



# CITY OF SARATOGA

C A L I F O R N I A



Saratoga's Historic Villa Montalvo

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR 2008/09





# Saratoga, California

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2009

### City Council

Chuck Page ..... Mayor  
Kathleen King ..... Vice Mayor  
Jill Hunter..... Council Member  
Howard Miller..... Council Member  
Susie Nagpal ..... Council Member

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



**CITY OF SARATOGA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2009**

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## **INTRODUCTORY SECTION**





# CITY OF SARATOGA

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

December 8, 2009

Honorable Mayor and City Council,

The Comprehensive Annual Financial Report (CAFR) of the City of Saratoga for the year ended June 30, 2009 is hereby submitted as mandated by applicable statutes. These statutes require that the City of Saratoga annually issue a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibilities for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. The information in this report is intended to present the reader with a comprehensive view of the City's financial position and the results of its operations for the fiscal year ending June 30, 2009, along with additional disclosures and financial information designed to enable the reader to gain an understanding of the City's financial activities.

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

This Comprehensive Annual Financial Report is organized into three sections:

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

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

The City, incorporated in 1956, is located 40 miles south of San Francisco in the Santa Clara Valley. The City currently covers a land area of approximately 12 square miles and contains a population of 31,679 as reported by the Department of Finance. The City is a general law city of the State of California and operates under a council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor, Vice Mayor and three additional council

members. City Council members are elected at-large for staggered four-year terms. The Mayor is selected annually by the City Council. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to the City's seven advisory commissions and hiring the City Manager and City Attorney. The City Manager is responsible for implementing the policies and ordinances of the City Council, overseeing the daily operations of the City, and recommending appointments of the City's department directors to the City Council.

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

Saratoga residents who wish to assist the City Council in forming government policy may do so by serving on an advisory commission. The commissions all act in an advisory capacity to the City Council, and are comprised of the Heritage Preservation Commission, Library Commission, Parks and Recreation Commission, Planning Commission, Public Safety Commission, and Youth Commission.

The financial reporting entity (the City) includes all the fund activity of the primary government, as well as all of its component units. Component units are legally separated entities for which the City is fully accountable. The City's Saratoga Public Financing Authority (PFA) component unit which provided financial oversight of local bond obligations was finalized in FY 2005/06. The Authority's final financial report was issued for FY 2006/07. Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units are combined with data of the City. Accordingly, the operations of the Landscaping and Lighting Assessment Districts are reported in the City's financial statements.

## **ECONOMIC CONDITIONS AND OUTLOOK**

The financial structure of Saratoga with its mostly built-out residential neighborhoods and limited commercial development means that the two typically largest sources of revenue for cities—property tax and sales tax—account for a smaller proportion of revenue than in other cities with minimal growth expected in future years. In addition, while proposition 1A protects the city from further ongoing unrestrained state takes of tax revenues, the potential for state takes exists under the state's current budget crisis. The City may see shortfalls of unprotected State or County based funding or temporary borrowings of property tax revenues permitted under Proposition 1A. With this in mind the City continues to restrict operations to minimal services and prepare for funding impacts. Capital improvements will continue to be funded with development fees, residual funding and grant moneys as funding level allow.

On a positive note the City began receiving a significant increase in property tax revenues due to the passage of Assembly Bill 117. This legislation, effective with the 2006/07 fiscal year, increased the property tax percentage allocated to the City as a result of the Tax Equity Allocation (TEA) formula. Assembly Member Cohn sponsored the bill which resulted from a joint effort of the City of Saratoga, Santa Clara County and 3 other affected cities – Cupertino, Monte Sereno and Los Altos Hills. While the TEA legislation restored the cities to the full "low tax" level of 7%, the State required the cities to continue to remit the County's ERAF rate on these funds so that the bill would have no effect on the State budget. The ERAF rate the County remits is 47.7%, compared to the City of Saratoga's rate of 17.14%, resulting in a significant impact to the revenues received.

### **Financial Information and Major Initiatives**

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

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

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

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

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

The FY 2008/09 budget focused on maintaining a minimal service levels in anticipation of continued reductions in the City's base revenue sources with the weakening economy. Departmental budgets were held or reduced to non-expansive levels. The City also prepared for a significant take by the State due to the publicity of the State's struggle with their budget. With decreasing resources, the FY 2008/09 budget process continued its focus on operational efficiencies to streamline services, aligning fees with services provided to the public, and strengthening the organization's tracking and communication of City operations.

### **OTHER INFORMATION**

***Independent Audit*** – California law requires cities to prepare an annual audit by an independent certified public accountant. In addition to meeting the requirements set forth in statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984, as amended, and the related U.S. Office of Management and Budget's Circular. Generally accepted auditing standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditor's unqualified report is included in the financial section of this report. Vavrinek, Trine, Day & Co., LLP Certified Public Accountants performed the City's Fiscal Year 2008/09 financial audit.

**Awards** – The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement to the City for its Excellence in Financial Reporting on the CAFR for the fiscal year ended June 30, 2008. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

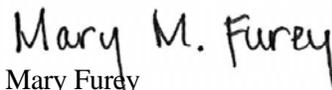
The Certificate of Achievement is valid for a period of one year. We believe our current CAFR continues to meet the Certificate of Achievement program's requirements, and plan on submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements** – This CAFR represents the culmination of numerous hours of hard work expended by many individuals in the Finance & Administrative Services Department. In particular, we would like to express our appreciation to Robert Edris, Sr. Accountant for his exemplary preparation of this annual financial report, and to our supporting staff members: Ann Xu, Accountant; Julie Ingraham, Karen Caselli, and Melanie Whitaker, Accounting Technicians for all their assistance with the audit and throughout the year. Furthermore, we would like to thank Vavrinek, Trine, Day & Co. CPA's for their helpful assistance in the preparation of this report. Finally, we would like to give credit to the City Council for their ongoing interest and support in planning, conducting and advising on the operations of the City in a responsible and progressive manner.

Respectfully submitted,



Dave Anderson  
City Manager



Mary Furey  
Finance and Administrative Services Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Saratoga  
California

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

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



President

Executive Director

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

**As of June 30, 2009**

**CITY COUNCIL**

Chuck Page - Mayor  
Kathleen King – Vice Mayor  
Jill Hunter  
Howard Miller  
Susie V. Nagpal

**CITY STAFF**

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

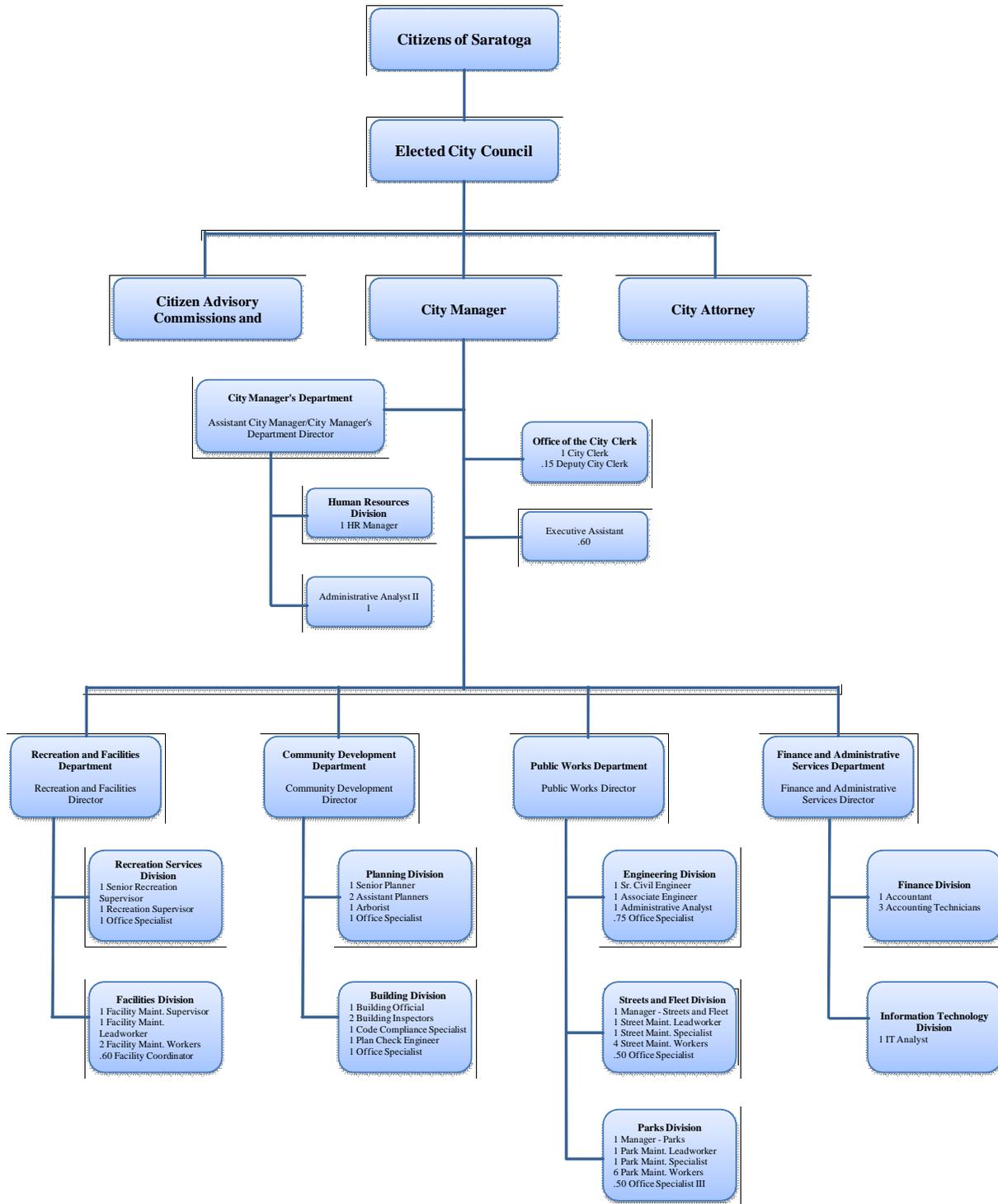
**CITY ATTORNEY**

Richard S. Taylor – Shute, Mihaly & Weinberger

**INDEPENDENT AUDITORS**

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

# City of Saratoga - Organization Chart



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**FINANCIAL SECTION**





VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Saratoga (the City) as of and for the year ended June 30, 2009 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Saratoga, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

**FRESNO • LAGUNA HILLS • PLEASANTON • RANCHO CUCAMONGA • PALO ALTO**

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, and combining individual non-major fund statements and schedules, and statistical section listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining, individual non-major fund statements and schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Varrinet, Trine, Day & Co., L.L.P.

Pleasanton, California  
December 8, 2009

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**INTRODUCTION**

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2009 for the City of Saratoga. The Management Discussion and Analysis (MD&A) is to be read in conjunction with the annual Transmittal Letter and the Basic Financial Statements.

**FISCAL YEAR 2008/09 FINANCIAL HIGHLIGHTS**

- The City's total net assets were \$122,857,588, comprised of \$108,817,516 for investment in capital assets, net of depreciation and related debt; \$5,280,823 restricted for specific purposes; and \$8,759,249 unrestricted net assets (reference pg #23).
- Total City revenues were \$19,169,849, which consists of program revenue of \$6,335,579 and general revenues of \$12,834,270 (reference pg #24).
- The City's expenses were \$21,780,333 (reference pg #24).
- Total Governmental Fund's fund balances were \$13,509,509, consisting of \$8,228,686 in the General Fund, \$3,510,980 in the Capital Improvement Funds, and \$1,769,843 in the Other Governmental Funds (reference pg #25).
- General Fund revenues were \$15,874,201, while General Fund expenditures were \$15,763,360 (reference pg #27).

**THE BASIC FINANCIAL STATEMENTS**

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

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

All of the City's activities are required to be grouped into government activities and business-type activities. The entire amount in the *Statement of Net Assets* and the *Statement of Activities* are also required to be separated into governmental activities or business-type activities in order to provide a summary of these two activities of the City as a whole. In the case of the City of Saratoga, there are no business-type activities as of June 30, 2009.

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

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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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**

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. The *Statement of Net Assets* and the *Statement of Activities* present information about the following:

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

*Business-Type Activities* - This category includes enterprise activities such as water, sewer, and utilities. Unlike governmental services, these services are fully supported by charges paid by users based on the amount of services they use. The City of Saratoga does not have any business-type activities at this time.

**Fund Financial Statements**

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

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

*Governmental Funds* - The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances available at year-end. Financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Carrying amounts for capital assets and other long-lived assets, along with long-term liabilities are not presented on the balance sheet in the governmental fund financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

*Fiduciary Funds* - These funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds are not reflected in the government-wide financial statements because these resources are not available to support the City's programs. The City maintains one such fund, the Community Access Television Fund, which acts as trustee for the CATV Foundation Board for investment purposes.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**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**

Required supplementary information other than through the MD&A follows the Notes and includes a budgetary comparison for the General Fund as presented in the governmental fund financial statements, and information on the modified approach for city streets and infrastructure capital assets.

**SUPPLEMENTARY INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as an indicator of the City's financial position. The City's Total Net Assets decreased \$2,610,484, from \$125,468,072 in FY 2007/08 to \$122,857,588 in FY 2008/09.

