	<b>(719,567)</b>
<b>FUND BALANCES:</b>						
Beginning of year	173,912	67,189	836,349	15,569	1,544,825	2,637,844
End of year	\$ -	\$ 36,609	\$ 701,976	\$ 200	\$ 1,179,492	\$ 1,918,277

# City of Saratoga

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

### Local Law Enforcement Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCES - BEGINNING</b>	\$ 174,683	\$ 174,683	\$ 173,912	\$ (771)
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental - State	100,000	100,000	100,000	-
Use of money and property	3,735	3,735	3,749	14
<b>Amount available for appropriation</b>	<b>278,418</b>	<b>278,418</b>	<b>277,661</b>	<b>(757)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public safety	74,203	74,203	12,997	61,206
Transfers out	-	-	264,664	(264,664)
<b>Total charges to appropriations</b>	<b>74,203</b>	<b>74,203</b>	<b>277,661</b>	<b>(203,458)</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 204,215</b>	<b>\$ 204,215</b>	<b>\$ -</b>	<b>\$ (204,215)</b>

**City of Saratoga**

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

**Lighting and Landscaping Assessment District Special Revenue Fund**

**For the year ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCES - BEGINNING</b>	\$ 65,261	\$ 65,261	\$ 67,189	\$ 1,928
<b>RESOURCES (INFLOWS):</b>				
Property taxes	244,434	244,434	253,950	9,516
Use of money and property	1,435	1,435	385	(1,050)
Current service charges	-	-	16,788	16,788
<b>Amount available for appropriation</b>	<b>311,130</b>	<b>311,130</b>	<b>338,312</b>	<b>27,182</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public works	310,077	344,609	301,703	42,906
<b>Total charges to appropriations</b>	<b>310,077</b>	<b>344,609</b>	<b>301,703</b>	<b>42,906</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,053</b>	<b>\$ (33,479)</b>	<b>\$ 36,609</b>	<b>\$ 70,088</b>

**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, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCES - BEGINNING</b>	\$ 1,119,817	\$ 1,119,817	\$ 836,349	\$ (283,468)
<b>RESOURCES (INFLOWS):</b>				
Property taxes	1,025,010	1,025,010	887,385	(137,625)
Use of money and property	-	-	16	16
<b>Amount available for appropriation</b>	<u>2,144,827</u>	<u>2,144,827</u>	<u>1,723,750</u>	<u>(421,093)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Debt service:				
Principal	245,000	245,000	245,000	-
Interest and fiscal charges	779,635	779,635	776,774	2,861
<b>Total charges to appropriations</b>	<u>1,024,635</u>	<u>1,024,635</u>	<u>1,021,774</u>	<u>2,861</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,120,192</u>	<u>\$ 1,120,192</u>	<u>\$ 701,976</u>	<u>\$ (418,216)</u>

# FIDUCIARY FUND FINANCIAL STATEMENTS

## Agency Funds

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

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

**City of Saratoga**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2004**

	Cable T.V. Trust	Assessment District Bonds	Total Agency Funds
<b>ASSETS</b>			
Cash and investments	\$ 87,376	\$ 32,775	120,151
Restricted cash and investments	-	331,282	331,282
Accounts receivable	-	42,946	42,946
<b>Total assets</b>	<b>\$ 87,376</b>	<b>\$ 407,003</b>	<b>\$ 494,379</b>
<b>LIABILITIES</b>			
Deposits payable	\$ 87,376	\$ -	\$ 87,376
Due to assessment district bondholders	-	407,003	407,003
<b>Total liabilities</b>	<b>\$ 87,376</b>	<b>\$ 407,003</b>	<b>\$ 494,379</b>

**City of Saratoga**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2004**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b><u>Cable T.V. Trust</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 167,428	\$ 9,546	\$ (89,598)	\$ 87,376
<b>Liabilities:</b>				
Deposits payable	\$ 167,428	\$ 9,546	\$ (89,598)	\$ 87,376
 <b><u>Assessment District Bonds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 34,822	\$ 174,651	\$ (176,698)	\$ 32,775
Restricted cash and investments	330,109	1,173	-	331,282
Accounts receivable	42,946	-	-	42,946
<b>Total assets</b>	<b>\$ 407,877</b>	<b>\$ 175,824</b>	<b>\$ (176,698)</b>	<b>\$ 407,003</b>
<b>Liabilities:</b>				
Due to assessment district bondholders	\$ 407,877	\$ 175,824	\$ (176,698)	\$ 407,003
<b>Total liabilities</b>	<b>\$ 407,877</b>	<b>\$ 175,824</b>	<b>\$ (176,698)</b>	<b>\$ 407,003</b>
 <b><u>Total Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 202,250	\$ 184,197	\$ (266,296)	\$ 120,151
Restricted cash and investments	330,109	1,173	-	331,282
Accounts receivable	42,946	-	-	42,946
<b>Total assets</b>	<b>\$ 575,305</b>	<b>\$ 185,370</b>	<b>\$ (266,296)</b>	<b>\$ 494,379</b>
<b>Liabilities:</b>				
Deposits payable	\$ 167,428	\$ 9,546	\$ (89,598)	\$ 87,376
Due to assessment district bondholders	407,877	175,824	(176,698)	407,003
<b>Total liabilities</b>	<b>\$ 575,305</b>	<b>\$ 185,370</b>	<b>\$ (266,296)</b>	<b>\$ 494,379</b>



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

**City of Saratoga**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
**June 30, 2004 and 2003**

	2004	2003
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>		
Land and land improvements	\$ 11,118,030	\$ 4,830,840
Buildings and structures	19,278,447	4,860,089
Machinery and equipment	2,061,856	1,973,716
Infrastructure	98,917,810	98,829,447
Construction in progress	4,224,480	22,924,027
<b>Total governmental funds capital assets</b>	<b>135,600,623</b>	<b>133,418,119</b>
Accumulated depreciation	(16,601,165)	(14,693,195)
<b>Total governmental funds capital assets, net</b>	<b>\$ 118,999,458</b>	<b>\$ 118,724,924</b>
<b>INVESTMENTS IN GOVERNMENTAL FUNDS</b>		
<b>CAPITAL ASSETS BY SOURCE:</b>		
General Fund	\$ 109,656,766	\$ 109,584,004
Special revenue funds	1,570,614	1,553,469
Capital projects funds	24,321,828	22,229,231
Donations	51,415	51,415
Accumulated depreciation	(16,601,165)	(14,693,195)
<b>Total governmental funds capital assets</b>	<b>\$ 118,999,458</b>	<b>\$ 118,724,924</b>

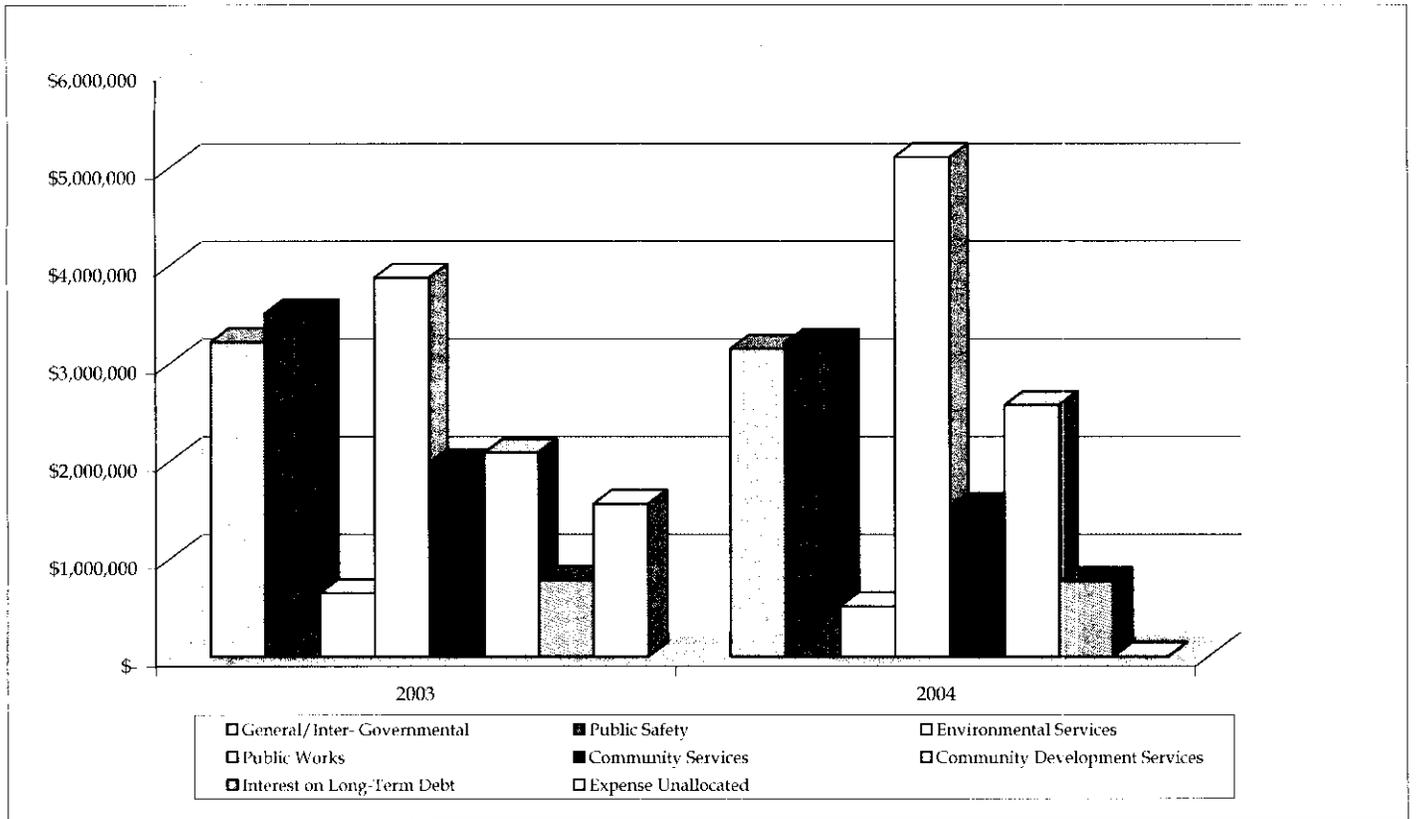
**City of Saratoga**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**June 30, 2004**

