



# CITY OF SARATOGA

C A L I F O R N I A



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR 2009/10





# Saratoga, California

## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2010**

### City Council

Kathleen King ..... Mayor  
Jill Hunter..... Vice Mayor  
Chuck Page ..... Council Member  
Howard Miller..... Council Member  
Manny Cappello..... 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, 2010

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## **INTRODUCTORY SECTION**





# CITY OF SARATOGA

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

November 8, 2010

Honorable Mayor and City Council,

The Comprehensive Annual Financial Report (CAFR) of the City of Saratoga for the year ended June 30, 2010 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, 2010, 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.

## **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 31,997 at January 1, 2010 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—will result in minimal growth in future years. In addition, while Proposition 1A protects the city from further ongoing unrestrained State takeaways of tax revenues, under the current budget crisis, the City expects to see shortfalls in unprotected State or County based funding, and 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 residual funding and grant moneys as funding levels 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 2009/10 budget focused on maintaining service levels in anticipation of further reductions in the City's revenue sources due to the weakening economy. Departmental budgets were held or reduced to non-expansive levels. The City prepared for additional takeaways by the State due to the publicity of the State's struggle with their budget. With decreasing resources, the FY 2009/10 budget process continued its focus on operational efficiencies to streamline services, the alignment of fees with services provided to the public, short-term eliminations of operational resources where available, 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 2009/10 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, 2009. 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 exemplary services throughout the year. Furthermore, we would like to thank Vavrinek, Trine, Day & Co. LLP, 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 representative 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, 2009

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, 2010**

**CITY COUNCIL**

Kathleen King - Mayor  
Jill Hunter – Vice Mayor  
Chuck Page  
Howard Miller  
Manny Cappello

**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



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## **FINANCIAL SECTION**





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

VALUE THE DIFFERENCE

## INDEPENDENT AUDITOR'S REPORT

To 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 City of Saratoga (the City), as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position, and where applicable, cash flows 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 November 8, 2010, on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis, and the required supplementary information as listed on the table of contents, are not a required part of the basic financial statements but are supplementary information required by 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 on it.

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

A handwritten signature in black ink on a white background. The signature reads "Varrinek, Trine, Day & Co. LLP." with a stylized flourish at the end.

Pleasanton, California

November 8, 2010

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**INTRODUCTION**

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2010 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 2009/10 FINANCIAL HIGHLIGHTS**

- The City's total net assets were \$123,017,751, comprised of \$108,965,864 for investment in capital assets, net of depreciation and related debt; \$5,519,025 restricted for specific purposes; and \$8,532,862 unrestricted net assets (reference pg #23).
- Total City revenues were \$18,901,842 which consists of program revenue of \$6,536,962 and general revenues of \$12,364,880 (reference pg #24).
- The City's expenses were \$18,741,679 (reference pg #24).
- Total Governmental Fund's fund balances were \$13,529,703, consisting of \$8,010,678 in the General Fund, \$3,705,941 in the Capital Improvement Funds, and \$1,813,084 in the Other Governmental Funds (reference pg #25).
- General Fund revenues were \$15,245,049, while General Fund expenditures were \$15,138,899 (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, 2010.

*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, 2010**

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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.

*Proprietary Funds* - Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for liability and risk management, workers compensation, office supplies, information technology services, vehicle and building maintenance, and vehicle and information technology equipment replacement. Because the internal service funds benefit the governmental functions, they have been included with the *governmental activities* in the government-wide financial statements.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**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.

**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 increased \$160,163, from \$122,857,588 in FY 2008/09 to \$123,017,751 in FY 2009/10.

The most significant portion of the City's net assets (\$108,965,864 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.

\$5,519,025 or 4.5% of the City's net assets are subjected to external restrictions on how they may be used. Of these restricted net assets, \$4,057,300 is restricted for capital projects, \$892,593 is for repayment of long-term debt and \$569,132 is restricted for housing activities and lighting and landscaping assessment districts.