The most significant portion of the City's net assets \$108,817,516 or 88.6% accounts for its investment in capital assets, (e.g., land, buildings, general government infrastructure, equipment, etc.)) less any related debt used to acquire those assets that are still outstanding. These capital assets represent infrastructure which provides services to the citizens, consequently, these assets are not available for future spending. \$8,759,249 or 7.1% of the City's net assets is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

\$5,280,823 or 4.3% of the City's net assets are subjected to external restrictions on how they may be used. Of these restricted net assets, \$3,865,374 is restricted for capital projects, \$931,361 is for repayment of long-term debt and \$484,088 is restricted for housing activities and lighting and landscaping assessment districts.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Net Assets**

		<b>Governmental Activities</b>	
		<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Current assets		\$ 18,182,606	\$ 18,463,116
Non-current assets		71,670	85,003
Capital assets		<u>122,102,516</u>	<u>123,413,151</u>
	<b>Total Assets</b>	<u>140,356,792</u>	<u>141,961,270</u>
<b>Liabilities</b>			
Current liabilities		4,317,341	2,859,025
Long-term debt		<u>13,181,863</u>	<u>13,634,173</u>
	<b>Total Liabilities</b>	<u>17,499,204</u>	<u>16,493,198</u>
<b>Net Assets</b>			
Investment in capital assets, net of related debt		108,817,516	109,818,151
Restricted for Capital Project		3,865,374	4,768,478
Restricted for Debt Service		931,361	853,619
Restricted for Special Projects		484,088	318,143
Unrestricted		<u>8,759,249</u>	<u>9,709,681</u>
	<b>Total Net Assets</b>	<u>\$ 122,857,588</u>	<u>\$ 125,468,072</u>

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Statement of Changes in Net Assets**

<b>Functions/Programs</b>	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2009</b>	<b>2008</b>	
<b>Program Revenues</b>			
Charges for services	\$ 5,768,277	\$ 6,924,234	\$ (1,155,957)
Operating grants and contributions	228,534	150,564	77,970
Capital grants and contributions	338,768	1,714,758	(1,375,990)
<b>Total Program Revenues</b>	<b>6,335,579</b>	<b>8,789,556</b>	<b>(2,453,977)</b>
<b>General Revenues</b>			
Property taxes	8,335,805	8,099,071	236,734
Sales taxes	1,043,034	1,057,977	(14,943)
Local taxes	663,053	693,950	(30,897)
Franchise taxes	1,656,716	1,625,414	31,302
Motor vehicle in-lieu	116,273	148,865	(32,592)
Intergovernmental revenues	473,989	840,557	(366,568)
Investment earnings	397,116	1,056,891	(659,775)
Other revenues	148,284	348,258	(199,974)
<b>Total General Revenues</b>	<b>12,834,270</b>	<b>13,870,983</b>	<b>(1,036,713)</b>
<b>Expenses</b>			
General and intergovernmental services	5,595,474	6,292,527	(697,053)
Public safety	4,210,763	4,165,945	44,818
Public works	7,643,545	5,325,784	2,317,761
Community services	1,633,997	1,285,739	348,258
Community development services	1,999,754	2,032,217	(32,463)
Interest on long-term debt (unallocated)	696,800	713,566	(16,766)
<b>Total Expenses</b>	<b>21,780,333</b>	<b>19,815,778</b>	<b>\$ 1,964,555</b>
Increase / (Decrease) in Net Assets	(2,610,484)	2,844,761	
<b>Net Assets, Beginning of Year</b>	<b>125,468,072</b>	<b>122,623,311</b>	
<b>Net Assets, End of Year</b>	<b>\$ 122,857,588</b>	<b>\$ 125,468,072</b>	

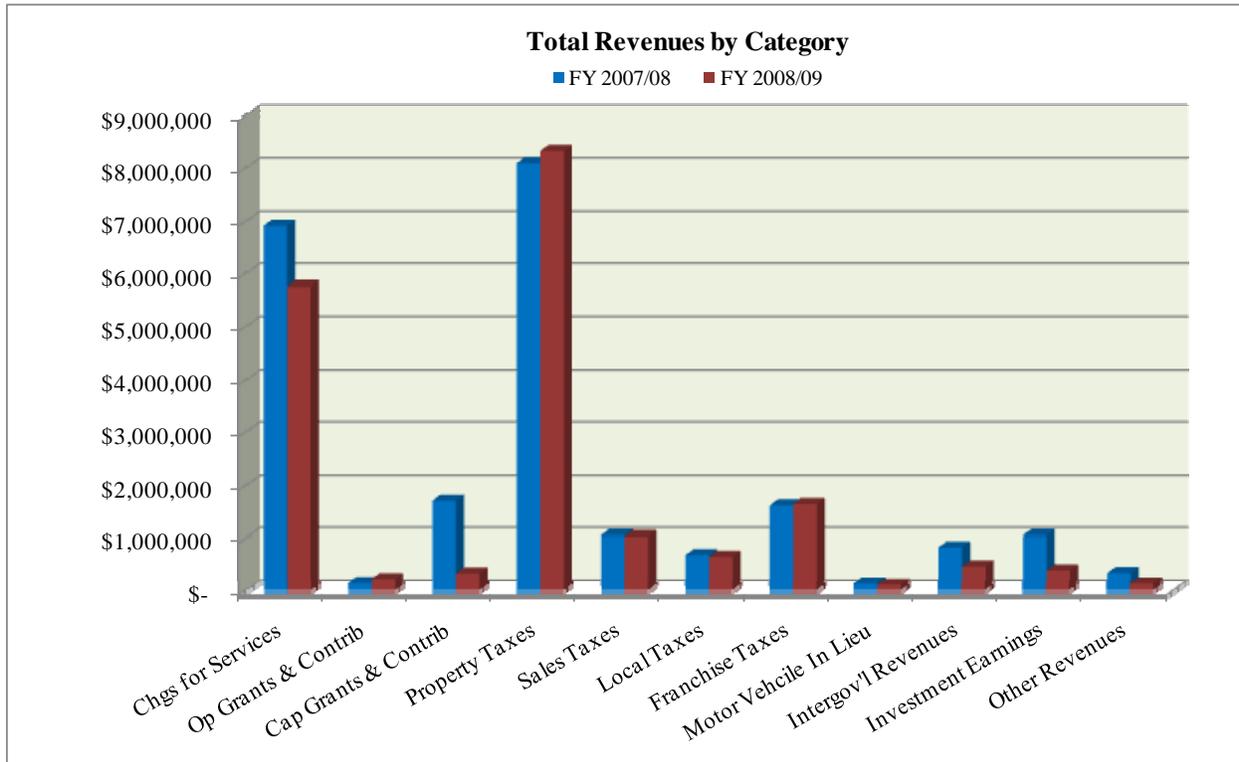
As shown in the above *Statement of Changes in Net Assets* schedule, the net change in revenues from the prior fiscal year for governmental activities from program revenues was a decrease of \$2,453,977. The net change in general revenues from the prior year was a decrease of \$1,036,713 for a total decrease in revenues of \$3,490,690. The net change in expenses from the prior year was an increase of \$1,964,554, resulting in a decrease in Net Assets of \$2,610,484.

**CITY OF SARATOGA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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

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



**Increases in Revenues**

- A \$236,734 increase in property tax revenue stems from the rise in property tax assessment values resulting from real estate turnover. The 2.9% increase is lower than in recent previous years due to a decrease in housing prices during FY 2008/09.

**Decreases in Revenues**

- A decrease of \$1,375,990 in capital grants & contributions reflects a reduction in capital program grants and reimbursements as less street work was completed in FY 2008/09 than in the prior year.
- A \$366,568 decrease in Intergovernmental Revenues is the result of revenue classification changes from the prior year.
- Investment Earnings show a decrease of \$659,775. Interest income decreased approximately \$257,000 (almost 40%) due to significant drops in the interest rates over the fiscal year, with the remainder of the decrease attributed to revenue categorization changes from the prior year.
- Other Revenues represents miscellaneous refunds and reimbursements, proceeds from sales, and minor oddities. Revenues will fluctuate from year to year as these types of receipts are typically

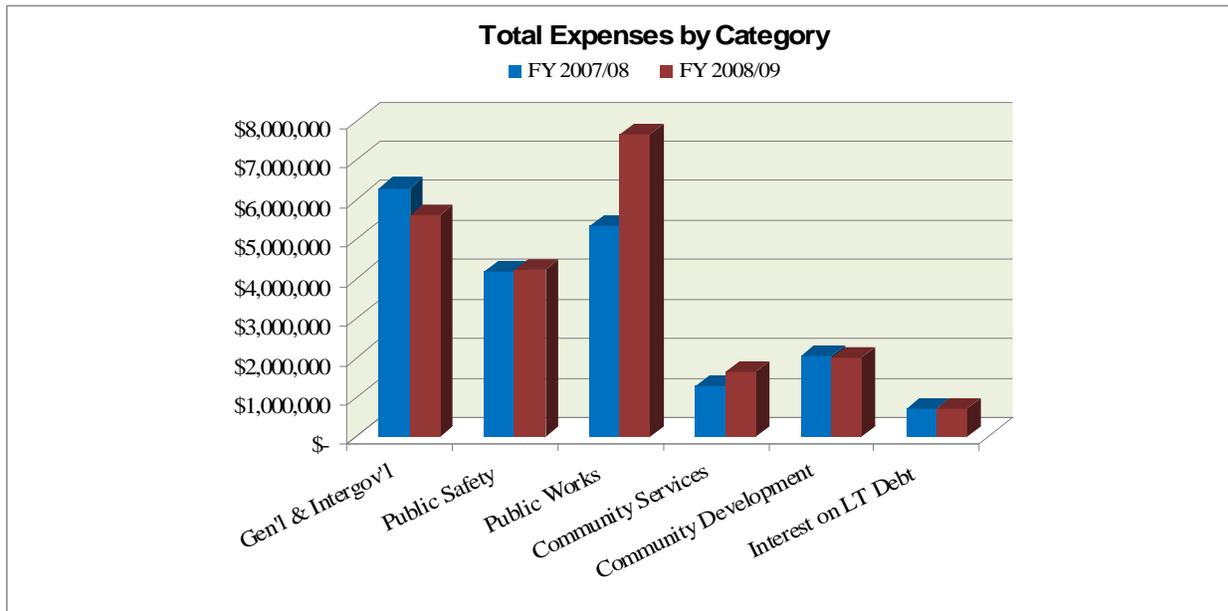
**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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unplanned and one-time occurrences. A continued emphasis on categorizing revenues into proper programs and categories has also contributed to the \$199,974 decrease in receipts; however a majority of the decrease is attributed to a one time donation of \$149,000 in the prior year.

- A decrease of \$1,155,957 in Charge for Services is a result of the severe downturn in development fees due to the struggling economy and credit crunch (about \$800,000), and the similar impact on the use in recreation services for classes, camps, and excursions (about \$300,000).

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



The net change in expenses for Governmental Activities was an increase of \$1,964,554. Expenditures with significant events include:

**Increases in Expenses**

- A \$2,317,761 increase in Public Works expenses is a result of a change in the street capitalization policy which increases the non-capital maintenance cost rather than capitalizing its cost, and from the allocation of internal service charges to Public Works functions.
- The \$348,258 increase in Community Services expenses is also a reflection of the CIP Policy change to expense non-capital maintenance project costs in the capital program rather than capitalize them.

**Decreases in Expenses**

- A \$697,053 decrease in expenses in the General and Intergovernmental Services category from the prior year resulted from a reduction in depreciation expense and a change in the distribution of internal service charges to properly reflect this expense by category.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**MAJOR AND OTHER GOVERNMENTAL FUNDS: CHANGE IN FUND BALANCE**

A summary of the changes in fund balance of the major and other government funds are presented below:

	Major Funds		Other Governmental Funds
	General	Capital Improvement	
Total Revenues	\$ 15,874,201	\$ 1,692,920	\$ 1,651,737
Total Expenditures	15,763,360	4,021,626	1,400,443
Revenues Over (Under) Expenditures	110,841	(2,328,706)	251,294
Transfers in	153,732	1,871,137	18,560
Transfers out	(1,571,727)	(106,000)	(365,702)
Net change in fund balances	(1,307,154)	(563,569)	(95,848)
Beginning of year (as restated)	9,535,840	4,074,549	1,865,691
End of year	<u>\$ 8,228,686</u>	<u>\$ 3,510,980</u>	<u>\$ 1,769,843</u>

Included in the Major Funds are the General Fund and the Capital Improvement Fund. The Other Governmental funds include twenty-four Lighting and Landscape Assessment Districts, accounted for as one fund in financials, the Community Development Block Grant Fund, the Library Bond Debt Service Fund, and the Library Expansion Capital Project Fund. The net change of the Major and Other Governmental Funds fiscal year transactions is decrease of \$1,966,571.

**General Fund** - As shown in the preceding *Major Funds* table, the net change in the General Fund's Fund Balance was a decrease of \$1,307,154. A net loss resulted from the net of operating revenues coming in just slightly over operating expenditures, and the transfer out of \$1.57 million, primarily to the Capital Improvement Program.

Revenues are budgeted conservatively based upon prior year experience and specific information, while expenditures are limited to anticipated program needs at not-to-exceed projected funding levels. A large factor which contributed to the net loss was the more than \$700,000 decrease in General Fund revenues from the prior year due to significant drops in development and recreation permits, fees, and service charges.

**Capital Improvement Project Fund** - As shown in the table above, the net change in the Capital Improvement Fund has a decrease of \$563,569 which is due to a significant drop from the prior year's grant revenue stream, whereas expenditures remained relatively consistent. A net \$1.8 million of transfers in to the capital program offset the operational shortfall.

**Other Governmental Funds** - As shown in the table, there was a net decrease of \$95,848 in the Other Governmental Funds. A \$310,000 transfer from the Library Building Capital Improvement Fund to the capital program for an HVAC upgrade project accounted for the bulk of the decrease in fund balance.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**GENERAL FUND – BUDGETARY HIGHLIGHTS**

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

**Adopted to Final Budget  
Fiscal Year Ended June 30, 2009**

	+	=	+	=	
	Adopted Budget	Capital Project	Beginning Balance	Budget Adjustments	Final Budget
Expenditures	\$ 16,809,264	-	16,809,264	16,735	\$ 16,825,999
Transfers out	\$ 253,500	1,090,000	1,343,500	200,000	\$ 1,543,500

The General Fund adopted expenditure budget was \$16,809,264 and increased by \$16,735 to fund the West Valley Clean Water Program budget. General Fund transfers out were increased by \$1,090,000 as part of the capital budget, which was adopted at a later date than the operating budget but, in fact, are beginning adopted amounts. During the year, transfers out were increased by \$200,000 to fund the Comer Road Retaining Wall project.

**CAPITAL ASSETS**

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

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

The City policy is to achieve an average Pavement Condition Index (PCI) rating of 70 for all streets. The City achieved the 70 rating with 86% of streets rated as Excellent to Good, 13% of streets are rated as "Poor", and 1% of streets are rated as "Very Poor". The City spent \$1,574,485 to maintain and preserve eligible infrastructure assets. For more detailed information on Capital Assets activity, please refer to Note 2 in the section entitled "Notes to the Basic Financial Statements" and "Required Supplementary Section".

As of June 30, 2009, the City had \$122,102,516 invested in a variety of capital assets, as reflected in the following schedule, which represents a decrease of \$1,310,635 or slightly more than a 1% decrease from the prior year.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 10,585,106	\$ 9,887,095
Building and structures	18,261,779	18,739,078
Machinery and equipment	470,646	470,217
Infrastructure	86,189,639	86,571,890
Construction in progress	6,595,346	7,744,871
Total Capital Assets, Net of Depreciation	<u>\$ 122,102,516</u>	<u>\$ 123,413,151</u>

The following reconciliation summarizes the changes in Capital Assets.

**Changes in Capital Assets**

	Balance			Balance
	<u>July 1, 2008</u>			<u>Additions</u>
Land	\$ 9,887,095	\$ 698,011	\$ -	\$ 10,585,106
Building and structures	23,066,577	90,181	-	23,156,758
Machinery and equipment	1,960,115	152,862	(86,837)	2,026,140
Infrastructure	102,756,597	792,632		103,549,229
Construction in progress	7,744,871	2,454,921	(3,604,446)	6,595,346
Depreciation	(22,002,104)	(1,894,788)	86,829	(23,810,063)
Total Capital Assets, Net of Depreciation	<u>\$ 123,413,151</u>	<u>\$ 2,293,819</u>	<u>\$ (3,604,454)</u>	<u>\$ 122,102,516</u>

Major capital projects in progress during the fiscal year include the following:

- Kevin Moran Park Improvements - \$1,318,297
- North Campus / Prospect - \$471,635
- El Quito Park Improvements - \$74,305
- UPPR / DeAnza Trail - \$67,918
- Prospect Road Medians - \$50,520

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

**DEBT ADMINISTRATION**

The net change in outstanding debt for the City of Saratoga is a decrease of \$214,184. During the fiscal year, the City did not enter into any new debt structures.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Outstanding Long-Term Obligation at Year End**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
2001 General Obligation Bond	\$ 13,285,000	\$ 13,595,000
Compensated absences	584,415	488,599
<b>Total Outstanding Debt</b>	<b>\$ 13,869,415</b>	<b>\$ 14,083,599</b>

The current portions of long-term debt (\$330,000 and \$310,000 for 2009 and 2008, respectively), are classified as current liabilities in the City's *Statement of Net Assets*.

2001 General Obligation Bond - During the fiscal year, the City made debt service payments that include a principal reduction of \$310,000 on the City's 2001 General Obligation \$15,000,000 bond issue.

Compensated absences are accrued liabilities for vested and unpaid vacation and sick pay. The compensated absences balance increased during the fiscal year by \$95,816 due to an increase in unused compensated time off.

Additional information on outstanding obligations can be found in Note 6 to the financial statements.