FUNCTION AND ACTIVITY	Land and Land Improvements	Buildings and Structures	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General and intergovernmental services:						
Management services	\$ -	\$ 271,629	\$ 103,118	\$ -	\$ 42,737	\$ 417,484
Administrative services	-	167,586	141,777	-	-	309,363
Intergovernmental services	118,184	3,096,786	89,156	-	-	3,304,126
Total general and intergovernmental services	118,184	3,536,001	334,051	-	42,737	4,030,973
Public safety:						
Police services	-	-	70,305	-	-	70,305
Code enforcement	-	-	69,412	-	-	69,412
Total public safety	-	-	139,717	-	-	139,717
Public works:						
Streets and sidewalks	134,696	30,628	688,100	98,906,617	1,758,786	101,518,827
Parks/open space	2,529,529	99,654	471,870	-	-	3,101,053
Total public works	2,664,225	130,282	1,159,970	98,906,617	1,758,786	104,619,880
Community services	6,593,157	1,312,265	331,279	-	1,963,880	10,200,581
Community development services	1,742,464	14,299,899	96,839	11,193	459,077	16,609,472
Total governmental funds capital assets	11,118,030	19,278,447	2,061,856	98,917,810	4,224,480	135,600,623
Accumulated depreciation	-	(2,364,517)	(1,493,299)	(12,743,349)	-	(16,601,165)
<b>Total governmental funds capital assets, net</b>	<b>\$ 11,118,030</b>	<b>\$ 16,913,930</b>	<b>\$ 568,557</b>	<b>\$ 86,174,461</b>	<b>\$ 4,224,480</b>	<b>\$ 118,999,458</b>

**City of Saratoga**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**For the year ended June 30, 2004**

	Governmental Funds Capital Assets July 1, 2003	Additions	Deletions	Governmental Funds Capital Assets June 30, 2004
<b>FUNCTION AND ACTIVITY</b>				
General and intergovernmental services:				
Management services	\$ 369,017	\$ 79,637	\$ (31,170)	\$ 417,484
Administrative services	309,363	-	-	309,363
Intergovernmental services	3,294,788	9,338	-	3,304,126
Total general and intergovernmental services	<u>3,973,168</u>	<u>88,975</u>	<u>(31,170)</u>	<u>4,030,973</u>
Public safety:				
Police services	70,306	-	(1)	70,305
Code enforcement	69,412	-	-	69,412
Total public safety	<u>139,718</u>	<u>-</u>	<u>(1)</u>	<u>139,717</u>
Public works:				
Streets and sidewalks	100,643,676	952,321	(77,170)	101,518,827
Parks/open space	3,090,245	10,808	-	3,101,053
Total public works	<u>103,733,921</u>	<u>963,129</u>	<u>(77,170)</u>	<u>104,619,880</u>
Community services	9,356,204	7,211,823	(6,367,446)	10,200,581
Community development services	16,215,108	14,705,456	(14,311,092)	16,609,472
Total governmental funds capital assets	<u>133,418,119</u>	<u>22,969,383</u>	<u>(20,786,879)</u>	<u>135,600,623</u>
Accumulated depreciation	<u>(14,693,195)</u>	<u>(1,907,970)</u>	<u>-</u>	<u>(16,601,165)</u>
<b>Total governmental funds capital assets, net</b>	<u>\$ 118,724,924</u>	<u>\$ 21,061,413</u>	<u>\$ (20,786,879)</u>	<u>\$ 118,999,458</u>

# City of Saratoga Government-Wide Expense - By Function

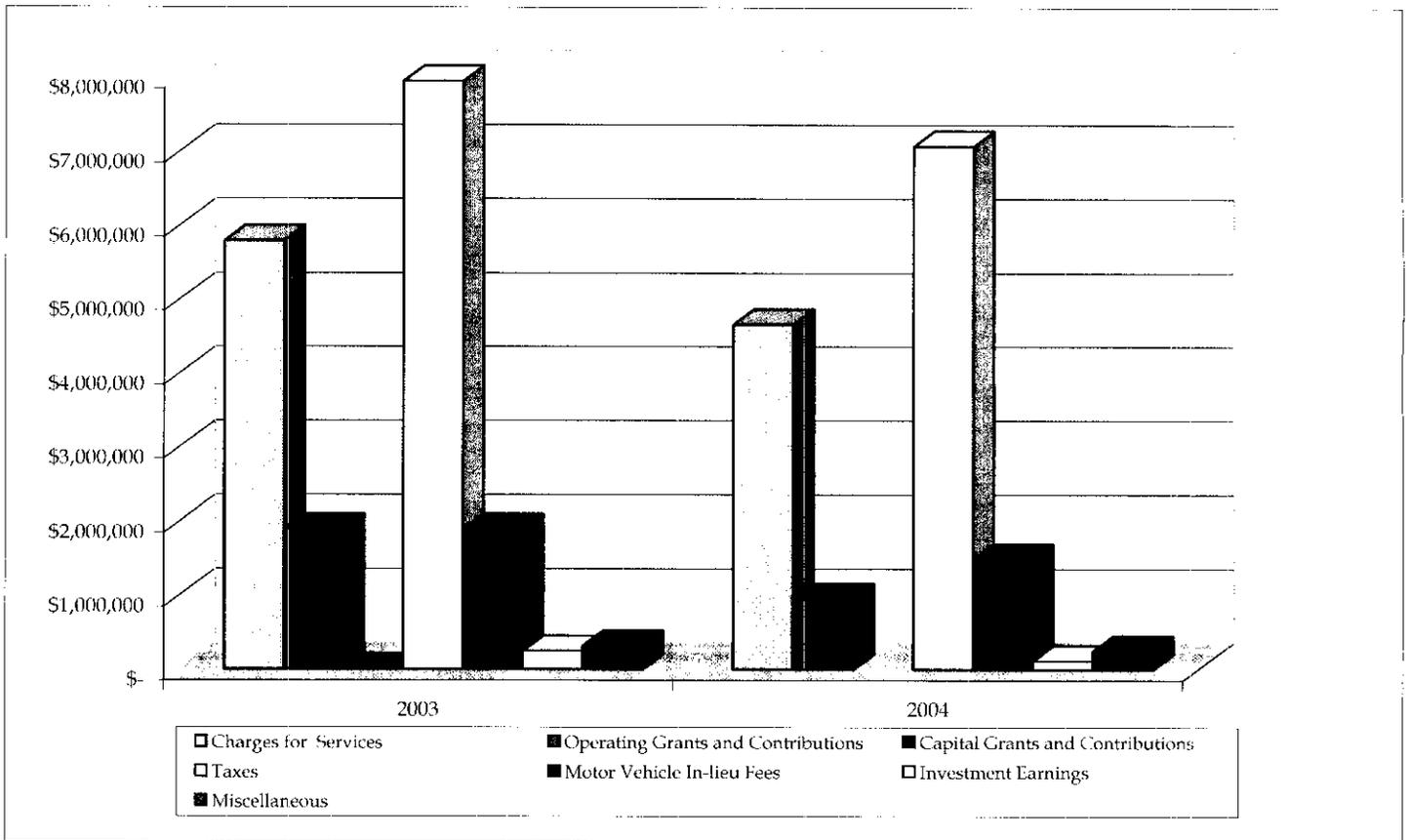


Fiscal Year	General/Inter-Governmental	Public Safety	Environmental Services	Public Works	Community Services	Community Development Services	Interest on Long-Term Debt	Depreciation Expense Unallocated	Total
2003	\$ 3,218,231	\$ 3,512,550	\$ 647,935	\$ 3,874,717	\$ 1,975,659	\$ 2,086,160	\$ 782,506	\$ 1,566,931	\$ 17,664,689
2004	3,149,593	3,208,027	513,539	5,113,509	1,535,575	2,575,621	771,670	-	16,867,534

Note: The fiscal year ended June 30, 2002 was the first year that the City implemented GASB Statement No. 34.