The remaining \$8,532,862 or 6.9% of the City's net assets are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Net Assets**

		<b>Governmental Activities</b>	
		<u>2010</u>	<u>2009</u>
<b>Assets</b>			
Current assets		\$ 16,740,241	\$ 18,182,606
Non-current assets		58,337	71,670
Capital assets		121,920,864	122,102,516
	<b>Total Assets</b>	<u>138,719,442</u>	<u>140,356,792</u>
<b>Liabilities</b>			
Current liabilities		2,794,845	4,317,341
Long-term debt		12,906,846	13,181,863
	<b>Total Liabilities</b>	<u>15,701,691</u>	<u>17,499,204</u>
<b>Net Assets</b>			
Investment in capital assets, net of related debt		108,965,864	108,817,516
Restricted for Capital Project		4,057,300	3,865,374
Restricted for Debt Service		892,593	931,361
Restricted for Special Projects		569,132	484,088
Unrestricted		8,532,862	8,759,249
	<b>Total Net Assets</b>	<u>\$ 123,017,751</u>	<u>\$ 122,857,588</u>

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Statement of Changes in Net Assets**

<b>Functions/Programs</b>	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2010</b>	<b>2009</b>	
<b>Program Revenues</b>			
Charges for services	\$ 5,588,740	\$ 5,768,277	\$ (179,537)
Operating grants and contributions	275,035	228,534	46,501
Capital grants and contributions	673,187	338,768	334,419
<b>Total Program Revenues</b>	<b>6,536,962</b>	<b>6,335,579</b>	<b>201,383</b>
<b>General Revenues</b>			
Property taxes	8,371,322	8,335,805	35,517
Sales taxes	954,574	1,043,034	(88,460)
Local taxes	560,040	663,053	(103,013)
Franchise taxes	1,663,657	1,656,716	6,941
Motor vehicle in-lieu	101,218	116,273	(15,055)
Intergovernmental revenues	521,852	473,989	47,863
Investment earnings	100,731	397,116	(296,385)
Other revenues	91,486	148,284	(56,798)
<b>Total General Revenues</b>	<b>12,364,880</b>	<b>12,834,270</b>	<b>(469,390)</b>
<b>Expenses</b>			
General and intergovernmental services	3,729,036	5,595,474	(1,866,438)
Public safety	4,338,598	4,210,763	127,835
Public works	6,534,902	7,643,545	(1,108,643)
Community services	1,710,769	1,633,997	76,772
Community development services	1,751,348	1,999,754	(248,406)
Interest on long-term debt (unallocated)	677,026	696,800	(19,774)
<b>Total Expenses</b>	<b>18,741,679</b>	<b>21,780,333</b>	<b>\$ (3,038,654)</b>
Increase / (Decrease) in Net Assets	160,163	(2,610,484)	
<b>Net Assets, Beginning of Year</b>	<b>122,857,588</b>	<b>125,468,072</b>	
<b>Net Assets, End of Year</b>	<b>\$ 123,017,751</b>	<b>\$ 122,857,588</b>	

As shown in the above *Statement of Changes in Net Assets* schedule, the net change in program revenues from the prior fiscal year for governmental activities is an increase of \$201,383. The net change in general revenues from the prior year is a decrease of \$469,390, for a total decrease in revenues of \$268,007. The net change in expenses from the prior year is a decrease of \$3,038,654.