**ECONOMIC FACTORS**

In September 2006, the City received a significant increase in new property tax revenues on an annual basis due to the passage of Assembly Bill 117. This legislation effective with FY 2006/07 increases the amount of property taxes allocated to the City as a result of the TEA (Tax Equity Allocation) formula. Assembly Member Cohn sponsored the bill which resulted from a joint effort of the City of Saratoga, Santa Clara County and the three other affected cities - Cupertino, Monte Sereno and Los Altos Hills. These cities are referred to as "no/low tax cities" and will have restored a proportionate share of the property taxes which they lost to special legislation in 1989. This resulted in a permanent increase in general fund property taxes to approximately 5.45% of the 1% ad valorem tax property owners pay.

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

**REQUEST FOR FINANCIAL INFORMATION**

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

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## **BASIC FINANCIAL STATEMENTS**



**CITY OF SARATOGA  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 17,168,131
Receivables:	
Accounts	940,479
Interest	60,663
Loans	13,333
Total Current Assets	<u>18,182,606</u>
Noncurrent Assets:	
Loans receivable	71,670
Capital Assets:	
Non-depreciable	65,750,910
Depreciable, net	56,351,606
Total Capital Assets	<u>122,102,516</u>
Total Noncurrent Assets	<u>122,174,186</u>
<b>Total Assets</b>	<u>140,356,792</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	2,031,299
Accrued payroll	313,239
Other payable	58,129
Interest payable	288,940
Deposits payable	854,966
Claims payable	83,216
Long-term debt - due within one year	687,552
Total Current Liabilities	<u>4,317,341</u>
Noncurrent Liabilities:	
Long-term debt - due in more than one year	13,181,863
<b>Total liabilities</b>	<u>17,499,204</u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	108,817,516
Restricted for:	
Capital projects funds	3,865,374
Debt service	931,361
Special projects	484,088
Total Restricted	<u>5,280,823</u>
Unrestricted	8,759,249
<b>Total Net Assets</b>	<u>\$ 122,857,588</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues				Total	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets		
							Primary Governmental Activities
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General and intergovernmental services	\$ 5,595,474	\$ 133,054	\$ -	\$ -	\$ 133,054	\$	(5,462,420)
Public safety	4,210,763	520,174	55,825	-	575,999		(3,634,764)
Public works	7,643,545	2,378,472	172,709	338,768	2,889,949		(4,753,596)
Community services	1,633,997	934,288	-	-	934,288		(699,709)
Community development services	1,999,754	1,802,289	-	-	1,802,289		(197,465)
Interest on long-term debt (unallocated)	696,800	-	-	-	-		(696,800)
<b>Total</b>	<b>\$ 21,780,333</b>	<b>\$ 5,768,277</b>	<b>\$ 228,534</b>	<b>\$ 338,768</b>	<b>\$ 6,335,579</b>	<b>\$</b>	<b>(15,444,754)</b>
<b>General Revenues:</b>							
Taxes							
Property taxes							8,335,805
Sales taxes							1,043,034
Local taxes							663,053
Franchise taxes							1,656,716
Motor vehicle-in-lieu							116,273
Total taxes							11,814,881
Intergovernmental							473,989
Investment earnings							397,116
Other revenues							148,284
Total General Revenues							12,834,270
Change in Net Assets							(2,610,484)
Net Assets - Beginning of Year							125,468,072
Net Assets - End of Year							\$ 122,857,588

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA  
GOVERNMENTAL FUNDS - BALANCE SHEET  
JUNE 30, 2009**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Improvement		
<b>ASSETS</b>				
Cash and investments	\$ 9,186,264	\$ 4,741,918	\$ 1,786,109	\$ 15,714,291
Receivables:				
Accounts	486,409	426,056	18,076	930,541
Interest	55,201	-	5,462	60,663
Loans	-	-	85,003	85,003
<b>Total assets</b>	<u>\$ 9,727,874</u>	<u>\$ 5,167,974</u>	<u>\$ 1,894,650</u>	<u>\$ 16,790,498</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 399,754	\$ 1,513,030	\$ 39,804	\$ 1,952,588
Accrued payroll	285,067	699	-	285,766
Deposits payable	756,222	98,744	-	854,966
Other payable	58,129	-	-	58,129
Deferred revenue	16	44,521	85,003	129,540
<b>Total liabilities</b>	<u>1,499,188</u>	<u>1,656,994</u>	<u>124,807</u>	<u>3,280,989</u>
<b>Fund Balances:</b>				
Reserved for:				
Petty cash	1,300	-	-	1,300
Debt service	-	-	931,361	931,361
Unreserved, designated for:				
Operations	2,870,140	-	-	2,870,140
Economic uncertainty	1,300,000	-	-	1,300,000
Construction in progress	1,200,000	-	-	1,200,000
Community development services	782,380	-	-	782,380
Environmental services	663,182	-	-	663,182
Unreserved, undesignated, reported in:				
General fund	1,411,684	-	-	1,411,684
Special revenue funds	-	-	484,088	484,088
Capital projects funds	-	3,510,980	354,394	3,865,374
<b>Total fund balances</b>	<u>8,228,686</u>	<u>3,510,980</u>	<u>1,769,843</u>	<u>13,509,509</u>
<b>Total liabilities and fund balances</b>	<u>\$ 9,727,874</u>	<u>\$ 5,167,974</u>	<u>\$ 1,894,650</u>	<u>\$ 16,790,498</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

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<b>Total Fund Balances - Total Governmental Funds</b>	\$ 13,509,509
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	65,750,910
Depreciable capital assets, net	55,930,835
Total Capital Assets	<u>121,681,745</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.	(288,940)
Internal service funds are used by management to charge the costs of office stores, vehicle and equipment maintenance and replacement, information services and replacement, building maintenance, risk management, and workers compensation. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets	1,695,149
Long-term receivables were not current available resources and therefore, were offset by a deferred revenue amount equal to the net receivable in the governmental funds.	129,540
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:	
General obligation bonds	(13,285,000)
Compensated absences	(584,415)
Total Long-Term Liabilities	<u>(13,869,415)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 122,857,588</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Improvement		
<b>REVENUES:</b>				
Property taxes	\$ 8,147,478	\$ -	\$ 188,078	\$ 8,335,556
Special assessments	7,884		1,360,096	1,367,980
Sales taxes	1,043,034	-	-	1,043,034
Other local taxes	663,053	-	-	663,053
Licenses & permits	1,119,888	340,246	-	1,460,134
Fines & forfeiture	353,801	6,092	-	359,893
Intergovernmental - State	264,755	1,017,766	-	1,282,521
Intergovernmental - Other	38,457	195,936	55,702	290,095
Franchise fees	1,656,716	-	-	1,656,716
Use of money and property	729,207	30,071	34,526	793,804
Other revenue	1,849,928	102,809	13,335	1,966,072
<b>Total revenues</b>	<b>15,874,201</b>	<b>1,692,920</b>	<b>1,651,737</b>	<b>19,218,858</b>
<b>EXPENDITURES:</b>				
Current:				
General and intergovernmental services	3,330,074	-	-	3,330,074
Public safety	4,205,672	-	-	4,205,672
Public works	4,352,644	-	347,000	4,699,644
Community services	1,424,421	-	-	1,424,421
Community development services	2,450,549	-	-	2,450,549
Capital outlay	-	4,021,626	38,893	4,060,519
Debt service:				
Principal	-	-	310,000	310,000
Interest and fiscal charges	-	-	704,550	704,550
<b>Total expenditures</b>	<b>15,763,360</b>	<b>4,021,626</b>	<b>1,400,443</b>	<b>21,185,429</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>110,841</b>	<b>(2,328,706)</b>	<b>251,294</b>	<b>(1,966,571)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	153,732	1,871,137	18,560	2,043,429
Transfers out	(1,571,727)	(106,000)	(365,702)	(2,043,429)
<b>Total other financing sources (uses)</b>	<b>(1,417,995)</b>	<b>1,765,137</b>	<b>(347,142)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(1,307,154)</b>	<b>(563,569)</b>	<b>(95,848)</b>	<b>(1,966,571)</b>
<b>FUND BALANCES:</b>				
Beginning of year (as restated)	9,535,840 <sup>1</sup>	4,074,549	1,865,691	15,476,080
End of year	\$ 8,228,686	\$ 3,510,980	\$ 1,769,843	\$ 13,509,509

<sup>1</sup>General Fund beginning fund balance has been restated to remove the Internal Service Fund net assets. (see Note #9)

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

**CITY OF SARATOGA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET**  
**ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (1,966,571)
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	442,316
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds.	(1,768,632)
Internal service funds are used by management to charge the costs of office stores, vehicle and equipment maintenance and replacement, information services and replacement, building maintenance, risk management, and workers' compensation. The net revenue of the internal service funds is reported with government activities.	429,280
Certain revenues were recorded as deferred revenue in the governmental funds because they did not meet the revenue recognition criteria of availability. However, they were included as revenue in the Government-Wide Statement of Activities and Changes in Net Assets under the full accrual basis.	31,186
Long-term compensated absences and claims payables were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, long-term compensated absences and claims payable were not reported as expenditures in governmental funds.	
Compensated absences	(95,816)
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	310,000
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from prior year.	7,753
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ (2,610,484)</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

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	Governmental Activities - Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 1,453,840
Accounts receivable	9,938
Total current assets	<u>1,463,778</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	701,714
Less: accumulated depreciation	<u>(280,943)</u>
Total capital assets (net of accumulated depreciation)	<u>420,771</u>
Total assets	<u>1,884,549</u>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	78,711
Accrued payroll	27,473
Other payables	<u>83,216</u>
Total current liabilities	<u>189,400</u>
<b>NET ASSETS</b>	
Investment in capital assets	420,771
Unrestricted	<u>1,274,378</u>
Total net assets	<u>\$ 1,695,149</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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	Governmental Activities - Internal Service Funds
<b>Operating revenues:</b>	
Charges for services	\$ 2,319,522
Other operating revenues	49,539
Total operating revenues	<u>2,369,061</u>
<b>Operating expenses:</b>	
Cost of services	977,896
Administration	835,726
Depreciation	126,159
Total operating expenses	<u>1,939,781</u>
Operating income	<u>429,280</u>
Change in net assets	429,280
Total net assets - beginning (as restated)	1,265,869 <sup>1</sup>
Total net assets - ending	<u>\$ 1,695,149</u>

<sup>1</sup>The Internal Service Funds beginning net assets have been removed from the General Fund beginning fund balance. (See Note #9)

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 2,371,709
Payments to suppliers	(1,080,850)
Payments to employees	(638,106)
Net cash provided (used) by operating activities	<u>652,753</u>
<b>Cash flows from capital activities:</b>	
Acquisition of capital assets	(141,837)
Net cash provided for the acquisition of capital assets	<u>(141,837)</u>
Net increase in cash and cash equivalents	510,916
Cash and cash equivalents, beginning of year	942,924
Cash and cash equivalents, ending of year	<u>\$ 1,453,840</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 429,280
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>	
Depreciation	126,159
<b>Change in operating assets and liabilities:</b>	
Decrease in accounts receivables	2,648
Increase in accounts payable	14,727
Decrease in deposits payable	(5,000)
Increase in claims payable	83,216
Increase in accrued payroll	1,723
Net cash provided (used) by operating activities	<u>\$ 652,753</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 69,769
Receivables:	
Accounts	14,573
Interest	261
<b>Total assets</b>	<u>\$ 84,603</u>
<b>LIABILITIES</b>	
Deposits payable	<u>\$ 84,603</u>

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Financial Reporting Entity***

The City was incorporated as a municipal corporation in 1956 under the general laws of the State of California, and had a population of 31,679 at June 30, 2009. 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, 2009, the City's staff comprised 55 full-time and two part-time employees, and numerous recreation seasonal employees who were responsible for the following City provided services:

- Public Safety - The City provides round-the-clock police services under a contract with the County Sheriff's offices. Emergency management and Fire services are provided by special district. Code enforcement and inspection services are provided by one 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 six employees.
- General Government services are provided by a total of ten 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 FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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The following entity is reported as blended component unit:

Lighting and Landscaping Assessment District - The Lighting and Landscaping Assessment District (the District) was established in 1980, for the levy and the collection of assessments upon the several lots or parcels of land in the District, and for the construction or installation of improvements, including maintenance. The District is reported as a blended component unit of the City because it has the same Governing Board as the City. The activity for the District has been included in the accompanying basic financial statements and no separate financial statements are issued.

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

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

Government-Wide Financial Statements

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

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

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

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

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

- Transfers in/Transfers out

**General Fund**

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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**Capital Improvement Capital Projects Fund**

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

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

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

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

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

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:

Proprietary Funds

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the "economic resources measurement focus". This means all assets and liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the internal service funds financial statements.

Fiduciary Fund Financial Statements

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

*C. Cash, Cash Equivalents and Investments*

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

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

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

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

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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***D. Interfund Transactions***

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

***E. Capital Assets***

Capital assets, which include land, buildings, improvements, furniture, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), were reported in the applicable governmental activities in the government-wide financial statements. Capital assets were recorded at historical cost or estimated historical cost if actual cost was not available. Donated assets were valued at their fair market value on the date of donation. City policy has set the capitalization threshold for reporting capital assets at \$10,000. The City has chosen the Modified Approach for reporting the streets subsystem of infrastructure capital assets.

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

Buildings and structures	40 Years
Machinery and equipment	5 to 10 Years
Infrastructure	15 to 50 Years

In June 1999, GASB issued Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* 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 in its basic financial statements.

The City defines infrastructure as the basic physical assets that allow the City to function, which 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 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, 2007. This condition assessment will be performed every 2 years. The next condition assessment is scheduled for March 2010. A Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of street that have the physical characteristics of a new street.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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The following conditions were defined:

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

The City's policy relative to maintaining the street assets is to achieve an average rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. For all other infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2001, and has completed an internal update for June 30, 2007. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

***F. Interest Payable***

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

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest on long-term debt is recorded in the fund statements when payment is made.

***G. 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.

***H. Compensated Absences***

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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

***I. Long- Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

***J. 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 \$2,870,140. The designation is increased annually by an amount equal to the interest the City earned on an equivalent amount of cash and investments.

City Council has designated \$1,300,000 for economic uncertainty.

CIP designation is for future Capital Improvement Projects.

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

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

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

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

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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***K. Net Assets***

In the government-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."

***L. 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.

***M. Property Tax and Special Assessments***

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

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

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

***N. 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.

***O. New GASB Pronouncements***

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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postemployment benefits other than pension and Statement No. 45 will not affect on the financial statements.

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

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

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

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

**GASB Statement No. 54** - In March, 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement is not effective until June 30, 2011. The City has determined this Statement change will have no effect on the financial statements.

**GASB Statement No. 55** - In March, 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standard Board's (GASB) authoritative literature. The City has determined this Statement change did not have an effect on the financial statements.

**GASB Statement No. 56** - In March, 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement of Auditing Standards*. The object of this Statement is to incorporate into the Governmental Accounting Standard Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accounts' Statement of Auditing Statements. The City has determined this Statement change did not have an effect on the financial statements.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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**NOTE 2 - CASH AND INVESTMENTS**

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average month-end cash and investment balances in these funds. The City has the following cash and investments at June 30, 2009:

	Statement of Net Assets		Total
	Governmental Activities	Fiduciary Fund	
Cash and investments	\$ 17,168,131	\$ 69,769	\$ 17,237,900

The City's Cash and Investments at June 30, 2009, in more detail:

Cash and cash equivalents:		
Petty cash		\$ 1,300
Demand deposits		312,374
Total Cash and Cash Equivalents		<u>313,674</u>
Investments:		
Local Agency Investment Fund (LAIF)		16,924,226
Total Cash and Investments		<u>\$ 17,237,900</u>

***A. Cash Deposits***

The carrying amounts of the City's cash deposits were \$312,374 at June 30, 2009. Bank balances before reconciling items were \$277,249 at that date due to deposits in transit and outstanding checks. The total amount was collateralized or insured with securities held by the pledging financial institutions.