Source: City of Saratoga Annual Financial Report

**City of Saratoga**  
**Government-Wide Revenues - By Sources**

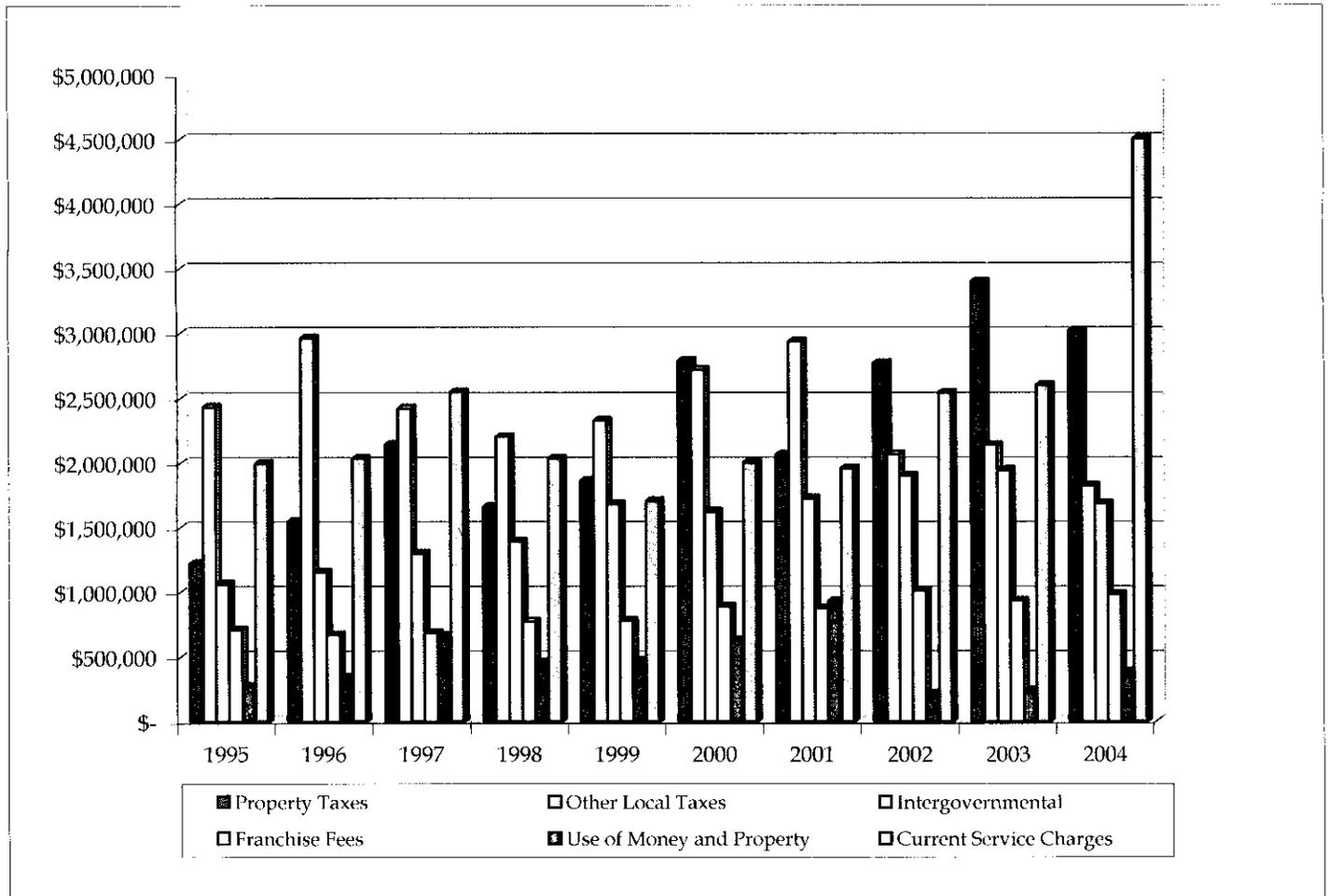


Fiscal Year	Program Revenues			General Revenues				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Motor Vehicle In-lieu Fees	Investment Earnings	Miscellaneous	
2003	\$ 5,796,502	\$ 1,901,933	\$ -	\$ 7,952,843	\$ 1,896,606	\$ 246,671	\$ 315,165	\$ 18,109,720
2004	4,663,950	953,962	1,044,971	7,075,307	1,488,954	114,537	248,121	15,589,802

Note: The fiscal year ended June 30, 2002 was the first year that the City implemented GASB Statement No. 34.

Source: City of Saratoga Annual Financial Report

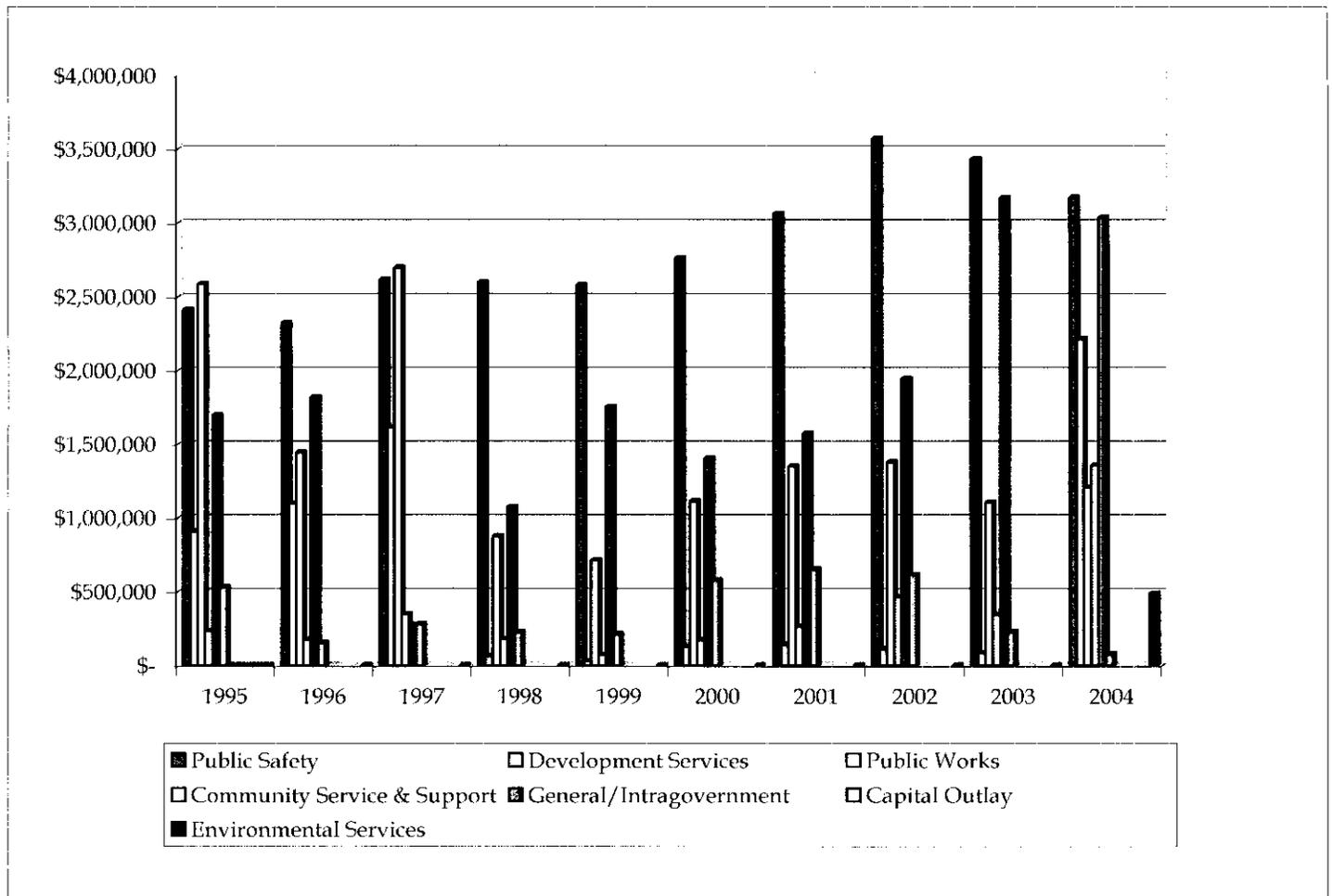
**City of Saratoga**  
**General Fund Revenues - By Source**  
**Last ten fiscal years**



Fiscal Year	Property Taxes	Other Local Taxes	Inter-governmental	Franchise Fees	Use of Money and Property	Current Services Charges	Total
1995	\$ 1,221,096	\$ 2,434,070	\$ 1,064,052	\$ 707,822	\$ 272,425	\$ 1,996,874	\$ 7,696,339
1996	1,546,162	2,965,069	1,152,968	669,467	343,295	2,036,854	8,713,815
1997	2,142,454	2,424,825	1,301,443	685,083	665,966	2,552,050	9,771,821
1998	1,664,144	2,202,826	1,392,591	772,258	457,382	2,037,182	8,526,383
1999	1,864,766	2,328,071	1,680,670	777,560	472,198	1,705,692	8,828,957
2000	2,790,294	2,718,358	1,623,583	886,618	630,833	2,005,183	10,654,869
2001	2,065,051	2,938,209	1,725,765	876,652	930,430	1,962,122	10,498,229
2002	2,772,021	2,067,288	1,901,892	1,010,609	216,562	2,546,937	10,515,309
2003	3,400,228	2,138,618	1,947,205	932,808	242,228	2,602,924	11,264,011
2004	3,020,515	1,822,785	1,687,387	983,621	386,450	4,505,317	12,406,075

Note: Year 2003 property tax receipts include one time Special Assessment.  
 Source: City of Saratoga Annual Financial Report