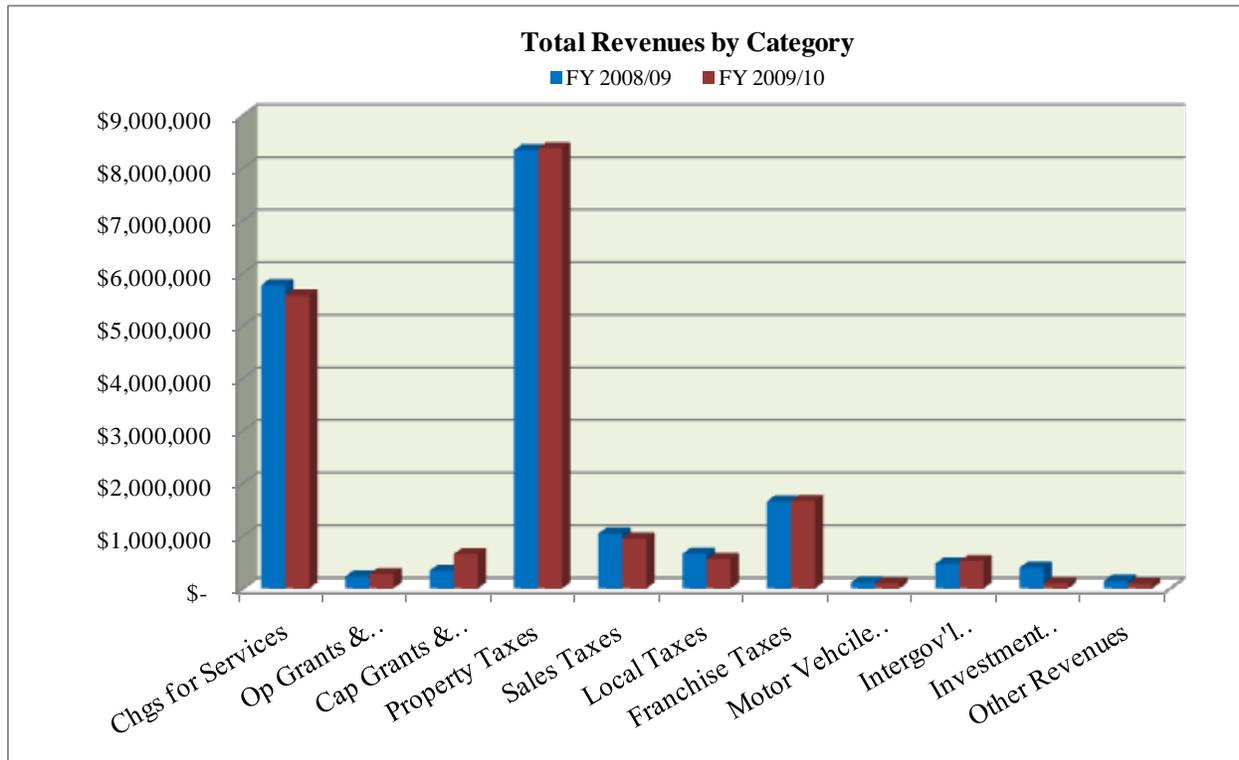
With total program and general revenues for fiscal year 2009/10 at \$18,901,842 and total expenses at \$18,741,679, the net activity resulted in an increase in Net Assets of \$160,163.

**CITY OF SARATOGA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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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 \$46,501 increase in operating grants is primarily the result of the State’s payment delay for COPS/SLESF funds as funding due in fiscal year 2008/09 was made in fiscal year 2009/10. A \$334,419 increase in capital grants reflects a large street resurfacing grant reimbursement completed in FY 2009/10.
- The small increase of \$35,517 (.43%) in property tax revenue is the net of increases in property tax assessment values from real estate turnover of long-held properties, against decreases in overall assessed property values. The increase is significantly lower than in previous years due to the ongoing decrease in housing prices during FY 2009/10.
- Intergovernmental revenues reflect an increase of \$47,863 due primarily to an increase in Gas Tax revenues from the prior fiscal year.