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, and places the City ahead of general creditors of the institution.

The market value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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***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 is in compliance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools* which requires the City's investments be recorded at fair value instead of cost. Under GASB 31, the carrying value of investments are adjusted to reflect their fair value at each fiscal year-end, with the effects of these adjustments included in the carrying value of the investments.

***C. External Investment Pool***

The City's investments with LAIF at June 30, 2009, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2009, the City had \$16,902,173 invested in LAIF which had invested 14.71 percent of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.001304743 was used to calculate the fair value of the investments in LAIF.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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***D. Risk Disclosures***

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the term of an investment's maturity, the greater the sensitivity to changes in market interest rates. Although the City's investment policy allows for a broad range of investment instruments with varying terms of maturity, investments are limited to the Local Agency Investment Fund (LAIF) which is managed by the State Treasurer Office and overseen by the Pooled Money Investment Board, the State Treasurer investment committee, and a Local Agency Advisory Board.

Included in LAIF's investment portfolio are U.S. Treasuries, Federal Agency obligations, time deposits, negotiable certificates of deposits, commercial paper, corporate bonds, and security loans. Funds are available for withdrawal on demand, and are recorded on an amortized cost basis. At June 30, 2009, these investments had a weighted average maturity of 235 days. The City had the following invested in LAIF:

	Fair Value	Investment Maturities in Years Less Than One Year
State of California - Local Agency Investment Fund (LAIF)	\$ 16,924,226	\$ 16,924,226

Credit Risk

As of June 30, 2009, the City's investments in external investment pools are unrated.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City did not hold any securities held by an investment counterparty at the year ended June 30, 2009.

**NOTE 3 - LOANS RECEIVABLE**

The City had the following loans receivable as of June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due More Than One Year
Housing Rehabilitation Loan Program	\$ 98,336	\$ -	\$ (13,333)	\$ 85,003	\$ 13,333	\$ 71,670

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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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.

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.

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

*Transfers In/Out*

Transfers for the year ended June 30, 2009 were as follows:

<u>Transfer in</u>	<u>Transfer out</u>	<u>Amount</u>
General Fund	Community Development Block Grant	\$ 47,732
	Capital Improvement Fund	106,000
		<u>153,732</u>
Lighting & Landscaping Assessment District	General Fund	<u>18,560</u>
Capital Improvement Fund	General Fund	1,553,167
	Community Development Block Grant	7,970
	Library Expansion	310,000
		<u>1,871,137</u>
Total		<u>\$ 2,043,429</u>

Of the transfers, \$1.4 million was transferred from the General Fund to fund the projects of the Capital Improvement Plan, \$310,000 from the Capital Projects Fund for the replacement of Saratoga Library HVAC system, \$106,000 to the General Fund to administer the gas tax program, \$100,000 from the General Fund to the Facility Project Fund, and the balance of \$127,429 were various minor transfers resulted from the normal course of the City's operations.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009, consisted of the following:

	Primary Government				Balance June 30, 2009
	Balance July 1, 2008	Additions	Retirements	Reclassifications	
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land and land improvements	\$ 9,887,095	\$ -	\$ -	\$ 698,011	\$ 10,585,106
Construction in progress	7,744,871	2,454,921	(2,012,597)	(1,591,849)	6,595,346
Infrastructure:					
Street pavement system	48,326,039	-	-	244,419	48,570,458
Total capital assets, not being depreciated	<u>65,958,005</u>	<u>2,454,921</u>	<u>(2,012,597)</u>	<u>(649,419)</u>	<u>65,750,910</u>
Capital assets, being depreciated:					
Buildings and structures	23,066,577	-	-	90,181	23,156,758
Machinery and equipment					
Governmental funds	1,400,238	-	(86,837)	11,025	1,324,426
Internal service funds	559,877	141,837	-	-	701,714
Infrastructure:					
Bridges	1,563,654	-	-	-	1,563,654
Signs and lights	1,331,389	-	-	489,196	1,820,585
Drainage system	39,870,593	-	-	42,228	39,912,821
Sidewalks	11,664,922	-	-	16,789	11,681,711
Total capital assets, being depreciated	<u>79,457,250</u>	<u>141,837</u>	<u>(86,837)</u>	<u>649,419</u>	<u>80,161,669</u>
Accumulated depreciation:					
Buildings and structures	(4,327,499)	(567,480)	-	-	(4,894,979)
Machinery and equipment					
Governmental funds	(1,335,108)	(26,272)	86,829	-	(1,274,551)
Internal service funds	(154,787)	(126,156)	-	-	(280,943)
Infrastructure:					
Bridges	(916,412)	(28,756)	-	-	(945,168)
Signs and lights	(667,205)	(56,335)	-	-	(723,540)
Drainage system	(10,733,213)	(797,834)	-	-	(11,531,047)
Sidewalks	(3,867,880)	(291,955)	-	-	(4,159,835)
Total accumulated depreciation	<u>(22,002,104)</u>	<u>(1,894,788)</u>	<u>86,829</u>	<u>-</u>	<u>(23,810,063)</u>
Total capital assets, being depreciated, net	<u>57,455,146</u>	<u>(1,752,951)</u>	<u>(8)</u>	<u>649,419</u>	<u>56,351,606</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 123,413,151</u>	<u>\$ 701,970</u>	<u>\$ (2,012,605)</u>	<u>\$ -</u>	<u>\$ 122,102,516</u>

Depreciation expense, including the amount related to the internal service funds, was charged in the following functions in the Statement of Activities:

General Government	\$ 1,177,463
Public Works	574,472
Community Services	15,603
Community Development	1,094
Internal Service Funds	126,156
Total Depreciation Expense	<u>\$ 1,894,788</u>

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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

**NOTE 6 – LONG-TERM OBLIGATIONS**

A summary of the City's long-term obligations transactions for the year ended June 30, 2009, is presented below:

Description	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Classification	
					Due Within One Year	Due In More Than One Year
General Obligation Bonds:						
2001 Library Bonds	\$ 13,595,000	\$ -	\$ (310,000)	\$ 13,285,000	\$ 330,000	\$ 12,955,000
Compensated absences	488,599	441,457	(345,641)	584,415	357,552	226,863
Total	<u>\$ 14,083,599</u>	<u>\$ 441,457</u>	<u>\$ (655,641)</u>	<u>\$ 13,869,415</u>	<u>\$ 687,552</u>	<u>\$ 13,181,863</u>

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

On May 1, 2001, the City issued General Obligation Bonds Series 2001 in the amount of \$15,000,000. The proceeds of the bonds were used to improve, renovate, and expand the Saratoga Community Library. The bonds are payable from and secured by certain property taxes within the City. Interest on the bonds ranges from 5 percent to 6 percent and is payable on February 1 and August 1 of each year, commencing February 1, 2002. Principal is due annually beginning on August 1, 2002, in amounts ranging from \$60,000 to \$940,000. The bonds mature on August 1, 2031, and are subject to redemption prior to maturity at redemption prices ranging from 100 percent to 101 percent of par. The bonds may be called for redemption beginning on or after August 1, 2011, at the option of the City. At June 30, 2009, the outstanding balance of the bonds was \$13,285,000.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 330,000	\$ 683,556	\$ 1,013,556
2011	350,000	663,156	1,013,156
2012	370,000	641,556	1,011,556
2013	395,000	620,581	1,015,581
2012	415,000	600,331	1,015,331
2015-2019	2,275,000	2,670,656	4,945,656
2020-2024	2,825,000	2,036,553	4,861,553
2025-2029	3,645,000	1,201,594	4,846,594
2030-2033	2,680,000	215,775	2,895,775
Total	<u>\$ 13,285,000</u>	<u>\$ 9,333,760</u>	<u>\$ 22,618,760</u>

**Compensated Absences**

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) has been accrued and amounts to \$584,415 at June 30, 2009. The compensated absences liability will generally be liquidated through the General Fund.

**NOTE 7 - RISK MANAGEMENT**

The City participates in the following public entity risk pools:

ABAG Plan Corporation (ABAG PLAN) covers general liability claims in an amount up to \$5,000,000, and provides an additional \$10 million of coverage through an excess insurance policy. 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, 2009, the City contributed \$161,550 for current year coverage and received no refund of prior year excess contributions.

The ABAG Workers' Compensation Pool Insurance Authority (ABAG POOL) covers workers' compensation coverage up to \$150,000 and excess coverage provides an employer liability limit of \$5,000,000 per occurrence, and workers' compensation per occurrence limit to \$100,000,000. The City has no deductible for these claims. During the fiscal year ended June 30, 2009, the City contributed \$175,745 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.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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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 \$83,216 reported at June 30, 2009, 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 payable amounts were as follows:

	Year Ended June 30, 2009	Year Ended June 30, 2008
Claims payable, beginning of year	\$ 59,908	\$ 38,695
Fiscal year claims and changes in estimates	54,366	21,213
Claims payments	(31,058)	-
Claims payable, end of year	<u>\$ 83,216</u>	<u>\$ 59,908</u>

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

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

The following represents summary audited financial information of ABAG Plan Corporation and the ABAG Workers' Compensation Pool Insurance Authority for the fiscal year ended June 30, 2008 (most recent available):

	Plan Corporation	Comp Shared Risk Pool
Total Assets	\$ 44,979,622	\$ 3,120,977
Total Liabilities	17,617,173	455,765
Net Assets	<u>\$ 27,362,449</u>	<u>\$ 2,665,212</u>
Total Revenues	\$ 12,259,320	\$ 726,118
Total Expenses	14,980,964	221,211
Net Increase in Net Assets	<u>\$ (2,721,644)</u>	<u>\$ 504,907</u>

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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**NOTE 8 - RETIREMENT PLANS**

**Pension Plan**

*Plan Description* - The City contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan. CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS act as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95811.

*Funding Policy* - Active plan members are required by State statute to contribute for miscellaneous employees 7 percent (7%) of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$333,401 for the year ended June 30, 2009. The City employer is required to contribute for fiscal year 2008-2009 at an actuarially determined rate of 11.757 percent of annual covered payroll for miscellaneous employees.

*Annual Pension Cost* - For fiscal year 2008-2009, the City's annual pension cost was \$559,971. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent (7.75%) investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.25 percent to 14.45 percent for miscellaneous employees depending on age, service, and type of employment, and (c) 3.25 percent per year payroll growth adjustments. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. CalPERS unfunded actuarial accrued liability (or surplus) is amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2005, was 20 years for miscellaneous employees for prior and current service unfunded liability.

**THREE-YEAR ANNUAL PENSION COSTS TREND INFORMATION FOR CALPERS**

Fiscal Year	Annual Pension Cost (APC)	APC Contributed	Net Pension Obligation
2007	\$ 465,232	100%	\$ -
2008	538,526	100%	-
2009	559,971	100%	-

**Required Supplementary Information**

In 2004, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations are performed with other participants within the same risk pool. Standalone information of the Schedule of the Funding Progress for the City is no longer available; therefore, the following information is the CalPERS Risk Pool Information for all entities within the pool:

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAAL) (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/2006	\$2,754,396,608	\$2,492,226,176	\$ 262,170,432	90.5%	\$699,897,835	37.5%
6/30/2007	2,611,746,790	2,391,434,447	220,312,343	91.6%	655,522,859	33.6%
6/30/2008	2,780,280,768	2,547,323,278	232,957,490	91.6%	688,606,681	33.8%

**NOTE 9 - NET ASSETS / FUND BALANCES**

***A. Restatement of Beginning Fund Balance***

In prior years the Internal Service Funds' net assets were combined with the General Fund for reporting purposes in the annual report. With the expansion of additional internal service funds and to better administer the funds, the city decided to separate and display the funds individually in the annual report.

As of July 1, 2008, the beginning fund balance of the General Fund was divided as follows:

	Fund Balance as Reported June 30, 2008	Fund Balance/ Net Assets Reclassification	Fund Balance/ Net Assets as Restated July 1, 2008
General Fund	\$ 10,396,616	\$ (860,776)	\$ 9,535,840
Internal Service Funds:			
Liability/Risk Management	-	128,690	128,690
Workers Compensation	-	47,736	47,736
Office Stores	-	32,616	32,616
Information Technology Services	-	122,541	122,541
Vehicle & Equipment Maintenance	-	13,412	13,412
Building Maintenance	-	101,361	101,361
Vehicle & Equipment Replacement	-	98,110	98,110
Information Technology Equipment Replacement	-	316,310	316,310
Total	\$ 10,396,616	\$ -	\$ 10,396,616

In the prior year, the Internal Service Funds' net assets included in the General Fund did not include capital assets in its fund balance. In the current year, the capital assets of the Vehicle & Equipment Replacement and Information & Technology Equipment Replacement Funds are included in their nets assets. For the Vehicle & Equipment Replacement Fund, \$341,925 of capital assets and for the Information Technology Equipment Replacement Fund, \$63,168 of capital assets have been included in the Internal Service Funds Combining Statement of Revenues, Expenses, and Change in Fund Net Assets.

**CITY OF SARATOGA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2009**

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

As of June 30, 2009, the investment in capital assets, net of related debt consisted of the following:

Capital Assets, Net	\$ 122,102,516
2001 General Obligation Library Bonds	<u>(13,285,000)</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 108,817,516</u>

***C. Restricted Net Assets***

As of June 30, 2009, the restricted net assets consisted of the following:

	Restricted For			Total
	Capital Projects	Debt Service	Special Projects	
Restricted Net Assets	<u>\$ 3,865,374</u>	<u>\$ 931,361</u>	<u>\$ 484,088</u>	<u>\$ 5,280,823</u>

**NOTE 10 - JOINT POWERS AGREEMENTS**

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

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

The City is also a member of other Joint Powers Authorities (JPA) but has had no material transactions with them. These 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.

**NOTE 11 - EXCESS EXPENDITURES OVER APPROPRIATIONS**

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

***A. Lawsuits***

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

***B. Federal and State Grant Programs***

The City participates in Federal and State grant programs. These programs are audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. For Federal programs, the City did not reach the level of qualifying cost during the current fiscal year so no single audit is required; however, these programs are subject to further examination by the grantors. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2009**

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***C. Commitments***

The City had several outstanding contracts or planned construction projects as of June 30, 2009. These projects are evidenced by contractual commitments with contractors and include:

<u>Vendor</u>	<u>Original commitment</u>	<u>Commitment Remaining</u>
G Bortolotto & Company	\$ 33,534	\$ 4,033
B&B Landscapers	1,030,279	102,114
Biggs Cardosa Association	6,000	600
Callander Associates	22,118	1,672
CF Archibald Paving	494,936	205,189
Civica Software	46,790	28,074
Cotton Shires & Associates	38,000	4,014
CRW Industries	838,080	1,954
David Gates & Associates	99,612	14,092
Delta MicroImaging, Inc	120,594	107,752
Fehr & Peers	18,000	193
Field Paoli Architects	6,500	6,500
G Bortolotto & Company	55,355	1,580
Guerra Construction	237,465	70,653
List Engineering	39,000	7,301
Mark Thomas & Company	12,000	1,370
Pantechnicon, Inc	24,878	22,416
Roming Engineers	4,250	4,250
Schaaf & Wheeler	8,019	4,038
Weber Tractor Service	51,424	9,431
	<u>\$ 3,186,834</u>	<u>\$ 597,224</u>

As of June 30, 2009, in the opinion of City management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.



## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF SARATOGA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009**

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**NOTE 1 - BUDGETARY INFORMATION**

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

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

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

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

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

**CITY OF SARATOGA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009**

The following is the budget comparison schedules for General Fund.

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
General Fund  
For The Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 8,122,000	\$ 8,122,000	\$ 8,147,478	\$ 25,478
Special assessments	-	-	7,884	7,884
Sales taxes	986,000	986,000	1,043,034	57,034
Other local taxes	665,000	665,000	663,053	(1,947)
Licenses & permits	1,771,715	1,771,715	1,119,888	(651,827)
Fines & forfeitures	275,000	275,000	353,801	78,801
Intergovernmental - state	433,200	433,200	264,755	(168,445)
Intergovernmental - other	47,500	47,500	38,457	(9,043)
Franchise fees	1,611,000	1,611,000	1,656,716	45,716
Use of money & property	778,755	778,755	729,207	(49,548)
Other revenue	2,240,694	2,240,694	1,849,928	(390,766)
<b>Total revenues</b>	<u>16,930,864</u>	<u>16,930,864</u>	<u>15,874,201</u>	<u>(1,056,663)</u>
<b>EXPENDITURES:</b>				
Current:				
General and intergovernmental services	3,853,489	3,853,489	3,330,074	523,415
Public safety	4,168,826	4,168,826	4,205,672	(36,846)
Public works	4,530,443	4,547,178	4,352,644	194,534
Community services	1,544,926	1,544,926	1,424,421	120,505
Community development services	2,711,580	2,711,580	2,450,549	261,031
<b>Total expenditures</b>	<u>16,809,264</u>	<u>16,825,999</u>	<u>15,763,360</u>	<u>1,062,639</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>121,600</u>	<u>104,865</u>	<u>110,841</u>	<u>(5,976)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	153,732	153,732	153,732	-
Transfers out	(253,500)	(1,543,500)	(1,571,727)	(28,227)
<b>Total other financing sources (uses)</b>	<u>(99,768)</u>	<u>(1,389,768)</u>	<u>(1,417,995)</u>	<u>(28,227)</u>
<b>Net change in fund balances</b>	<u>\$ 21,832</u>	<u>\$ (1,284,903)</u>	<u>(1,307,154)</u>	<u>\$ (22,251)</u>
<b>FUND BALANCES:</b>				
Beginning of year (as restated)			9,535,840 <sup>1</sup>	
End of year			<u>\$ 8,228,686</u>	

<sup>1</sup>General Fund beginning fund balance has been restated to remove the Internal Service Fund net assets.

**CITY OF SARATOGA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009**

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**NOTE 2 - MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

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

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

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

The City commissioned a physical assessment of the streets conditions as of June 30, 2007. The study assists the City by providing current inspection data used to evaluate current pavement condition. This helps to maintain a City-defined desirable level of pavement performance while optimizing the expenditure of limited fiscal resources. The entire pavement network within the City is composed of approximately 140 centerline miles of paved surfaces. The City's road system can be grouped by function class and includes 23.4 centerline miles of arterial, 23.3 centerline miles of collector, and 93.3 miles as residential.

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

**CITY OF SARATOGA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009**

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The following conditions were defined:

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

The City's policy is to achieve an average rating of 70 for all streets, which is a very good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2009, 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>Percent of Streets</u>
Excellent to Good	86%
Poor	13%
Very Poor	1%

The City expended \$1,574,485 on street maintenance for the year ended June 30, 2009. These routine maintenance expenditures delayed deterioration. The budget required to maintain and improve the current level of overall condition through the year 2011 is a minimum of \$6,000,000. (Approximately \$2,000,000 projected budget each year for the years ending June 30, 2009, 2010 and 2011.)

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

<u>Fiscal Year</u>	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Funded By</u>		<u>Total Funded</u>	<u>PCI Index</u>
			<u>Other Sources</u>	<u>Gas Tax Fund</u>		
2000-01	\$ 2,520,255	\$ 801,160	\$ 205,309	\$ 595,851	\$ 801,160	-
2001-02	3,529,420	2,214,717	1,631,855	582,862	2,214,717	-
2002-03	2,207,922	1,553,674	974,514	579,160	1,553,674	-
2003-04	1,961,844	1,489,667	907,327	582,340	1,489,667	70
2004-05	1,800,000	2,609,648	1,478,216	1,131,432	2,609,648	70
2005-06	1,156,547	1,030,382	353,652	676,730	1,030,382	70
2006-07	2,026,404	1,156,889	19,899	970,818	990,717	70
2007-08	2,246,152	1,691,466	1,252,709	438,757	1,691,466	70
2008-09	2,680,504	1,574,485	1,148,650	425,835	1,574,485	70

**CITY OF SARATOGA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009**

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As of June 2009, approximately 40 percent of the City's streets were rated below the average standard of 70. The City will continue to rehabilitate these segments of the streets. Total deficiencies (deferred maintenance) identified in the Pavement Management System Report at the end of a five-year period (2007-2011) amounted to approximately \$11,600,000 for all streets and are expected to be rehabilitated with a minimum annual budget of \$1,000,000.

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## **SUPPLEMENTARY INFORMATION**



## NONMAJOR GOVERNMENTAL FUNDS

### **Special Revenue Funds**

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

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

### **Debt Service Fund**

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

### **Capital Projects Funds**

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

**CITY OF SARATOGA  
 COMBINING BALANCE SHEETS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009**

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	Special Revenue		Debt Service
	Lighting and Landscaping Assessment District	Community Development Block Grant	Library Bond
<b>ASSETS</b>			
Cash and investments	\$ 373,762	\$ 109,251	\$ 926,294
Receivables:			
Accounts	806	14,458	2,812
Interest	1,212	463	2,255
Loans	-	85,003	-
<b>Total assets</b>	<b>\$ 375,780</b>	<b>\$ 209,175</b>	<b>\$ 931,361</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 15,864	\$ -	\$ -
Deferred revenue	-	85,003	-
<b>Total liabilities</b>	<b>15,864</b>	<b>85,003</b>	<b>-</b>
<b>Fund Balances:</b>			
Reserved for:			
Debt service	-	-	931,361
Unreserved, undesignated, reported in:			
Special revenue funds	359,916	124,172	-
Capital projects funds	-	-	-
<b>Total fund balances</b>	<b>359,916</b>	<b>124,172</b>	<b>931,361</b>
<b>Total liabilities and fund balances</b>	<b>\$ 375,780</b>	<b>\$ 209,175</b>	<b>\$ 931,361</b>

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<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
<u>Library Expansion</u>	
\$ 376,802	\$ 1,786,109
-	18,076
1,532	5,462
-	85,003
<u>\$ 378,334</u>	<u>\$ 1,894,650</u>
\$ 23,940	\$ 39,804
-	85,003
<u>23,940</u>	<u>124,807</u>
-	931,361
-	484,088
<u>354,394</u>	<u>354,394</u>
<u>354,394</u>	<u>1,769,843</u>
<u>\$ 378,334</u>	<u>\$ 1,894,650</u>

**CITY OF SARATOGA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	Special Revenue	
	Lighting and Landscaping Assessment District	Community Development Block Grant
<b>REVENUES:</b>		
Property taxes	\$ 188,078	\$ -
Special assessment	283,003	-
Intergovernmental - Other	-	55,702
Use of money and property	7,453	2,517
Other revenue	-	13,334
<b>Total revenues</b>	<u>478,534</u>	<u>71,553</u>
<b>EXPENDITURES:</b>		
Current:		
Public works	347,000	-
Capital outlay	-	-
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
<b>Total expenditures</b>	<u>347,000</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>131,534</u>	<u>71,553</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	18,560	-
Transfers out	-	(55,702)
<b>Total other financing sources (uses)</b>	<u>18,560</u>	<u>(55,702)</u>
<b>Net change in fund balances</b>	150,094	15,851
<b>FUND BALANCES:</b>		
Beginning of year	209,822	108,321
End of year	<u>\$ 359,916</u>	<u>\$ 124,172</u>

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<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
Library Bond	Library Expansion	
\$ -	\$ -	\$ 188,078
1,077,093	-	1,360,096
-	-	55,702
15,198	9,358	34,526
1	-	13,335
<u>1,092,292</u>	<u>9,358</u>	<u>1,651,737</u>
-	-	347,000
-	38,893	38,893
310,000	-	310,000
704,550	-	704,550
<u>1,014,550</u>	<u>38,893</u>	<u>1,400,443</u>
<u>77,742</u>	<u>(29,535)</u>	<u>251,294</u>
-	-	18,560
<u>-</u>	<u>(310,000)</u>	<u>(365,702)</u>
<u>-</u>	<u>(310,000)</u>	<u>(347,142)</u>
77,742	(339,535)	(95,848)
853,619	693,929	1,865,691
<u>\$ 931,361</u>	<u>\$ 354,394</u>	<u>\$ 1,769,843</u>

**CITY OF SARATOGA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT  
FOR THE YEAR ENDED JUNE 30, 2009**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses & permits	\$ -	\$ -	\$ 340,246	\$ 340,246
Fines & forfeitures	-	-	6,092	6,092
Intergovernmental - state	1,354,629	1,771,791	1,017,766	(754,025)
Intergovernmental - other	-	6,014,192	195,936	(5,818,256)
Use of money and property	-	-	30,071	30,071
Other revenue	539,000	1,521,358	102,809	(1,418,549)
<b>Total revenues</b>	<u>1,893,629</u>	<u>9,307,341</u>	<u>1,692,920</u>	<u>(7,614,421)</u>
<b>EXPENDITURES:</b>				
Current:				
Capital outlay	2,120,600	15,250,282	4,021,626	11,228,656
<b>Total expenditures</b>	<u>2,120,600</u>	<u>15,250,282</u>	<u>4,021,626</u>	<u>11,228,656</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(226,971)</u>	<u>(5,942,941)</u>	<u>(2,328,706)</u>	<u>3,614,235</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	332,971	1,990,280	1,871,137	(119,143)
Transfers out	(106,000)	(106,000)	(106,000)	-
<b>Total other financing sources (uses)</b>	<u>226,971</u>	<u>1,884,280</u>	<u>1,765,137</u>	<u>(119,143)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ (4,058,661)</u>	<u>(563,569)</u>	<u>\$ 3,495,092</u>
<b>FUND BALANCES:</b>				
Beginning of year			4,074,549	
End of year			<u>\$ 3,510,980</u>	

**CITY OF SARATOGA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
LIGHTING & LANDSCAPING ASSESSMENT DISTRICT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 447,150	\$ 160,596	\$ 188,078	\$ 27,482
Special assessments	-	286,554	283,003	(3,551)
Use of money and property	-	-	7,453	7,453
<b>Total revenues</b>	<u>447,150</u>	<u>447,150</u>	<u>478,534</u>	<u>31,384</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	<u>442,895</u>	<u>442,895</u>	<u>347,000</u>	<u>95,895</u>
<b>Total expenditures</b>	<u>442,895</u>	<u>442,895</u>	<u>347,000</u>	<u>95,895</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,255</u>	<u>4,255</u>	<u>131,534</u>	<u>127,279</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	46,740	46,740
Transfers out	-	-	(28,180)	(28,180)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>18,560</u>	<u>18,560</u>
<b>Net change in fund balances</b>	<u>\$ 4,255</u>	<u>\$ 4,255</u>	<u>150,094</u>	<u>\$ 145,839</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>209,822</u>	
End of year			<u>\$ 359,916</u>	

**CITY OF SARATOGA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED JUNE 30, 2009**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental - Other	\$ 140,203	\$ 140,203	\$ 55,702	\$ (84,501)
Use of money and property	-	-	2,517	2,517
Other revenue	-	-	13,334	13,334
<b>Total revenues</b>	<u>140,203</u>	<u>140,203</u>	<u>71,553</u>	<u>(68,650)</u>
<b>EXPENDITURES:</b>				
Current:				
Community development services	<u>406,520</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>
<b>Total expenditures</b>	<u>406,520</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(266,317)</u>	<u>127,203</u>	<u>71,553</u>	<u>(55,650)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	13,000	13,000	7,970	(5,030)
Transfers out	<u>(140,203)</u>	<u>(197,512)</u>	<u>(63,672)</u>	<u>133,840</u>
<b>Total other financing sources (uses)</b>	<u>(127,203)</u>	<u>(184,512)</u>	<u>(55,702)</u>	<u>128,810</u>
<b>Net change in fund balances</b>	<u>\$ (393,520)</u>	<u>\$ (57,309)</u>	<u>15,851</u>	<u>\$ 73,160</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>108,321</u>	
End of year			<u>\$ 124,172</u>	

**CITY OF SARATOGA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 LIBRARY BOND DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2009**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Special assessments	\$ 1,010,000	\$ 1,010,000	\$ 1,077,093	\$ 67,093
Use of money and property	-	5,000	15,199	10,199
<b>Total revenues</b>	<u>1,010,000</u>	<u>1,015,000</u>	<u>1,092,292</u>	<u>77,292</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	310,000	310,000	310,000	-
Interest and fiscal charges	707,956	707,956	704,550	3,406
<b>Total expenditures</b>	<u>1,017,956</u>	<u>1,017,956</u>	<u>1,014,550</u>	<u>3,406</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(7,956)</u>	<u>(2,956)</u>	<u>77,742</u>	<u>80,698</u>
<b>Net change in fund balances</b>	<u>\$ (7,956)</u>	<u>\$ (2,956)</u>	<u>77,742</u>	<u>\$ 80,698</u>
<b>FUND BALANCES:</b>				
Beginning of year			853,619	
End of year			<u>\$ 931,361</u>	

**CITY OF SARATOGA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 LIBRARY EXPANSION CAPITAL PROJECTS FUND  
 FOR THE YEAR ENDED JUNE 30, 2009**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 19,500	\$ 19,500	\$ 9,358	\$ (10,142)
<b>Total revenues</b>	<u>19,500</u>	<u>19,500</u>	<u>9,358</u>	<u>(10,142)</u>
<b>EXPENDITURES:</b>				
Current:				
Capital outlay	<u>70,000</u>	<u>70,000</u>	<u>38,893</u>	<u>31,107</u>
<b>Total expenditures</b>	<u>70,000</u>	<u>70,000</u>	<u>38,893</u>	<u>31,107</u>
<b>REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES</b>	<u>(50,500)</u>	<u>(50,500)</u>	<u>(29,535)</u>	<u>20,965</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>-</u>	<u>(310,000)</u>	<u>(310,000)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(310,000)</u>	<u>(310,000)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ (50,500)</u>	<u>\$ (360,500)</u>	<u>(339,535)</u>	<u>\$ 20,965</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>693,929</u>	
End of year			<u>\$ 354,394</u>	

## FIDUCIARY FUND FINANCIAL STATEMENTS

### Agency Funds

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

**CITY OF SARATOGA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

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<u>Cable T.V. Trust</u>	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<b>ASSETS</b>				
Cash and investments	\$ 38,365	\$ 31,404	\$ -	\$ 69,769
Receivables:				
Accounts	-	14,573	-	14,573
Interest	296	261	(296)	261
<b>Total assets</b>	<u>\$ 38,661</u>	<u>\$ 46,238</u>	<u>\$ (296)</u>	<u>\$ 84,603</u>
<b>LIABILITIES</b>				
Deposits payable	<u>\$ 38,661</u>	<u>\$ 46,238</u>	<u>\$ (296)</u>	<u>\$ 84,603</u>

## INTERNAL SERVICE FUNDS

***Liability/Risk Management Insurance Fund*** – Accounts for insurance premiums, self-insurance portion of claims, and administrative cost associated with settling claims. Charges made to operating departments are based on liability risk and claim occurrence history.