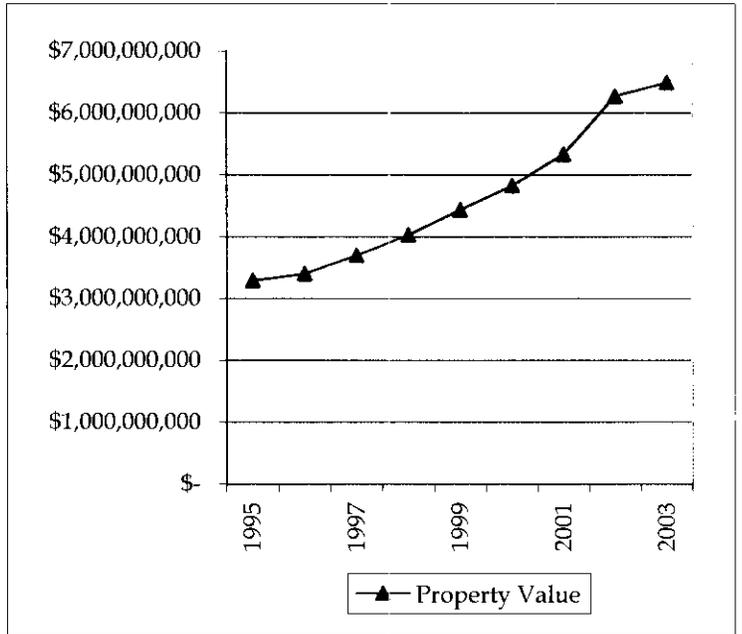
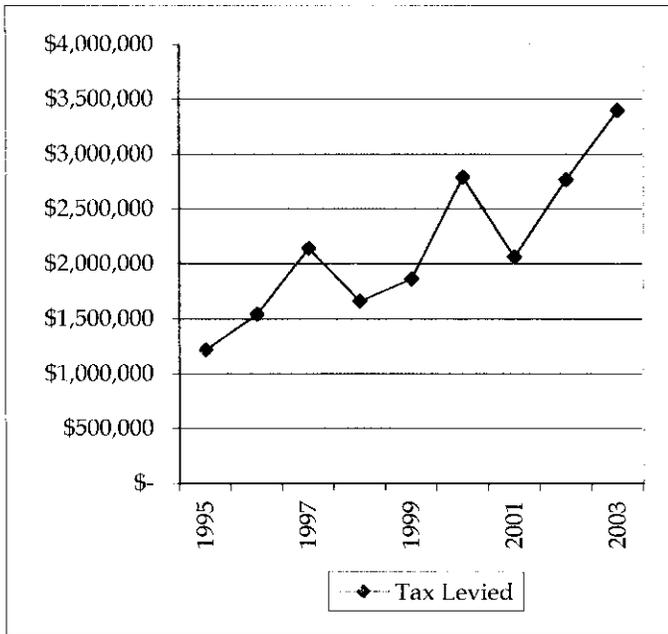
**City of Saratoga**  
**General Fund Expenditures - By Function**  
**Last ten fiscal years**



Fiscal Year	General / Inter- Governmental	Public Safety	Environmental Services	Development Services	Public Works	Community Services	Capital Outlay	Total
1995	\$ 1,698,219	\$ 2,411,207	\$ -	\$ 907,232	\$ 2,587,008	\$ 234,788	\$ 531,607	\$ 8,370,061
1996	1,819,188	2,322,425	-	1,098,931	1,444,155	177,837	154,695	7,017,231
1997	279,737	2,616,973	-	1,616,532	2,697,413	349,019	280,500	7,840,174
1998	1,074,696	2,598,233	-	65,502	877,204	179,928	226,310	5,021,873
1999	1,754,995	2,581,940	-	30,947	712,822	72,880	212,223	5,365,807
2000	1,404,530	2,761,741	-	129,849	1,113,870	172,549	578,612	6,161,151
2001	1,574,597	3,062,160	-	140,883	1,349,838	262,696	651,814	7,041,988
2002	1,943,301	3,570,910	-	111,520	1,378,334	465,241	614,171	8,083,477
2003	3,168,878	3,431,591	-	85,994	1,104,505	343,864	228,607	8,363,439
2004	3,037,062	3,172,922	488,495	2,216,151	1,208,717	1,357,048	79,358	11,559,753

Source: City of Saratoga Annual Financial Report

**City of Saratoga**  
**Property Tax Levies and Collections (General Fund)**  
**Last ten fiscal years**

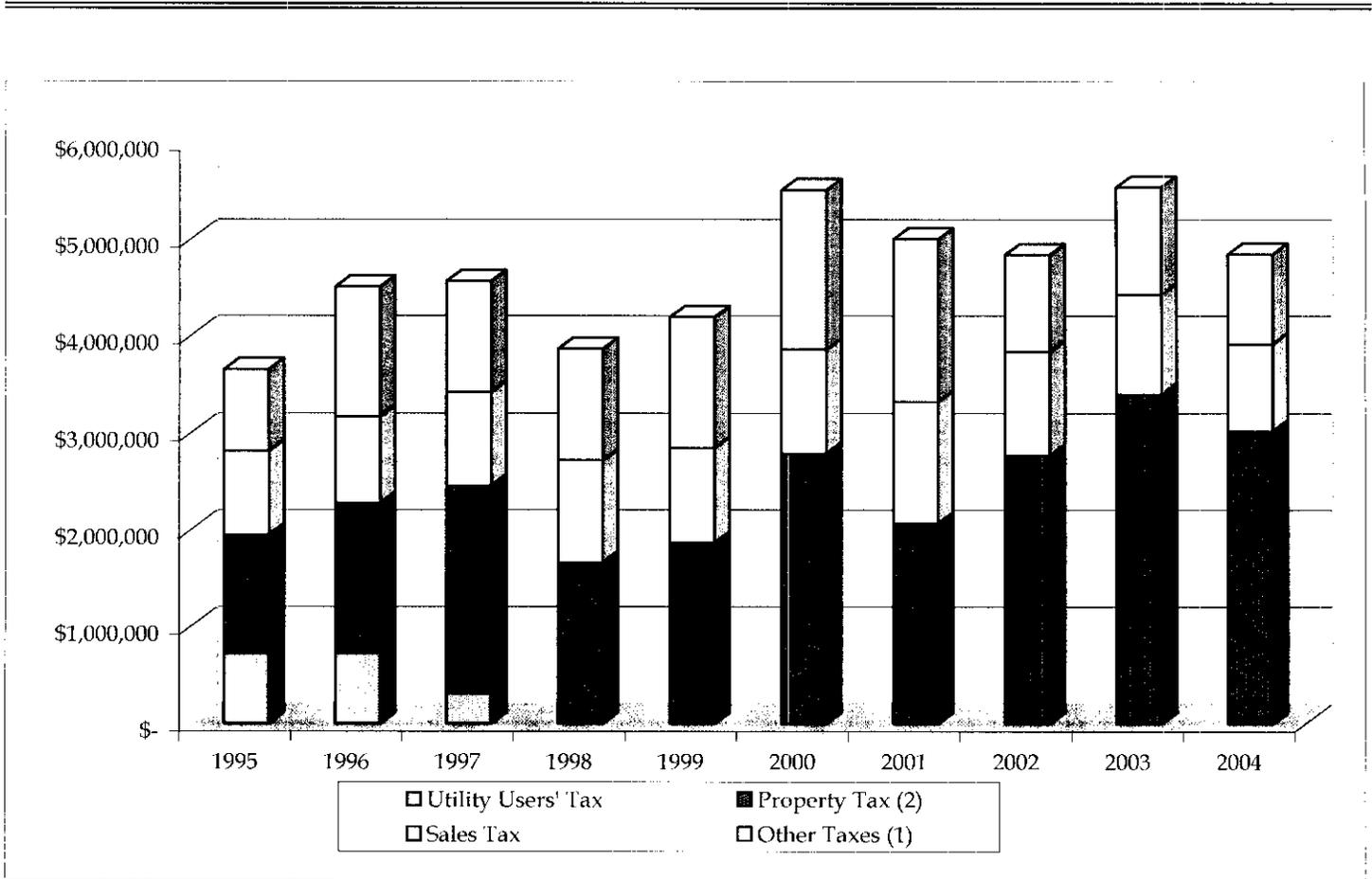


Fiscal Year	Property Tax Levies and Collections	Value of Property Subject to Local Tax Rate
1995	\$ 1,221,096	\$ 3,289,435,553
1996	1,546,162	3,398,224,679
1997	2,142,454	3,697,796,461
1998	1,664,144	4,029,381,944
1999	1,864,766	4,432,656,416
2000	2,790,294	4,823,743,087
2001	2,065,051	5,331,749,683
2002	2,772,021	6,271,461,110
2003	3,400,228	6,489,250,969
2004	3,020,515	6,953,969,775

Note: Year 2003 property tax receipts include one time Special Assessment.

Sources: City of Saratoga Annual Financial Report  
 California Municipal Statistics Inc.

**City of Saratoga**  
**General Fund Tax Revenue**  
**Last ten fiscal years**



Fiscal Year	Utility User's Tax	Property Tax (2)	Sales Tax	Other Taxes (1)	Total
1995	\$ 725,373	\$ 1,221,096	\$ 872,134	\$ 836,563	\$ 3,655,166
1996	729,468	1,546,162	896,799	1,338,802	4,511,231
1997	312,464	2,142,454	966,900	1,145,461	4,567,279
1998	-	1,664,144	1,057,677	1,145,149	3,866,970
1999	-	1,864,766	979,192	1,348,879	4,192,837
2000	-	2,790,294	1,071,122	1,647,236	5,508,652
2001	-	2,065,051	1,255,726	1,682,483	5,003,260
2002	-	2,772,021	1,066,607	1,000,681	4,839,309
2003	-	3,400,228	1,028,329	1,110,289	5,538,846
2004	-	3,020,515	895,028	927,757	4,843,300

Notes: (1) Other Taxes include: Transient Occupancy Tax, Real Property Transfer Tax, Construction Tax, Business License Tax. 2002 Statement of Revenues, Expenditures, & Changes in Fund Balance classifies Business License as a fee associated with activity. For comparative purposes, the inclusion of 2002 Business Licenses would total \$1,276,043.

(2) Property Tax levy's are remitted in full by Santa Clara County which handles delinquencies and retains all interest and penalties.