**Decreases in Revenues**

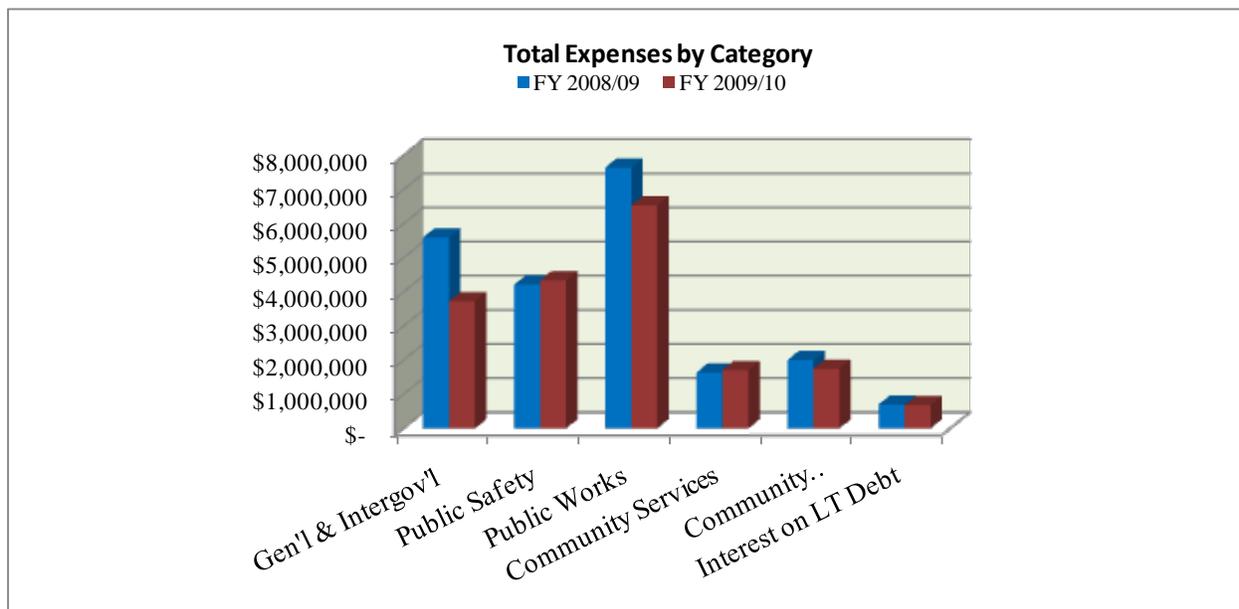
- A decrease of \$179,537 in Charge for Services reflects the ongoing impact to development service revenues caused by the economic downturn and credit crunch. The continued decline was offset by an approximate \$80,000 increase in recreation revenues resulting from new dance programs.

**CITY OF SARATOGA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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- Sales tax and local taxes also decreased in fiscal year 2009/10 as a result of the economic downturn. Sales tax decreased by \$88,460 and local taxes by \$103,013. The portion of the business license tax and the construction tax that are based on building permits comprised the majority of the decrease in local taxes, with the remainder of the decrease from the City’s hotel tax.
- Investment Earnings decreased by \$296,385 (75%) from the prior year due to historically low interest rates at under 1% during the fiscal year
- Other Revenues represents miscellaneous refunds and reimbursements, proceeds from sales, cell tower leases, and minor oddities. Revenues will fluctuate from year to year as these types of receipts are typically unplanned and one-time occurrences. A continued emphasis on categorizing revenues into proper programs and categories has also contributed to the \$56,798 decrease in this category.

CHART OF EXPENSE INCREASE OR (DECREASE)



The net change in expenses for Governmental Activities was a decrease of \$3,038,654. Expenditures with significant events include:

**Increases in Expenses**

- Public Safety expenses increased by \$127,835 due to an increase in the Sheriff’s Office contract cost.
- The \$76,772 increase in Community Services expenses is due to increases in Recreation program costs resulting from additional dance program activities and staffing costs.

**Decreases in Expenses**

- A \$1,866,438 decrease in the General and Intergovernmental Services category from the prior year is the result of strategic reductions in administrative staffing costs, operational expenses, and internal service charges to offset reductions in revenues.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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- A \$1,108,643 decrease in the Public Works category reflects reductions in non-capital maintenance costs with the emphasis shifting to capital improvements rather than maintenance projects during the fiscal year.
- The community development category of expenditures decreased by \$248,406 with the continued downturn in services provided.

**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	\$ 15,245,049	\$ 2,160,466	\$ 1,573,432
Total Expenditures	15,138,899	2,578,501	1,396,353
Revenues Over (Under) Expenditures	106,150	(418,035)	177,079
Transfers in	325,842	845,979	-
Transfers out	(650,000)	(232,983)	(133,838)
Net change in fund balances	(218,008)	194,961	43,241
Beginning of year	8,228,686	3,510,980	1,769,843
End of year	<u>\$ 8,010,678</u>	<u>\$ 3,705,941</u>	<u>\$ 1,813,084</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 the 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 an increase of \$20,194.