***Worker's Compensation Self-insurance Fund*** – Accounts for insurance premiums, self insured portion of claims, and administrative costs associated with settling claims. Charges are made to operating departments are based on liability risk and claim occurrence history.

***Office Stores Fund*** - Photocopy equipment, postage and bulk mail meter expenses are controlled at one source point and expended to the departments as goods or services are utilized.

***Information Technology Services Fund*** – Supports the delivery of technology based services and infrastructure, including desktop support, network systems, technology upgrades and initiatives, community systems, and associated information technology equipment.

***Vehicle & Equipment Maintenance Fund*** – Accounts for the cost of operating and maintaining automotive equipment used for service operations in various City departments.

***Building Maintenance Fund*** – Accounts for operating costs associated with building maintenance. Includes custodial supplies and services, maintenance, and repair, utilities, and staffing costs.

***Vehicle & Equipment Replacement Fund*** – Established to accumulate funding for the replacement of vehicles and equipment. Replacement costs are charged to departments over the asset's life span reflective of usage.

***Information Technology Equipment Replacement Fund*** – Established to accumulate funding for the replacement of information technology equipment. Replacement costs are charged to departments over the asset's lifespan reflective of usage.

**CITY OF SARATOGA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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	Liability / Risk Management	Workers' Compensation	Office Stores
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 304,180	\$ 120,654	\$ 42,593
Accounts receivable	4,343	3,065	-
Total current assets	<u>308,523</u>	<u>123,719</u>	<u>42,593</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	-	-
Less: accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>308,523</u>	<u>123,719</u>	<u>42,593</u>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Current assets:			
Accounts payable	22,435	303	2,960
Accrued payroll	-	381	-
Claims payable	83,216	-	-
Total current liabilities	<u>105,651</u>	<u>684</u>	<u>2,960</u>
<b>NET ASSETS</b>			
Investment in capital assets	-	-	-
Unrestricted	202,872	123,035	39,633
Total net assets	<u>\$ 202,872</u>	<u>\$ 123,035</u>	<u>\$ 39,633</u>

<u>Information Technology Services</u>	<u>Vehicle and Equipment Maintenance</u>	<u>Building Maintenance</u>	<u>Vehicle and Equipment Replacement</u>	<u>Information Technology Equipment Replacement</u>	<u>Total</u>
\$ 185,879	\$ 62,524	\$ 270,842	\$ 150,685	\$ 316,483	\$ 1,453,840
-	-	-	2,530	-	9,938
<u>185,879</u>	<u>62,524</u>	<u>270,842</u>	<u>153,215</u>	<u>316,483</u>	<u>1,463,778</u>
-	-	-	611,474	90,240	701,714
-	-	-	(235,823)	(45,120)	(280,943)
-	-	-	<u>375,651</u>	<u>45,120</u>	<u>420,771</u>
<u>185,879</u>	<u>62,524</u>	<u>270,842</u>	<u>528,866</u>	<u>361,603</u>	<u>1,884,549</u>
4,525	3,191	44,104	-	1,193	78,711
6,517	2,678	17,897	-	-	27,473
-	-	-	-	-	83,216
<u>11,042</u>	<u>5,869</u>	<u>62,001</u>	<u>-</u>	<u>1,193</u>	<u>189,400</u>
-	-	-	375,651	45,120	420,771
174,837	56,655	208,841	153,215	315,290	1,274,378
<u>\$ 174,837</u>	<u>\$ 56,655</u>	<u>\$ 208,841</u>	<u>\$ 528,866</u>	<u>\$ 360,410</u>	<u>\$ 1,695,149</u>

**CITY OF SARATOGA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	Liability / Risk Management	Workers' Compensation	Office Stores
<b>Operating revenues:</b>			
Charges for services	\$ 286,268	\$ 260,920	\$ 60,000
Other operating revenues	17,964	10,001	5,391
Total operating revenues	<u>304,232</u>	<u>270,921</u>	<u>65,391</u>
<b>Operating expenses:</b>			
Cost of services	-	-	-
Administration	230,050	195,622	58,374
Depreciation	-	-	-
Total operating expenses	<u>230,050</u>	<u>195,622</u>	<u>58,374</u>
Operating income	<u>74,182</u>	<u>75,299</u>	<u>7,017</u>
Change in net assets	74,182	75,299	7,017
Total net assets - beginning (as restated) <sup>1</sup>	<u>128,690</u>	<u>47,736</u>	<u>32,616</u>
Total net assets - ending	<u>\$ 202,872</u>	<u>\$ 123,035</u>	<u>\$ 39,633</u>

<sup>1</sup>The Internal Service Funds beginning net assets have been removed from the General Fund beginning fund balance. (See Note #9)

The accompanying notes are an integral part of these financial statements

---

Information Technology Services	Vehicle and Equipment Maintenance	Building Maintenance	Vehicle and Equipment Replacement	Information Technology Equipment Replacement	Total
\$ 403,946	\$ 250,000	\$ 807,083	\$ 200,001	\$ 51,304	\$ 2,319,522
30	1	604	13,569	1,979	49,539
<u>403,976</u>	<u>250,001</u>	<u>807,687</u>	<u>213,570</u>	<u>53,283</u>	<u>2,369,061</u>
-	206,758	700,207	16,628	54,303	977,896
351,680	-	-	-	-	835,726
-	-	-	108,111	18,048	126,159
<u>351,680</u>	<u>206,758</u>	<u>700,207</u>	<u>124,739</u>	<u>72,351</u>	<u>1,939,781</u>
<u>52,296</u>	<u>43,243</u>	<u>107,480</u>	<u>88,831</u>	<u>(19,068)</u>	<u>429,280</u>
52,296	43,243	107,480	88,831	(19,068)	429,280
122,541	13,412	101,361	440,035	379,478	1,265,869
<u>\$ 174,837</u>	<u>\$ 56,655</u>	<u>\$ 208,841</u>	<u>\$ 528,866</u>	<u>\$ 360,410</u>	<u>\$ 1,695,149</u>

**CITY OF SARATOGA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	Liability / Risk Management	Workers' Compensation	Office Stores
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 299,889	\$ 267,856	\$ 65,391
Payments to suppliers	(116,138)	(187,219)	(55,851)
Payments to employees	(9,969)	(8,043)	-
Net cash provided by operating activities	<u>173,782</u>	<u>72,594</u>	<u>9,540</u>
<b>Cash flows from capital activities:</b>			
Acquisition of capital assets	-	-	-
Net cash used for acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	173,782	72,594	9,540
Cash and cash equivalents, beginning of year	130,398	48,060	33,053
Cash and cash equivalents, ending of year	<u>\$ 304,180</u>	<u>\$ 120,654</u>	<u>\$ 42,593</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 74,182	\$ 75,299	\$ 7,017
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>			
Depreciation	-	-	-
<b>Change in operating assets and liabilities:</b>			
Decrease (increase) in accounts receivables	(4,343)	(3,065)	-
(Decrease) increase in accounts payable	21,898	(21)	2,523
(Decrease) in deposits payable	-	-	-
Increase in claims payable	83,216	-	-
(Decrease) increase in accrued payroll	(1,171)	381	-
Net cash provided (used) by operating activities	<u>\$ 173,782</u>	<u>\$ 72,594</u>	<u>\$ 9,540</u>

Information Technology Services	Vehicle and Equipment Maintenance	Building Maintenance	Vehicle and Equipment Replacement	Information Technology Equipment Replacement	Total
\$ 403,976	\$ 262,475	\$ 807,799	\$ 211,040	\$ 53,283	\$ 2,371,709
(167,726)	(155,095)	(303,883)	(41,828)	(53,110)	(1,080,850)
(185,410)	(61,407)	(373,277)	-	-	(638,106)
50,840	45,973	130,639	169,212	173	652,753
-	-	-	(141,837)	-	(141,837)
-	-	-	(141,837)	-	(141,837)
50,840	45,973	130,639	27,375	173	510,916
135,039	16,551	140,203	123,310	316,310	942,924
<u>\$ 185,879</u>	<u>\$ 62,524</u>	<u>\$ 270,842</u>	<u>\$ 150,685</u>	<u>\$ 316,483</u>	<u>\$ 1,453,840</u>
\$ 52,296	\$ 43,243	\$ 107,480	\$ 88,831	\$ (19,068)	\$ 429,280
-	-	-	108,111	18,048	126,159
-	12,474	112	(2,530)	-	2,648
(550)	(9,804)	24,688	(25,200)	1,193	14,727
-	-	(5,000)	-	-	(5,000)
-	-	-	-	-	83,216
(906)	60	3,359	-	-	1,723
<u>\$ 50,840</u>	<u>\$ 45,973</u>	<u>\$ 130,639</u>	<u>\$ 169,212</u>	<u>\$ 173</u>	<u>\$ 652,753</u>

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



**CITY OF SARATOGA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULE BY SOURCE  
JUNE 30, 2009 AND 2008**

---

	<u>2009</u>	<u>2008</u>
<b>Governmental Funds Capital Assets:</b>		
Land and land improvements	\$ 10,585,106	\$ 9,887,095
Buildings and structures	23,156,758	23,066,577
Machinery and equipment	1,324,426	1,400,237
Infrastructure	103,549,229	102,756,597
Construction in progress	6,595,346	7,744,871
<b>Total Governmental Funds Capital Assets</b>	<u>145,210,865</u>	<u>144,855,377</u>
Accumulated depreciation	<u>(23,529,120)</u>	<u>(21,847,317)</u>
<b>Total Governmental Funds Capital Assets, Net</b>	<u><u>\$ 121,681,745</u></u>	<u><u>\$ 123,008,060</u></u>
<b>Investments in Governmental Funds</b>		
<b>Capital Assets by Source:</b>		
General Fund	\$ 115,642,022	\$ 115,713,856
Special revenue funds	1,008,688	1,023,688
Capital projects funds	28,462,807	28,020,483
Donations	97,348	97,348
Accumulated depreciation	<u>(23,529,120)</u>	<u>(21,847,315)</u>
<b>Total Governmental Funds Capital Assets</b>	<u><u>\$ 121,681,745</u></u>	<u><u>\$ 123,008,060</u></u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF SARATOGA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY<sup>1</sup>  
JUNE 30, 2009**

---

<b>Function and Activity</b>	<u>Land and Land Improvements</u>	<u>Buildings and Structures</u>
General and intergovernmental services:		
Management services	\$ -	\$ 271,631
Administrative services	-	167,585
Intergovernmental services	118,184	3,138,641
Total General and Intergovernmental Services:	<u>118,184</u>	<u>3,577,857</u>
Public safety:		
Police services	-	-
Code enforcement	-	-
Total Public Safety:	<u>-</u>	<u>-</u>
Public works:		
Streets and sidewalks	725,174	30,628
Parks/open space	2,637,061	2,656,850
Total Public Works:	<u>3,362,235</u>	<u>2,687,478</u>
Community services	5,362,223	2,576,524
Community development services	1,742,464	14,314,899
Total Governmental Funds Capital Assets	<u>10,585,106</u>	<u>23,156,758</u>
Accumulated depreciation	-	(4,894,979)
<b>Total Governmental Funds Capital Assets, Net</b>	<u><u>\$ 10,585,106</u></u>	<u><u>\$ 18,261,779</u></u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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Machinery and Equipment	Infrastructure	Construction in Progress	Total
\$ 47,838	\$ -	\$ 155,215	\$ 474,684
84,864	-	-	252,449
47,560	-	-	3,304,385
<u>180,262</u>	<u>-</u>	<u>155,215</u>	<u>4,031,518</u>
27,813	-	-	27,813
7,548	-	-	7,548
<u>35,361</u>	<u>-</u>	<u>-</u>	<u>35,361</u>
524,793	103,549,229	2,170,277	107,000,101
312,538	-	-	5,606,449
<u>837,331</u>	<u>103,549,229</u>	<u>2,170,277</u>	<u>112,606,550</u>
227,810	-	4,246,489	12,413,046
43,662	-	23,365	16,124,390
1,324,426	103,549,229	6,595,346	145,210,865
<u>(1,274,551)</u>	<u>(17,359,590)</u>	<u>-</u>	<u>(23,529,120)</u>
<u>\$ 49,875</u>	<u>\$ 86,189,639</u>	<u>\$ 6,595,346</u>	<u>\$ 121,681,745</u>

**CITY OF SARATOGA**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**JUNE 30, 2009**

<b>Function and Activity</b>	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	July 1, 2008	Additions	Deletions	June 30, 2009
<b>General and intergovernmental services:</b>				
Management services	\$ 435,145	\$ 39,539	\$ -	\$ 474,684
Administrative services	252,449	-	-	252,449
Intergovernmental services	3,282,576	52,881	(31,072)	3,304,385
Total General and Intergovernmental Services:	3,970,170	92,420	(31,072)	4,031,518
<b>Public safety:</b>				
Police services	27,813	-	-	27,813
Code enforcement	22,548	-	(15,000)	7,548
Total Public Safety:	50,361	-	(15,000)	35,361
<b>Public works:</b>				
Streets and sidewalks	108,209,639	434,626	(1,644,164)	107,000,101
Parks/open space	5,525,292	107,532	(26,375)	5,606,449
Total Public Works:	113,734,931	542,158	(1,670,539)	112,606,550
Community services	11,013,890	1,777,478	(378,322)	12,413,046
Community development services	16,086,025	42,866	(4,501)	16,124,390
Total Governmental Funds Capital Assets	144,855,377	2,454,922	(2,099,434)	145,210,865
Accumulated depreciation	(21,847,317)	(1,768,632)	86,829	(23,529,120)
<b>Total Governmental Funds Capital Assets, Net</b>	<b>\$ 123,008,060</b>	<b>\$ 686,290</b>	<b>\$ (2,012,605)</b>	<b>\$ 121,681,745</b>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.



## **STATISTICAL SECTION**



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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.	88-92
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the governments most significant local revenue source, the property tax.	93-97
<b>Debt Capacity</b> These schedules present information to help the reader assess the afford ability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	98-101
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	102-103
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	104-106

The City of Saratoga implemented GASB Statement No. 34 in fiscal year 2001/02; schedules presenting government-wide information include information beginning in that year.