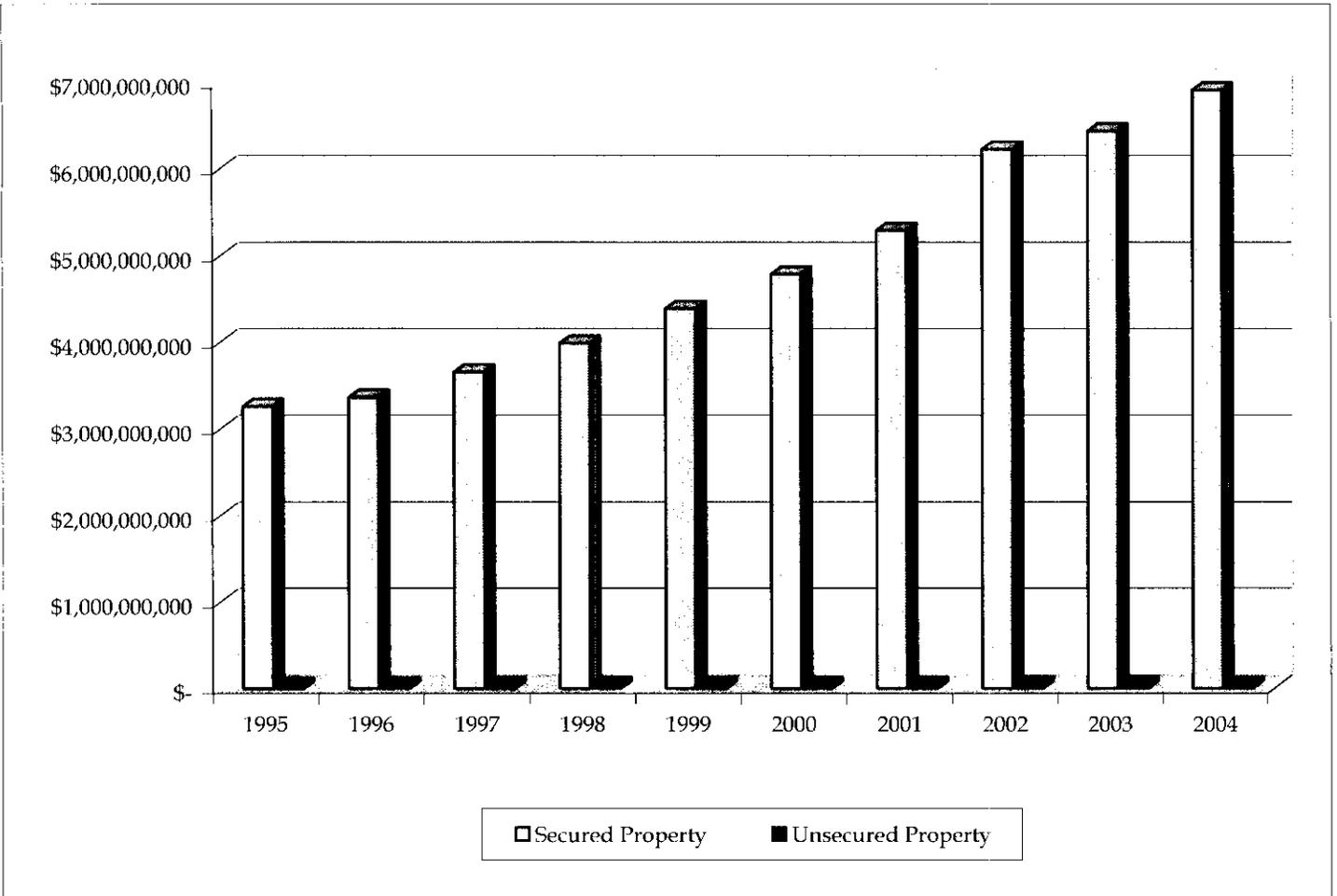
Year 2000 property tax receipts include settlement proceeds, Year 2003 property tax receipts include one time Special Assessment.

Source: City of Saratoga Finance Department

# City of Saratoga

## Assessed and Estimated Actual Market Value of Taxable Property

Last ten fiscal years



Fiscal Year	Secured Property	Unsecured Property	Total Assessed	Estimated Market
1995	\$ 3,261,741,964	\$ 27,693,589	\$ 3,289,435,553	\$ 3,289,435,553
1996	3,363,964,334	34,260,345	3,398,224,679	3,398,224,679
1997	3,660,513,753	37,282,708	3,697,796,461	3,697,796,461
1998	3,990,741,994	38,639,950	4,029,381,944	4,029,381,944
1999	4,392,456,823	40,199,593	4,432,656,416	4,432,656,416
2000	4,789,325,625	34,417,462	4,823,743,087	4,823,743,087
2001	5,292,676,050	39,073,633	5,331,749,683	5,331,749,683
2002	6,227,826,411	43,634,699	6,271,461,110	6,271,461,110
2003	6,441,614,970	47,635,999	6,489,250,969	6,489,250,969
2004	6,912,443,373	39,781,926	6,953,969,775	6,953,969,775

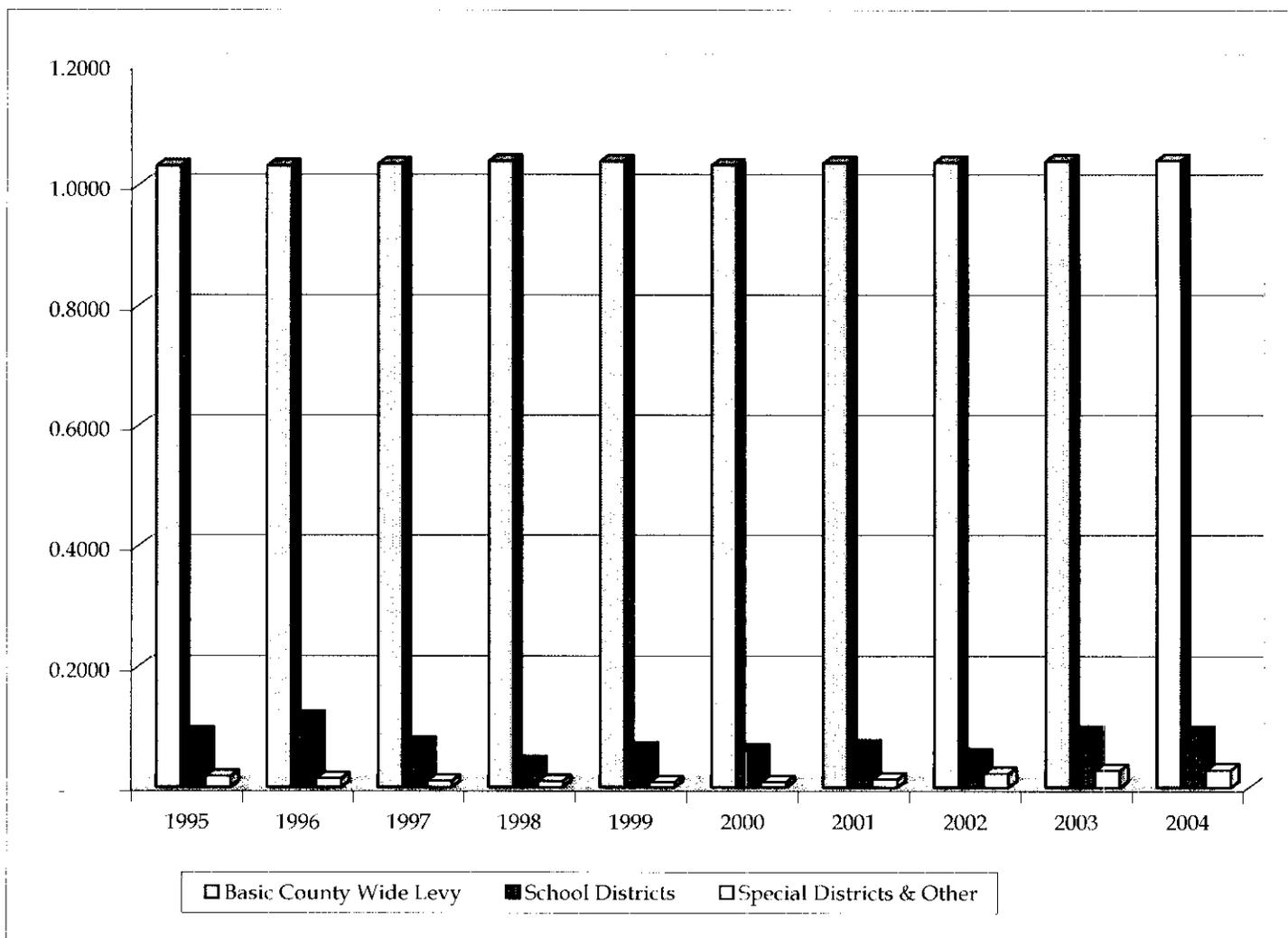
Note: The California Constitution requires properties to be assessed at full market value on the date of purchase but limits increases in assessed valuation to 2% annually.

Source: California Municipal Statistics, Inc.