**General Fund** - As shown in the preceding *Major Funds* table, the net change in the General Fund's Fund Balance was a decrease of \$218,008. A net loss resulted from the net of operating revenues coming in just slightly over operating expenditures, and the transfer out of \$650,000 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 \$600,000 decrease in General Fund revenues from the prior year due to continued drops in development permits and fees, construction related taxes, and interest earnings.

**Capital Improvement Project Fund** - As shown in the table above, the net change in the Capital Improvement Fund has an increase of \$194,961 which is due to timely grant reimbursements and a net of \$612,996 of transfers into the capital program to offset the operational shortfall.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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*Other Governmental Funds* - As shown in the table, there was a net increase of \$43,241 in the Other Governmental Funds, primarily due to lower operational costs in the landscape and lighting funds this fiscal year.

**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, 2010**

	Adopted Budget	Budget Adjustments	Final Budget
Expenditures	\$ 15,816,578	(478,033)	\$ 15,338,545
Transfers out	\$ 253,500	396,500	\$ 650,000

The General Fund adopted expenditure budget was \$15,816,578. At the City's mid-year review, a revenue shortfall was anticipated so various departmental expenditures were reduced by \$310,000 and funding for the City's internal service funds was reduced by \$168,033, reducing the General Fund's budget by \$478,033.

**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 \$771,386 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". The next assessment study has been contracted for September, 2010.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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As of June 30, 2010, the City had \$121,920,864 invested in a variety of capital assets, as reflected in the following schedule, which represents a decrease of \$181,652 or less than a 1% decrease from the prior year.

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

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 12,984,078	\$ 10,585,106
Building and structures	17,941,650	18,261,779
Machinery and equipment	680,366	470,646
Infrastructure	85,871,410	86,189,639
Construction in progress	4,443,360	6,595,346
Total Capital Assets, Net of Depreciation	<u>\$ 121,920,864</u>	<u>\$ 122,102,516</u>

The following reconciliation summarizes the changes in Capital Assets.

**Changes in Capital Assets**

	Balance			Balance
	<u>July 1, 2009</u>			<u>Additions</u>
Land	\$ 10,585,106	\$ 2,398,972	\$ -	\$ 12,984,078
Building and structures	23,156,758	256,005	-	23,412,763
Machinery and equipment	2,026,140	383,494	(127,790)	2,281,844
Infrastructure	103,549,229	876,278		104,425,507
Construction in progress	6,595,346	1,808,376	(3,960,362)	4,443,360
Depreciation	<u>(23,810,063)</u>	<u>(1,944,415)</u>	<u>127,790</u>	<u>(25,626,688)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 122,102,516</u>	<u>\$ 3,778,710</u>	<u>\$ (3,960,362)</u>	<u>\$ 121,920,864</u>

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

- Kevin Moran Park Improvements - \$116,132
- Library HVAC Upgrade - \$276,548
- Saratoga Avenue Resurfacing - \$257,716
- UPPR / DeAnza Trail - \$251,007
- Prospect Road Medians - \$99,373

Additional information on Capital Assets is included in Note 6 to the financial statements.

**DEBT ADMINISTRATION**

The net change in outstanding debt for the City of Saratoga is a decrease of \$220,747. 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, 2010**

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

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
2001 General Obligation Bond	\$ 12,955,000	\$ 13,285,000
Compensated absences	693,668	584,415
<b>Total Outstanding Debt</b>	<b>\$ 13,648,668</b>	<b>\$ 13,869,415</b>

The current portions of long-term debt (\$350,000 and \$330,000 for 2010 and 2009, 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 \$330,000 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 \$109,253 due to an increase in unused compensated time off.