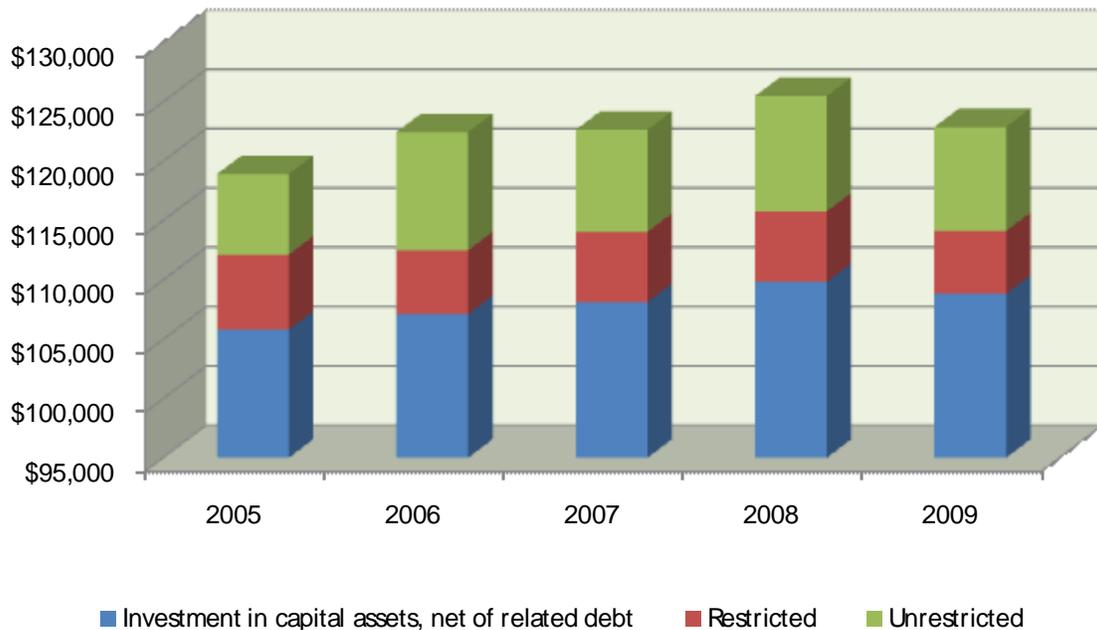
The City of Saratoga implemented GASB Statement No. 44 in fiscal year 2007/08; newly required schedules presenting information in the Statistical Section include the earliest available information.

**CITY OF SARATOGA  
NET ASSETS BY COMPONENT  
LAST FIVE YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

(amounts expressed in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Primary government					
Governmental activities					
Investment in capital assets, net of related debt	\$ 105,784	\$ 107,100	\$ 108,102	\$ 109,818	\$ 108,818
Restricted	6,328	5,370	5,928	5,940	5,281
Unrestricted	6,789	9,955	8,593	9,710	8,759
Total primary government	<u>\$ 118,901</u>	<u>\$ 122,425</u>	<u>\$ 122,623</u>	<u>\$ 125,468</u>	<u>\$ 122,858</u>

**Net Assets by Component**



Source: CAFR

**CITY OF SARATOGA  
CHANGES IN NET ASSETS  
LAST FIVE YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

(amounts expressed in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Expenses:</b>					
Governmental activities:					
General and intergovernmental services	\$ 4,160	\$ 3,473	\$ 4,532	\$ 6,293	\$ 5,595
Public safety	3,736	3,427	3,844	4,166	4,211
Public works	3,829	4,752	6,425	5,325	7,643
Community services	1,929	1,395	1,437	1,286	1,634
Community development services	2,349	2,226	1,993	2,032	2,000
Interest on long-term debt (unallocated)	760	754	768	714	697
Total governmental activities expenses	<u>16,763</u>	<u>16,027</u>	<u>18,999</u>	<u>19,816</u>	<u>21,780</u>
<b>Program revenues:</b>					
Charges for services:					
General and intergovernmental services	-	31	452	1,787	133
Public safety	141	122	-	411	520
Public works	1,988	1,890	528	1,705	2,379
Community services	757	1,008	604	911	935
Community development services	1,890	2,665	1,328	2,110	1,802
Operating grants and contributions	1,218	1,549	2,155	151	228
Capital grants and contributions	865	1,568	1,282	1,715	339
Total governmental activities program revenues	<u>6,859</u>	<u>8,833</u>	<u>6,349</u>	<u>8,790</u>	<u>6,336</u>
Net (expense) revenue and change in net assets	<u>(9,904)</u>	<u>(7,194)</u>	<u>(12,650)</u>	<u>(11,026)</u>	<u>(15,444)</u>
<b>General revenue and other changes in net assets</b>					
Taxes:					
Property taxes	4,841	5,652	5,772	8,099	8,336
Sales taxes	1,011	988	995	1,058	1,043
Local taxes	1,143	1,288	1,099	694	663
Franchise taxes	995	1,040	1,187	1,625	1,657
Motor vehicle in-lieu	420	718	177	149	116
Total Taxes	<u>8,410</u>	<u>9,686</u>	<u>9,230</u>	<u>11,625</u>	<u>11,815</u>
Intergovernmental	-	-	673	841	474
Investment earnings	283	709	2,813	1,057	397
Other revenues	193	323	132	348	148
Total general revenues	<u>8,886</u>	<u>10,718</u>	<u>12,848</u>	<u>13,871</u>	<u>12,834</u>
Change in net assets	(1,018)	3,524	198	2,845	(2,610)
Net assets - beginning of year	<u>119,919</u>	<u>118,901</u>	<u>122,425</u>	<u>122,623</u>	<u>125,468</u>
Net assets - end of year	<u>\$ 118,901</u>	<u>\$ 122,425</u>	<u>\$ 122,623</u>	<u>\$ 125,468</u>	<u>\$ 122,858</u>

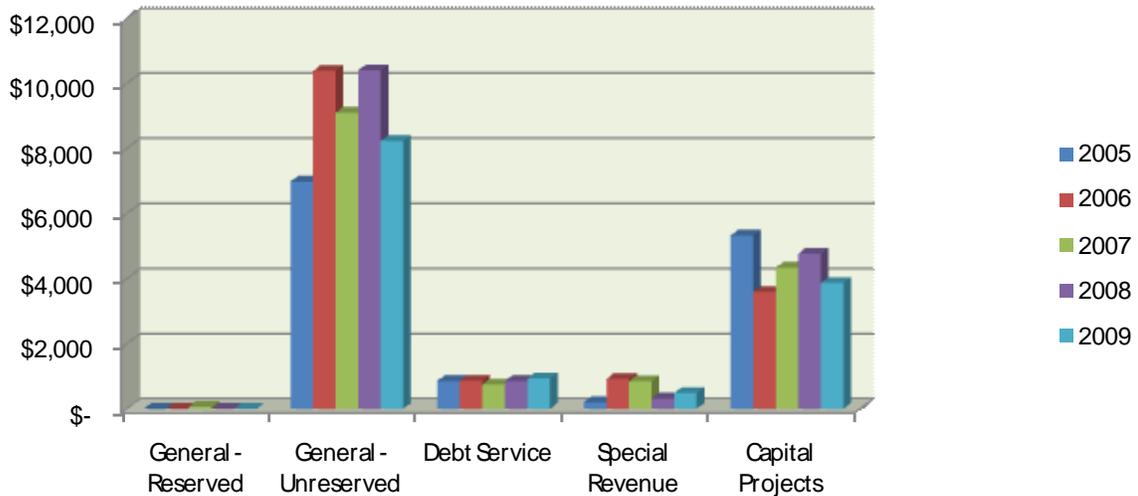
Source: CAFR

**CITY OF SARATOGA  
 FUND BALANCE OF GOVERNMENTAL FUNDS  
 LAST FIVE YEARS  
 (ACCRUAL BASIS OF ACCOUNTING)**

(amounts expressed in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
General fund:					
Reserved	\$ -	\$ 1	\$ 64	\$ 1	\$ 1
Unreserved	6,979	10,378	9,097	10,396	8,228
Total general fund	<u>\$ 6,979</u>	<u>\$ 10,379</u>	<u>\$ 9,161</u>	<u>\$ 10,397</u>	<u>\$ 8,229</u>
All other governmental funds:					
Reserved					
Debt service funds	\$ 855	\$ 865	\$ 746	\$ 854	\$ 931
Unreserved, reported in:					
Special revenue funds	201	919	844	318	484
Capital project funds	5,322	3,586	4,338	4,768	3,865
Total all other governmental funds	<u>\$ 6,378</u>	<u>\$ 5,370</u>	<u>\$ 5,928</u>	<u>\$ 5,940</u>	<u>\$ 5,280</u>

**Fund Balances of Governmental Funds**



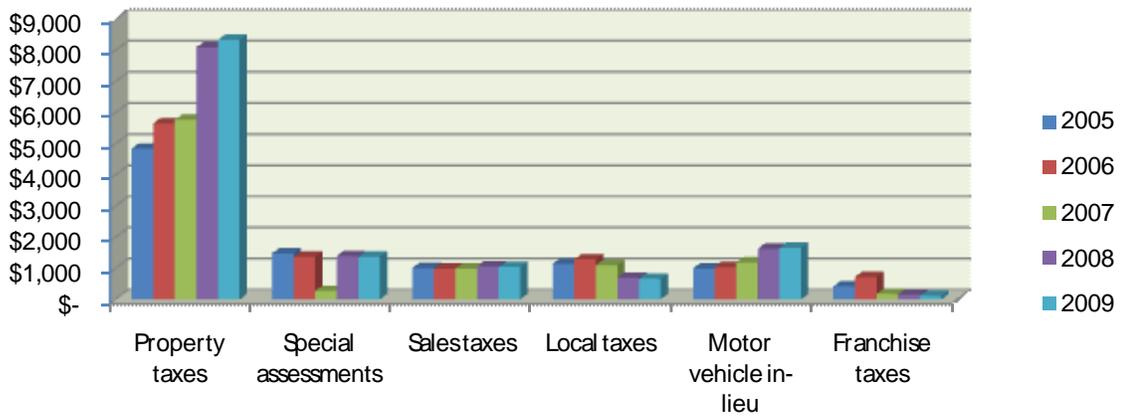
Source: CAFR

**CITY OF SARATOGA  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
LAST FIVE YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

(amounts expressed in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Tax revenues:</b>					
Property taxes	\$ 4,841	\$ 5,652	\$ 5,772	\$ 8,099	\$ 8,336
Special assessments	1,476	1,369	271	1,392	1,368
Sales taxes	1,011	988	995	1,058	1,043
Local taxes	1,143	1,288	1,099	694	663
Motor vehicle in-lieu	995	1,040	1,187	1,625	1,657
Franchise taxes	420	718	177	149	116
<b>Total tax revenues</b>	<b>\$ 9,886</b>	<b>\$ 11,055</b>	<b>\$ 9,501</b>	<b>\$ 13,017</b>	<b>\$ 13,183</b>

**Tax Revenues by Source**



Source: CAFR

**CITY OF SARATOGA  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST FIVE YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

(amounts expressed in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Revenues:</b>					
Property taxes	\$ 4,893	\$ 5,652	\$ 4,758	\$ 7,877	\$ 8,335
Special assessments	1,411	1,370	1,285	1,566	1,368
Sales taxes	1,011	987	995	1,058	1,043
Other local taxes	851	1,288	1,126	773	663
Licensed and permits	100	79	1,340	1,671	1,460
Fines and forfeitures	162	259	396	344	360
Intergovernmental - state	1,375	2,660	3,631	1,641	1,283
Intergovernmental - other	671	976	629	777	290
Franchise fees	1,294	1,041	1,187	1,622	1,657
Use of money any property	664	752	2,813	924	794
Other revenues	153	1,719	151	326	1,966
Current services charges	3,093	2,715	900	4,184	-
Total tax revenues	<u>15,768</u>	<u>19,498</u>	<u>19,211</u>	<u>22,763</u>	<u>19,219</u>
<b>Expenditures:</b>					
Current:					
General and intergovernmental services	3,238	3,346	3,806	4,083	3,330
Public safety	3,731	3,423	3,824	4,166	4,206
Public works	2,599	3,501	5,714	4,717	4,700
Community services	1,875	1,210	1,381	1,262	1,424
Community development services	1,990	1,847	1,962	2,026	2,450
Capital outlay	1,777	2,908	2,130	4,246	4,060
Debt service:					
Principal	255	270	280	295	310
Interest and fiscal charges	766	760	774	721	705
Total expenditures	<u>16,231</u>	<u>17,265</u>	<u>19,871</u>	<u>21,515</u>	<u>21,185</u>
Excess of revenues over (under) expenditures	(463)	2,233	(660)	1,247	(1,966)
<b>Other financing sources (uses):</b>					
Transfers in	2,492	499	3,422	2,241	2,043
Transfers out	(2,492)	(499)	(3,422)	(2,241)	(2,043)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (463)</u>	<u>\$ 2,233</u>	<u>\$ (660)</u>	<u>\$ 1,247</u>	<u>\$ (1,966)</u>
Debt as a percentage of noncapital expenditures	7.06%	7.17%	5.94%	5.62%	4.87%

Source: CAFR

**CITY OF SARATOGA  
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS  
LAST FIVE YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

---

(Property Tax Rates per \$100 of Assessed Value)

	Fiscal Year				
	2005	2006	2007	2008	2009
General	1.00000	1.00000	1.00000	1.00000	1.00000
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880
County Library	0.00240	0.00240	0.00240	0.00240	0.00240
City of Saratoga	0.01484	0.01170	0.00955	0.01130	0.01040
Campbell School District	0.05290	0.05120	0.05080	0.04750	0.05240
Cupertino Elementary School District	0.03600	0.03500	0.02890	0.03370	0.03060
Moreland Elementary School District	0.06120	0.05610	0.05560	0.05690	0.05650
Saratoga School District	0.03610	0.03560	0.03510	0.03630	0.03630
Campbell Union High School District	0.01970	0.02240	0.01980	0.02850	0.02990
Fremont Union High School District	0.02680	0.02600	0.02430	0.02410	0.03390
Los Gatos-Saratoga Joint Union High School District	0.04090	0.03710	0.06510	0.03450	0.03300
Foothill-DeAnza Community College District	0.01290	0.01190	0.03460	0.01130	0.01230
West Valley-Mission Community College District	-	0.01400	0.01260	0.01180	0.00320
Saratoga Fire District	0.00170	0.00520	0.00490	0.00530	0.00530
Santa Clara Valley Water District - State Water Project	0.00860	0.00690	0.00700	0.00670	0.00590
Santa Clara Valley Water District - Zone W-1	0.00060	0.00090	0.00020	0.00400	0.00020

Source: California Municipal Statistics, Inc.