# City of Saratoga

## Property Tax Rates (Per \$100 of Assessed Valuation) - All Overlapping Governments

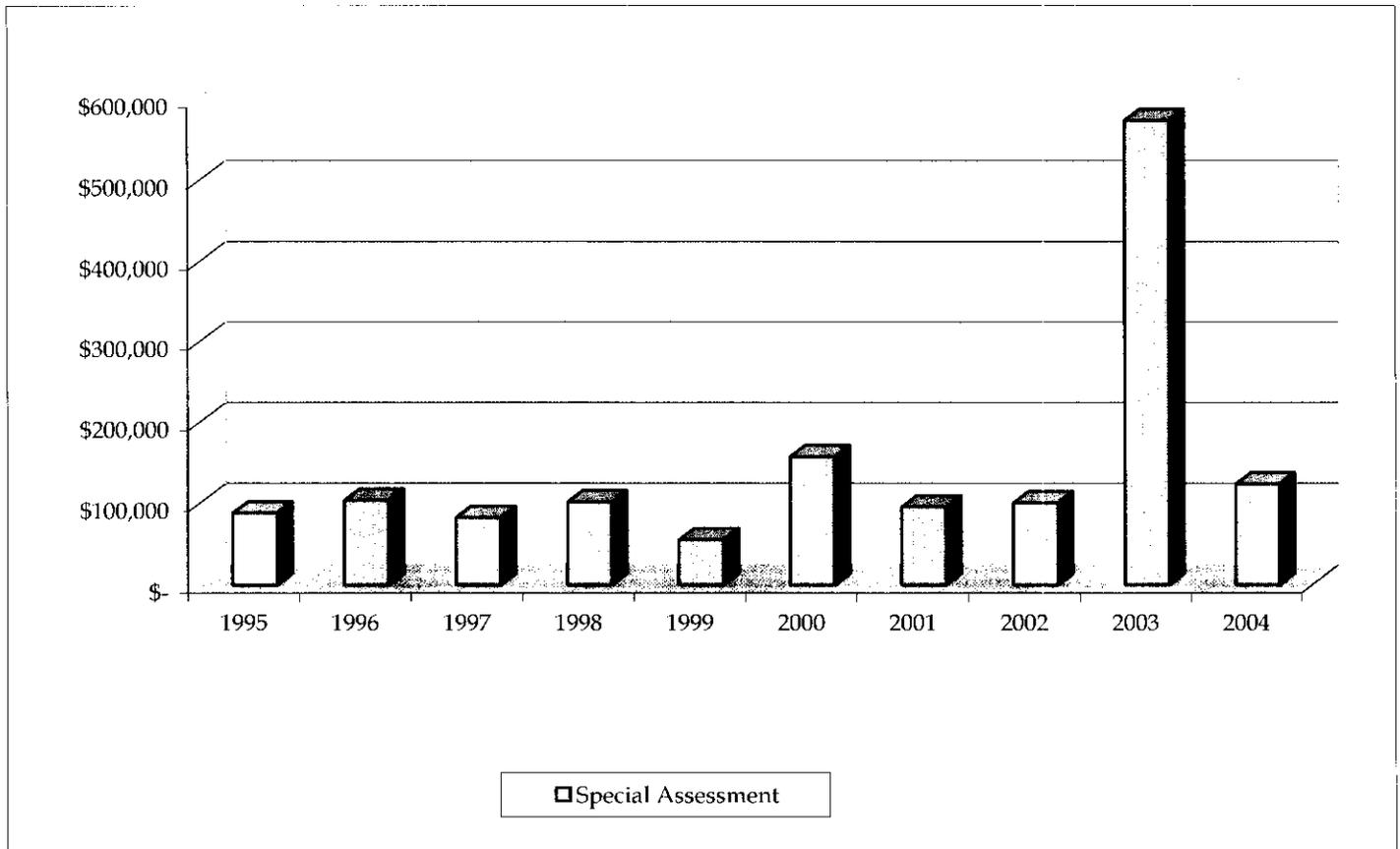
Last ten fiscal years



Fiscal Year	Basic County Wide Levy	School Districts	Special Districts and Other
1995	1.0332	0.0903	0.0180
1996	1.0338	0.1170	0.0147
1997	1.0365	0.0743	0.0102
1998	1.0412	0.0415	0.0098
1999	1.0405	0.0647	0.0082
2000	1.0343	0.0612	0.0085
2001	1.0380	0.0685	0.0135
2002	1.0388	0.0544	0.0229
2003	1.0412	0.0917	0.0282
2004	1.0421	0.0918	0.0288

Source: California Municipal Statistics Inc.

**City of Saratoga**  
**Special Assessment Billings and Collections**  
**Last ten fiscal years**



Fiscal Year	Special Assessment Billings and Collections
1995	\$ 88,623
1996	104,292
1997	83,101
1998	102,164
1999	55,505
2000	157,936
2001	95,973
2002	101,162
2003	574,469
2004	124,365

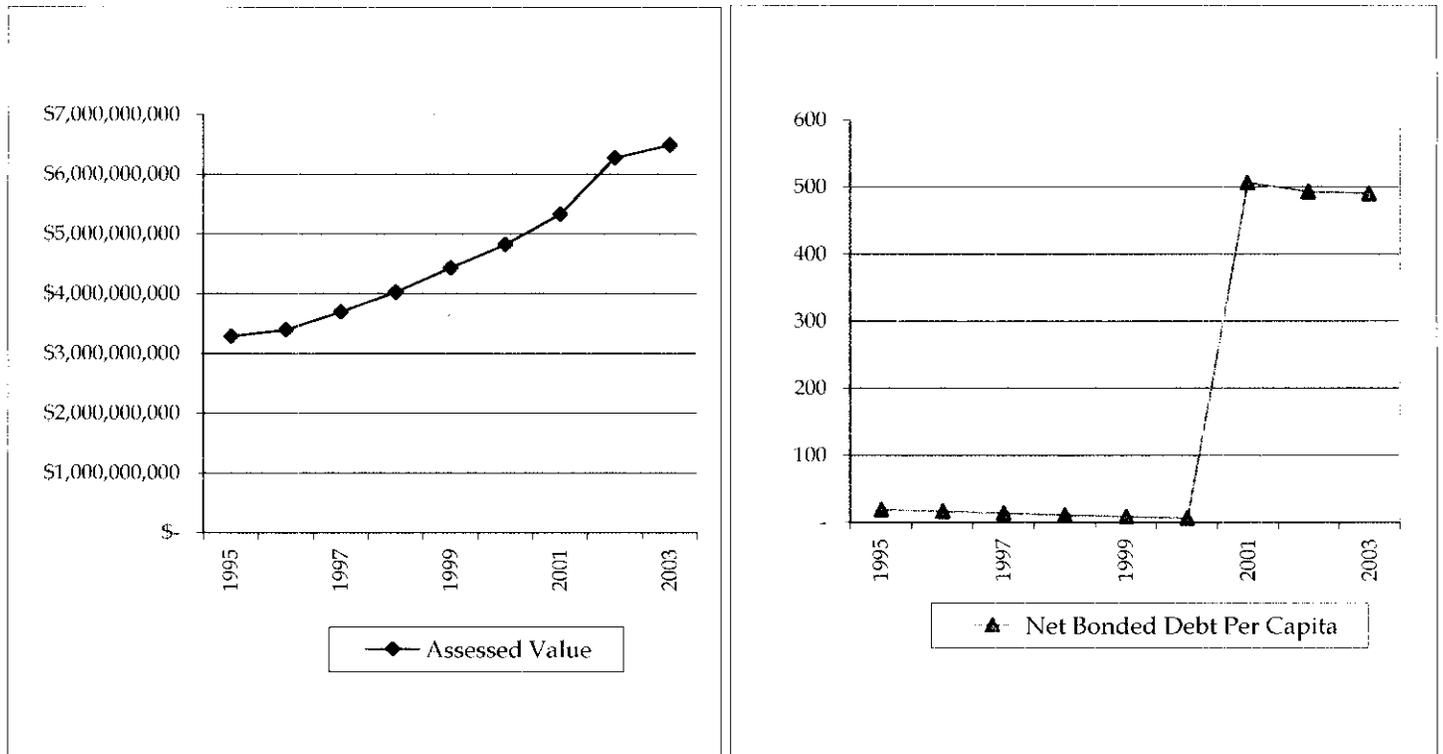
Note: Year 2003 comprises of Lighting and Landscaping and one time special assessment in General Fund

Source: City of Saratoga Annual Financial Report

# City of Saratoga

## Ratio of General Obligation Bonded Debt to Assessed Value and Bonded Debt Per Capita

Last ten fiscal years



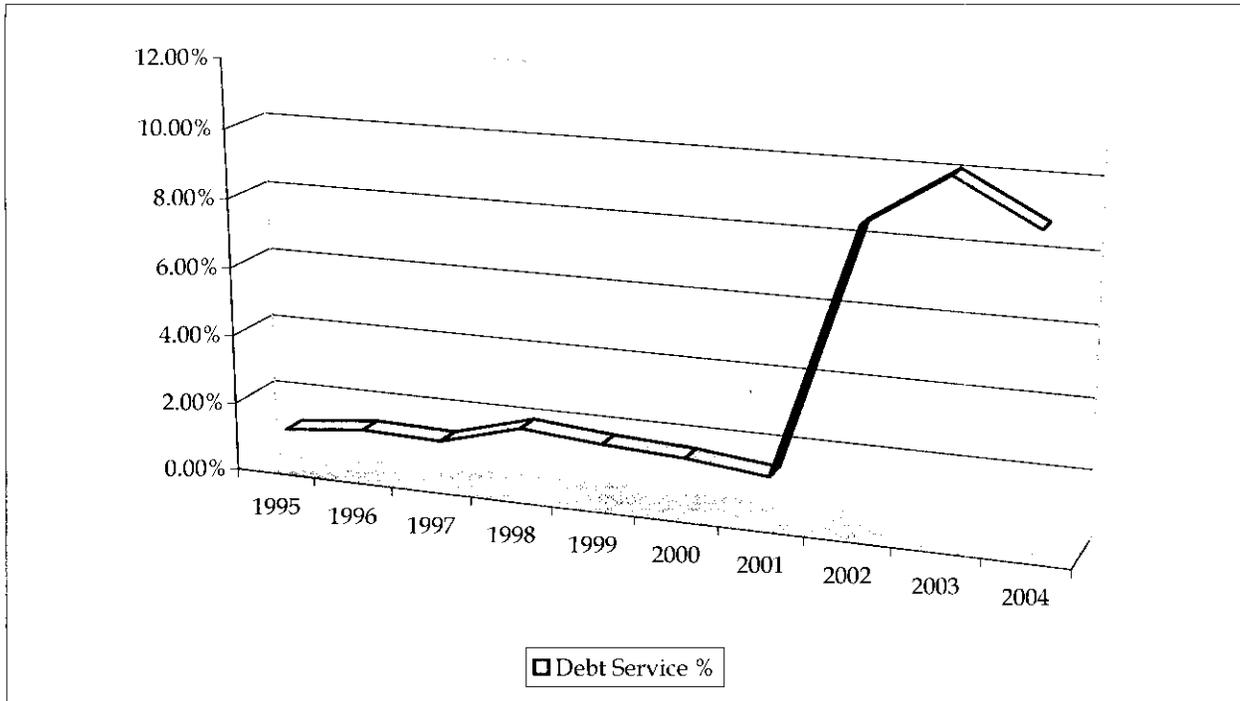
Fiscal Year	Population	Assessed Value	Bonded Debt	Debt Per Capita
1995	\$ 29,576	\$ 3,289,435,553	\$ 555,000	19
1996	29,579	3,398,224,679	490,000	17
1997	30,591	3,697,796,461	415,000	14
1998	31,097	4,029,381,944	340,000	11
1999	31,255	4,432,656,416	265,000	8
2000	31,320	4,823,743,087	185,000	6
2001	29,843	5,331,749,683	15,100,000	506
2002	30,444	6,271,461,110	15,000,000	493
2003	30,482	6,489,250,969	14,940,000	490
2004	30,300	6,953,969,775	14,695,000	485

Note: Includes Library General Obligation Bonds only

Sources: County of Santa Clara Tax Rate and Information Publication  
California Municipal Statistics Inc.

# City of Saratoga

## Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures - Last ten fiscal years

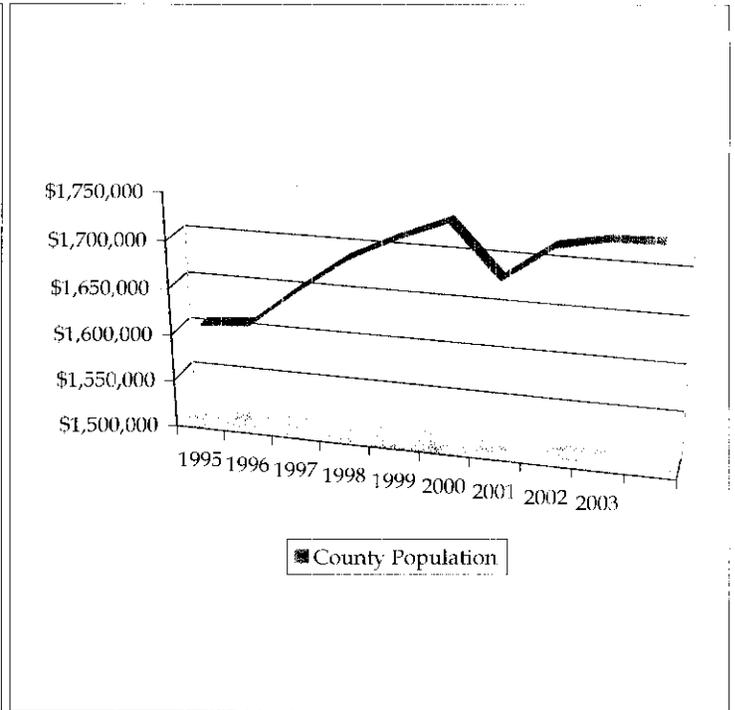
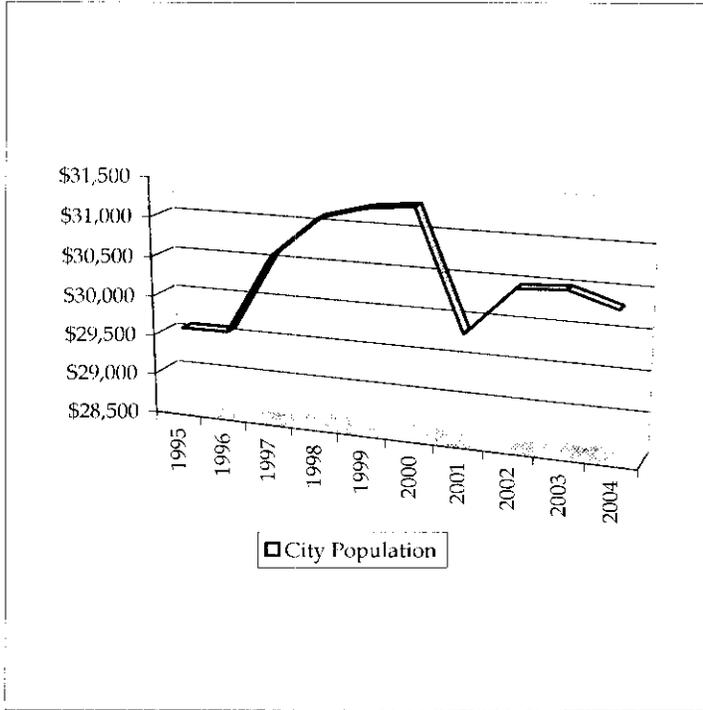


Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Percent of Debt Service to General Fund Expenditures
1995	\$ 60,000	\$ 33,644	\$ 93,644	\$ 8,370,061	1.12%
1996	65,000	30,307	95,307	7,017,231	1.36%
1997	75,000	26,700	101,700	7,840,174	1.30%
1998	75,000	22,178	97,178	5,021,873	1.94%
1999	75,000	18,071	93,071	5,365,807	1.73%
2000	80,000	18,783	98,783	6,161,151	1.60%
2001	85,000	9,774	94,774	7,041,988	1.35%
2002	99,973	592,462	692,435	8,083,477	8.57%
2003	60,000	783,756	843,756	8,363,439	10.09%
2004	245,000	777,112	1,022,112	11,559,753	8.84%

Note: Includes General Obligation Bonds

Source: City of Saratoga Finance Department

**City of Saratoga**  
**Demographic Statistics**  
**Last ten fiscal years**



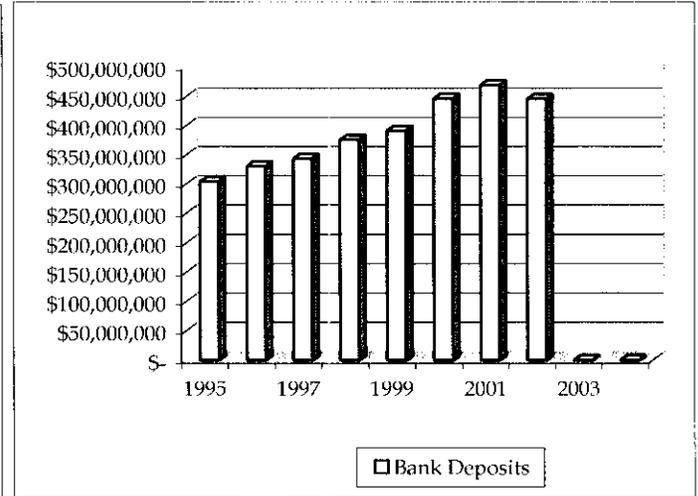
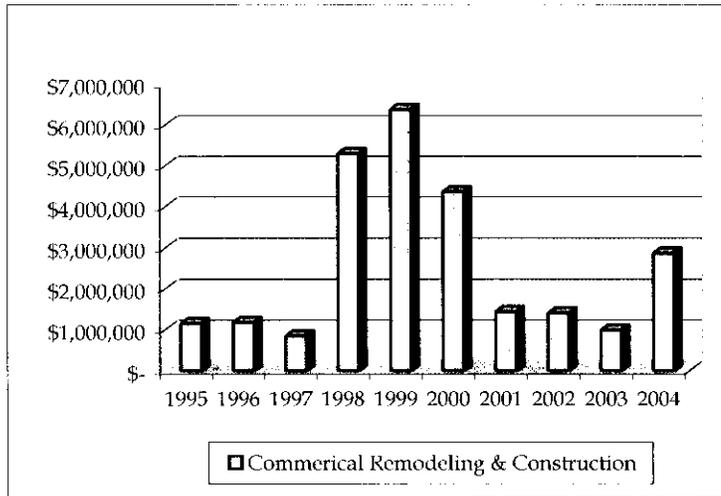
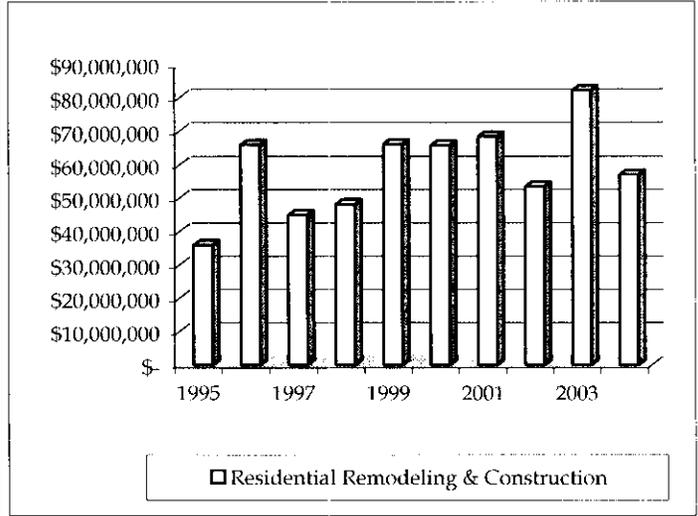
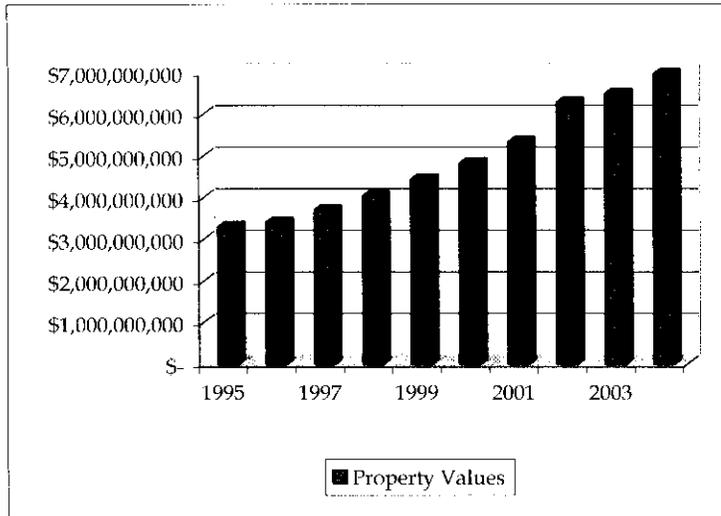
Fiscal Year	City Population	County Population	Population % of County
1995	\$ 29,576	\$ 1,607,673	1.84%
1996	29,579	1,612,258	1.83%
1997	30,591	1,653,061	1.85%
1998	31,097	1,689,908	1.84%
1999	31,255	1,715,374	1.82%
2000	31,320	1,736,722	1.80%
2001	29,843	1,682,585	1.77%
2002	30,444	1,719,565	1.77%
2003	30,482	1,729,917	1.76%
2004	30,300	1,731,400	1.75%