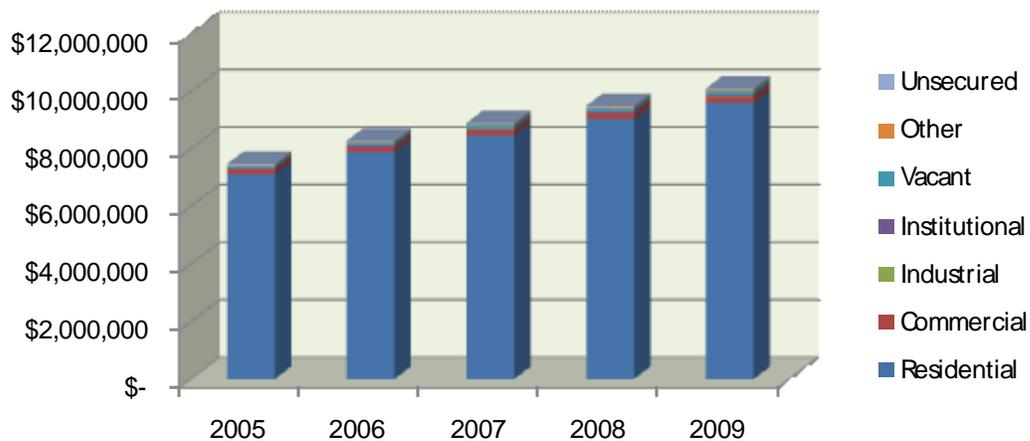
**CITY OF SARATOGA  
 ASSESSED VALUE OF TAXABLE PROPERTY  
 LAST FIVE YEARS**

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(amounts expressed in thousands)

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Institutional Property	Vacant Property	Other Property
2005	\$ 7,114,095	\$ 166,071	\$ 8,746	\$ 33,509	\$ 70,276	\$ 35,127
2006	7,883,965	177,149	8,921	38,027	90,611	32,858
2007	8,467,894	187,142	9,099	45,706	107,228	39,536
2008	9,025,628	208,369	9,281	50,590	110,656	49,023
2009	9,605,309	213,951	9,467	51,052	128,898	43,240

**Total Assessed Property**



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

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

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	Total	Less:	Total Taxable <sup>1</sup>	Total <sup>2</sup>
Unsecured	Assessed	Tax Exempt	Assessed	Direct
<u>Property</u>	<u>Property</u>	<u>Real Property</u>	<u>Value</u>	<u>Rate</u>
\$ 42,965	\$ 7,470,789	\$ (76,932)	\$ 7,393,857	1.0560
46,874	8,278,405	(133,951)	8,144,454	1.0529
39,764	8,896,369	(140,859)	8,755,510	1.0508
35,775	9,489,322	(159,369)	9,329,953	1.0525
43,933	10,095,850	(161,488)	9,934,362	1.0516

**CITY OF SARATOGA  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR AND FOUR YEARS AGO  
 JUNE 30, 2009**

(amounts expressed in thousands)

Taxpayer	2009			2005 <sup>1</sup>		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Cupertino Village Associates, LLC	\$ 34,205	1	0.34%	\$ 16,640	2	0.23%
Quito Village Group, LLC	18,012	2	0.18%			
John M. & Abby J. Sobrato	17,297	3	0.17%			
Gregpenn Properties, LLC	16,970	4	0.17%			
David L. House	15,802	5	0.16%	8,872	9	0.12%
San Jose Water Works	13,190	6	0.13%	9,904	4	0.13%
Stephen L. Luczo	10,608	7	0.11%			
David J. & Terri E. Morrison	10,395	8	0.10%	9,606	5	0.13%
Argonaut Associates, LLV	10,304	9	0.10%	11,427	3	0.15%
Ashok Krishnamurthi	10,234	10	0.10%			
David C. & Roxanne N. Petterschmidt				9,173	7	0.12%
Saratoga Office Center Partners, LLC				19,300	1	0.26%
Deloise A. Jordan				9,020	8	0.12%
Public Storage Props IX Inc				8,530	10	0.12%
Assessed Value	<u>\$9,934,362</u>			<u>\$7,393,858</u>		

<sup>1</sup> Earliest information available

Source: California Municipal Statistics, Inc.

**CITY OF SARATOGA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST FIVE YEARS**

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Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage		Amount	Percentage
2005	\$ 4,972,875	\$ 4,839,668	97.3%	\$ 133,207	\$ 4,972,875	100.0%
2006	5,243,038	5,112,766	97.5%	130,272	5,243,038	100.0%
2007	6,032,558	6,040,230	100.1%	(7,672)	6,032,558	100.0%
2008	8,108,364	8,106,743	100.0%	3,621	8,110,364	100.0%
2009	8,332,184	8,335,805	100.0%	-	8,335,805	100.0%

Source: City of Saratoga

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

**CITY OF SARATOGA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST FIVE YEARS**

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(amounts expressed in thousands, except per capita amounts)

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities					
General obligation bonds	\$ 14,440	\$ 14,170	\$ 13,890	\$ 13,595	\$ 13,285
Total primary government	<u>\$ 14,440</u>	<u>\$ 14,170</u>	<u>\$ 13,890</u>	<u>\$ 13,595</u>	<u>\$ 13,285</u>
Percentage of Personal Income <sup>1</sup>	0.00%	0.00%	0.00%	n/a	n/a
Per capita <sup>2</sup>	468	460	443	430	419

Source: CAFR

<sup>1</sup>Bureau of Economic Analysis - personal income information only available through 2007  
San Jose-Sunnyvale-Santa Clara region

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

**CITY OF SARATOGA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST FIVE YEARS**

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(amounts expressed in thousands, except per capita amounts)

	Fiscal Year				
	2005	2006	2007	2008	2009
General obligation bonds	\$ 14,440	\$ 14,170	\$ 13,890	\$ 13,595	\$ 13,285
Less: Amount available in debt service fund	(855)	(865)	(747)	(854)	(926)
Total primary government	<u>\$ 13,585</u>	<u>\$ 13,305</u>	<u>\$ 13,143</u>	<u>\$ 12,741</u>	<u>\$ 12,359</u>
Percentage of actual taxable value of property	0.18%	0.16%	0.15%	0.14%	0.12%
Per capita <sup>1</sup>	440	431	419	403	390

Source: CAFR

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

**CITY OF SARATOGA  
DIRECT AND OVERLAPPING  
GOVERNMENTAL ACTIVITIES DEBT**

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(amounts expressed in thousands)

	Debt <u>Outstanding</u>	Estimated Percentage <u>Applicable<sup>1</sup></u>	Estimated Share of Overlapping <u>Debt</u>
<b>Direct and Overlapping Tax and Assessment Debt:</b>			
Santa Clara County	\$ 350,000	3.667%	\$ 12,835
Santa Clara Valley Water District, Zone W-1	1,390	3.920%	54
Foothill-De Anza Community College District	482,349	1.767%	8,523
West Valley Community College District	215,335	11.619%	25,020
Campbell Union High School District	139,915	5.514%	7,715
Fremont Union High School District	208,080	3.781%	7,868
Los Gatos-Saratoga Joint Union High School District	62,200	41.093%	25,560
Campbell Union School District	101,400	6.861%	6,957
Cupertino Union School District	124,159	6.306%	7,829
Moreland School District	71,029	12.788%	9,083
Saratoga Union School District	51,088	86.363%	44,121
Saratoga Fire Protection District	5,249	97.631%	5,125
City of Saratoga	13,285	100.000%	13,285
Santa Clara Valley Water District Benefit Assessment	161,485	3.667%	5,922
Total Direct and Overlapping Tax and Assessment Debt			<u>179,897</u>
<b>Overlapping General Fund Debt:</b>			
Santa Clara County General Fund Obligations	862,655	3.667%	\$ 31,634
Santa Clara County Pension Obligations	389,175	3.667%	14,271
Santa Clara County Board of Education Certificates of Participation	14,530	3.667%	533
Santa Clara County Vector Control District Certificates of Participation	4,125	3.667%	151
Foothill-De Anza Community College District Certificates of Participation	25,605	1.767%	452
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	10,665	41.093%	4,383
Cupertino Union School District Certificates of Participation	1,215	6.306%	77
Saratoga Union School District Certificates of Participation	6,640	86.363%	5,735
Midpeninsula Open Space Park District General Fund Obligations	116,673	6.382%	<u>7,446</u>
Total Overlapping General Fund Debt			<u>64,682</u>
Combined Total Debt <sup>2</sup>			<u>\$ 244,579</u>

<sup>1</sup>Percentage of overlapping agency's assessed valuation located within boundaries of the city.

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

Source: California Municipal Statistics, Inc.

**CITY OF SARATOGA  
LEGAL DEBT MARGIN INFORMATION  
LAST FIVE YEARS**

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(amounts expressed in thousands)

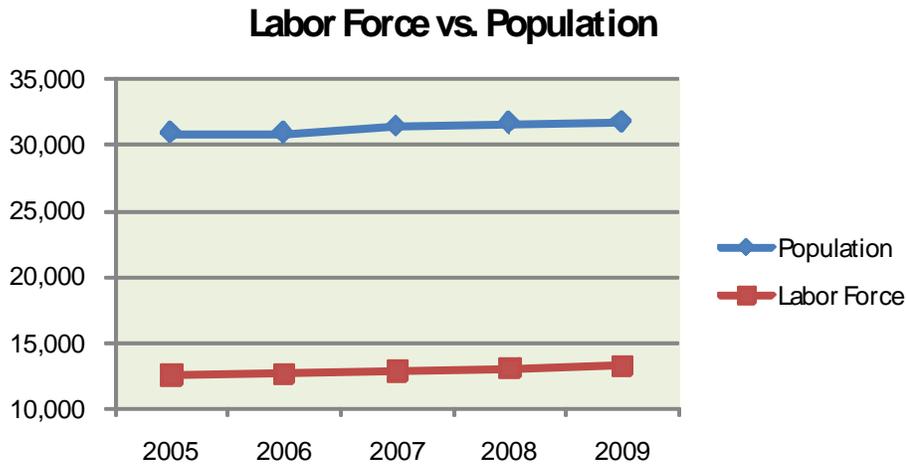
	Fiscal Year				
	2005	2006	2007	2008	2009
Debt Limit	\$ 1,120,618	\$ 1,241,761	\$ 1,334,455	\$ 1,423,398	\$ 1,514,378
Total net debt applicable to limit	13,585	13,305	13,143	12,741	12,359
Legal debt margin	\$ 1,107,033	\$ 1,228,456	\$ 1,321,312	\$ 1,410,657	\$ 1,502,019
Total net debt applicable to the limit as a percentage of debt limit	1.21%	1.07%	0.98%	0.90%	0.82%
Legal debt margin calculation					
Assessed value	\$ 7,393,857	\$ 8,144,454	\$ 8,755,510	\$ 9,329,953	\$ 9,934,362
Add back: exempt real property	76,932	133,951	140,859	159,369	161,488
Total assessed value	\$ 7,470,789	\$ 8,278,405	\$ 8,896,369	\$ 9,489,322	\$ 10,095,850
Debt limit (15% of total assessed value)	\$ 1,120,618	\$ 1,241,761	\$ 1,334,455	\$ 1,423,398	\$ 1,514,378
Debt applicable to limit:					
General obligation bonds	\$ 14,440	\$ 14,170	\$ 13,890	\$ 13,595	\$ 13,285
Less: Amount available in debt service fund	(855)	(865)	(747)	(854)	(926)
Total net debt applicable to limit	\$ 13,585	\$ 13,305	\$ 13,143	\$ 12,741	\$ 12,359
Legal debt margin	\$ 1,107,033	\$ 1,228,456	\$ 1,321,312	\$ 1,410,657	\$ 1,502,019

Source: CAFR

**CITY OF SARATOGA  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST FIVE YEARS**

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Fiscal Year	City Population <sup>1</sup>	Personal Income (in millions) <sup>2</sup>	Per Capita Personal Income <sup>2</sup>	Labor Force <sup>3</sup>	Unemployment Rate <sup>3</sup>
2005	30,850	89,615	51,418	12,600	2.5%
2006	30,835	98,252	55,754	12,700	2.1%
2007	31,352	105,999	59,338	12,900	2.3%
2008	31,592	n/a	n/a	13,100	3.2%
2009	31,679	n/a	n/a	13,300	6.0%



Source: <sup>1</sup>Population information from California State Controller's Office  
<sup>2</sup>Bureau of Economic Analysis - San Jose-Sunnyvale-Santa Clara region  
<sup>3</sup>State of California - Employment Development Department

**CITY OF SARATOGA  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND FOUR YEARS AGO AT JUNE 30, 2009**

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Employer	2009			2005 <sup>1</sup>		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Gene's Fine Foods	85	1	0.68%	85	1	1.39%
Safeway	65	2	0.52%	65	2	1.06%
Saratoga Country Club	65	3	0.52%	65	3	1.06%
Windermere SVP	27	4	0.22%	27	5	0.44%
Longs Drug	20	5	0.16%	20	6	0.33%
Classic Car Wash	20	6	0.16%	20	7	0.33%
Harmonie European Day Spa	20	7	0.16%	20	8	0.33%
Hinshaw, Draa & Marsh	20	8	0.16%	20	9	0.33%
Jakes of Saratoga	20	9	0.16%			
Bella Saratoga	18	10	0.14%	20	10	0.33%
24 Hour Fitness	17		0.14%	30	4	0.49%
Total City Employment <sup>2</sup>	12,500			6,129		

<sup>1</sup> Earliest information available

<sup>2</sup> State of California - Employment Development Department

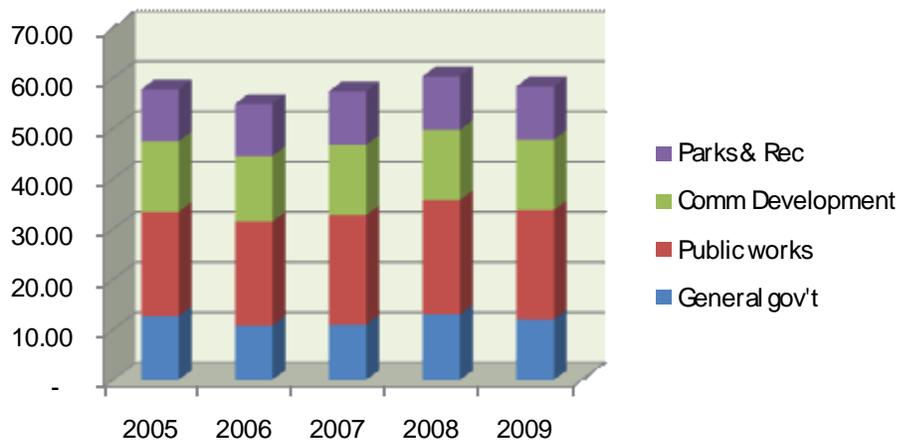
Source: City of Saratoga

**CITY OF SARATOGA  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST FIVE FISCAL YEARS**

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<b>Function</b>	<b>Fiscal Year</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
General government	12.65	10.75	11.00	13.00	12.00
Public works	20.75	20.75	21.75	22.75	21.75
Community development	14.00	13.00	14.00	14.00	14.00
Parks and recreation	10.35	10.35	10.60	10.60	10.60
<b>Total</b>	<b>57.75</b>	<b>54.85</b>	<b>57.35</b>	<b>60.35</b>	<b>58.35</b>

**Full-Time Equivalents**



Source: City of Saratoga Budget Document

**CITY OF SARATOGA  
OPERATING INDICATORS BY FUNCTION  
LAST FIVE FISCAL YEARS**

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Function	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Public safety</b>					
Part 1 crimes <sup>1</sup>	463	426	425	381	282
Total incidents	42,011	40,567	39,663	41,243	41,384
Police reports	1,767	1,659	1,767	1,941	1,949
<b>Public Works</b>					
Street resurfacing (miles)	N/A	5	14	N/A	6
Street lights repaired	2	3	3	12	25
Potholes filled (sq. ft.)	N/A	5,000	5,000	7,000	10,000
<b>Community Development</b>					
Total permit valuation (\$000)	74,668	94,485	69,935	70,442	61,117
<b>Parks and Recreation</b>					
Classes, trips (enrollment) community events	5,604	5,712	4,817	4,782	4,698
Adult Exercise (e.g. basketball, softball)	272	312	285	362	515
Sports programs (e.g. basketball, softball)	470	473	515	591	459
Child care programs (enrollment)	200	163	159	225	171
Day/summer camps (enrollment)	301	287	205	242	225
Teen/youth council (enrollment)	2,506	3,798	2,221	94	419
Senior center (enrollment/attendance days)	22,312	22,591	18,515	17,826	16,325

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

Source: City of Saratoga various records

**CITY OF SARATOGA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST FIVE FISCAL YEARS**

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Function	Fiscal Year				
	2005	2006	2007	2008	2009
Public safety					
Police Station	1	1	-	-	-
Fire Station					
Saratoga Fire District	1	1	1	1	1
Central Fire District	1	1	1	1	1
Public Works					
Street Miles - Private	13	13	13	13	13
Street Miles - Public	137	137	137	137	140
West Valley Sanitation District					
Number of Connections	8,601	8,621	8,651	8,651	8,683
Length of Sewer Lines	120	120	127	127	127
Cupertino Valley Sanitation District					
Number of Connections	2,118	2,118	2,915	2,927	2,938
Length of Sewer Lines	36	36	36	36	36.5
Parks and Recreation					
Parks Acreage	81	81	81	81	84
Parks	15	15	15	15	15

Source: City of Saratoga various records