Source: State of California Department of Finance - Population Research Unit

# City of Saratoga

## Property Values, Remodeling and Construction

### Last ten fiscal years



Fiscal Year	Property Values	Commercial Remodeling and Construction		Residential Remodeling and Construction		Bank Deposits
		Number of Permits	Value	Number of Permits	Value	
1995	\$ 3,289,224,679	57	\$ 1,147,719	3,194	\$ 35,922,169	\$ 304,179,000
1996	3,398,224,679	69	1,171,533	2,535	66,013,893	331,014,000
1997	3,697,796,461	52	843,020	1,834	44,982,977	343,982,200
1998	4,029,381,944	47	5,300,593	1,844	48,230,194	376,130,000
1999	4,432,656,416	66	6,383,068	1,916	66,218,156	391,733,000
2000	4,823,743,087	57	4,362,875	1,960	65,901,107	446,758,000
2001	5,331,749,683	61	1,438,538	1,631	68,500,341	469,940,000
2002	6,271,461,110	42	1,405,295	1,685	53,474,165	446,251,000
2003	6,489,250,969	41	987,768	1,346	82,162,747	N/A
2004	6,953,969,775	43	2,865,523	1,554	57,079,206	N/A

Source: City of Saratoga Finance Department  
 Bank deposits from Findley Reports and Sheshenoff Information Services

**City of Saratoga**  
**Computation of Legal Debt Margin**  
**June 30, 2004**

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<b>Assessed value</b>	<b>\$ 6,953,969,775</b>
Bonded debt limit (15% of assessed value)	\$ 1,043,095,466
Amount of debt subject to limit:	
Total long-term debt	14,695,000
<b>Legal debt margin</b>	<b>\$ 1,057,790,466</b>

Source: City of Saratoga Finance Department

**City of Saratoga**  
**Computation of Legal Debt Margin**  
**June 30, 2003**

	Percentage Applicable to City of Saratoga	Amount Applicable to City of Saratoga	
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Santa Clara Valley Water District, Zone W-1	3.819%	\$ 222,839	-
Foothill-De Anza Community College District	1.7600	3,334,058	-
Campbell Union High School District	5.7350	4,229,563	-
Fremont Union High School District	3.6720	4,917,175	-
Los Gatos-Saratoga Joint Union High School District	41.0890	29,438,214	-
Campbell Union School District	7.2080	5,690,954	-
Cupertino Union School District	6.3700	7,790,800	-
Moreland School District	13.2450	6,697,902	-
Saratoga Union School District	85.7690	48,665,158	-
Saratoga Fire Protection District	97.5540	5,710,555	-
City of Saratoga	100.0000	14,695,000	-
Santa Clara Valley Water District Benefit Assessment District	3.6320	7,159,035	-
<b>Total Gross Direct And Overlapping Tax And Assessment Debt</b>		<b>\$ 138,551,253</b>	-
<b><u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u></b>			
Santa Clara County General Fund Obligations	3.632%	\$ 22,883,053	-
Santa Clara County Board of Education Certificates of Participation	3.632	672,283	-
Foothill-DeAnza Community College District Certificates of Participation	1.76	429,176	-
West Valley Community College District Certificates of Participation	11.243	2,688,763	-
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	41.089	1,855,168	-
Cupertino Union School District Certificates of Participation	6.37	411,502	-
Moreland School District Certificates of Participation	13.245	747,680	-
Saratoga Union School District Certificates of Participation	85.769	6,685,694	-
Midpeninsula Regional Open Space Park District General Fund Obligations	6.352	7,420,101	-
<b>Total Direct And Overlapping General Fund Obligation Debt</b>		<b>\$ 43,793,420</b>	-
<b>Gross Combined Total Debt</b>		<b>\$ 182,344,673</b>	(1)
 (1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.			
<b><u>Ratios to Assessed Valuation:</u></b>			
Direct Debt (\$14,695,000)	0.21%		-
Total Direct and Overlapping Tax and Assessment Debt	1.99%		-
Combined Total Debt	2.62%		-
<b><u>STATE SCHOOL BUILDING REPAYABLE AS 6/30/2004:</u></b>	<b>\$0</b>		-

Source: California Municipal Statistics, Inc.

**City of Saratoga**  
**Principal Taxpayers**  
**June 30, 2004**

Assessee	Use	Assessed Value	Percent of Total Assessed Value
Saratoga Office Center Partners LLC	Office Building	\$ 22,325,000	0.32%
Navico Incorporated	Residential Properties	13,543,440	0.20%
Michael T. LaBarbera	Shopping Center	12,900,960	0.19%
David C. and Roxanne N. Peterschmidt	Single Family Residence	12,004,998	0.17%
San Jose Water Works	Water Company	9,900,550	0.14%
David J. and Terri E. Morrison	Office Building	9,423,067	0.14%
Ashok Krishnamurthi	Single Family Residence	9,281,800	0.13%
Argonaut Associates LLC	Shopping Center	9,240,526	0.13%
Deloise A. Jordan	Single Family Residence	8,918,193	0.13%
Rama K. and Poonam M. Shukla	Single Family Residence	8,800,000	0.13%
David L. House	Single Family Residence	8,594,081	0.12%
Public Storage Props IX Inc.	Warehousing	8,373,315	0.12%
S. and Malini Srinivasan	Single Family Residence	7,800,808	0.11%
John T. and Karean L. Chapman	Single Family Residence	7,359,750	0.11%
Sobrato Construction Corporation	Residential Properties	7,085,616	0.10%
John and Carle Freitas LLC	Institutional	5,900,000	0.09%
Vincent R. and Susan Borelli	Single Family Residence	5,689,250	0.08%
849 College Ave. Inc.	Single Family Residence	5,400,000	0.08%
Stephen J. Luczo	Single Family Residence	5,274,203	0.08%
James S. and Lynda J. Morley	Single Family Residence	5,120,754	0.07%
<b>Total</b>		<b>\$ 182,936,311</b>	<b>2.65%</b>
<b>Total assessed valuation</b>		<b>\$ 6,912,443,373</b>	

Source: California Municipal Statistics, Inc.

**City of Saratoga**  
**Miscellaneous Statistics**  
**June 30, 2004**

<b>Date of Incorporation</b>	1956
<b>Form of Government</b>	Council-Manager
<b>Employees:</b>	
Public Safety	1
City manger's office	6
Recreation	10
Public works / maintenance	21
Community development	12
Administrative services	7
<b>Total employees</b>	<u>57</u>
<b>Area</b>	12.25 square miles
<b>Miles of Streets</b>	150 137 public; 13 private
<b>Length of Storm Drains</b>	45 miles
<b>Fire Protection:</b>	
Saratoga Fire District:	
Number of stations	1
Number of firefighters	24
Number of reserve firefighters	25
Central Fire District:	
Number of stations	2
Number of firefighters	18
Number of reserve firefighters	40
<b>Police Protection:</b>	
Number of stations	1
Number of police officers	80
Number of support personnel	6
<b>Water Utility:</b>	
San Jose Water Company:	
Number of meters	10,121
Average daily consumption	843 gallons per household
Length of water mains	177 miles
Length of storm drains	45 miles
<b>Sewer:</b>	
West Valley Sanitation District:	
Number of connections	8,564
Length of sewer lines	123 miles
Cupertino Sanitation District:	
Number of connections	2,118
Length of sewer lines	36 miles
<b>Culture and Recreation:</b>	
Parks	15
Acres in parks	81 acres
<b>Taxable Sales</b>	\$ 89,502,900
<b>Registered Voters</b>	20,258
<b>Population</b>	30,300

Sources: Various City records