Additional information on outstanding obligations can be found in Note 7 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, 2010**

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	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 15,864,455
Receivables:	
Accounts	842,425
Interest	20,028
Loans	13,333
Total Current Assets	<u>16,740,241</u>
Noncurrent Assets:	
Loans receivable	58,337
Capital Assets:	
Non-depreciable	66,583,057
Depreciable, net	<u>55,337,807</u>
Total Capital Assets	<u>121,920,864</u>
Total Noncurrent Assets	<u>121,979,201</u>
<b>Total Assets</b>	<u>138,719,442</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	523,533
Accrued payroll	372,018
Other payable	62,173
Interest payable	280,690
Deposits payable	750,387
Unearned revenue	9,621
Claims payable	54,601
Long-term debt - due within one year	<u>741,822</u>
Total Current Liabilities	<u>2,794,845</u>
Noncurrent Liabilities:	
Long-term debt - due in more than one year	<u>12,906,846</u>
<b>Total liabilities</b>	<u>15,701,691</u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	108,965,864
Restricted for:	
Capital projects funds	4,057,300
Debt service	892,593
Special projects	<u>569,132</u>
Total Restricted	<u>5,519,025</u>
Unrestricted	<u>8,532,862</u>
<b>Total Net Assets</b>	<u>\$ 123,017,751</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, 2010**

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
<b>Primary Government:</b>						Primary Governmental Activities
<b>Governmental Activities:</b>						
General and intergovernmental services	\$ 3,729,036	\$ 125,076	\$ -	\$ -	\$ 125,076	\$ (3,603,960)
Public safety	4,338,598	425,378	144,175	-	569,553	(3,769,045)
Public works	6,534,902	2,534,991	7,048	673,187	3,215,226	(3,319,676)
Community services	1,710,769	916,730	-	-	916,730	(794,039)
Community development services	1,751,348	1,586,565	123,812	-	1,710,377	(40,971)
Interest on long-term debt (unallocated)	677,026	-	-	-	-	(677,026)
<b>Total</b>	<b>\$ 18,741,679</b>	<b>\$ 5,588,740</b>	<b>\$ 275,035</b>	<b>\$ 673,187</b>	<b>\$ 6,536,962</b>	<b>\$ (12,204,717)</b>
<b>General Revenues:</b>						
Taxes						
Property taxes						8,371,322
Sales taxes						954,574
Local taxes						560,040
Franchise taxes						1,663,657
Motor vehicle-in-lieu						101,218
Total taxes						11,650,811
Intergovernmental						521,852
Investment earnings						100,731
Other revenues						91,486
Total General Revenues						12,364,880
Change in Net Assets						160,163
Net Assets - Beginning of Year						122,857,588
Net Assets - End of Year						\$ 123,017,751

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA  
GOVERNMENTAL FUNDS - BALANCE SHEET  
JUNE 30, 2010**

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Capital Improvement</u>		
<b>ASSETS</b>				
Cash and investments	\$ 9,032,631	\$ 3,502,303	\$ 1,830,951	\$ 14,365,885
Receivables:				
Accounts	467,810	296,570	11,477	775,857
Interest	17,892	-	2,136	20,028
Loans	-	-	71,670	71,670
<b>Total assets</b>	<u>\$ 9,518,333</u>	<u>\$ 3,798,873</u>	<u>\$ 1,916,234</u>	<u>\$ 15,233,440</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 363,550	\$ 91,071	\$ 21,859	\$ 476,480
Accrued payroll	331,531	1,861	-	333,392
Deposits payable	750,387	-	-	750,387
Other payable	62,173	-	-	62,173
Deferred revenue	14	-	81,291	81,305
<b>Total liabilities</b>	<u>1,507,655</u>	<u>92,932</u>	<u>103,150</u>	<u>1,703,737</u>
<b>Fund Balances:</b>				
Reserved for:				
Petty cash	1,300	-	-	1,300
Debt service	-	-	892,593	892,593
Unreserved, designated for:				
Operations	2,889,077	-	-	2,889,077
Economic uncertainty	1,500,000	-	-	1,500,000
Environmental services	563,182	-	-	563,182
Community development services	632,380	-	-	632,380
Grant matching	600,000	-	-	600,000
Hillside Reserve	300,000	-	-	300,000
Uncollected deposits	44,791	-	-	44,791
Carryforward Reserve	68,600	-	-	68,600
Capital projects reserve	126,983	-	-	126,983
Unreserved, undesignated, reported in:				
General fund	1,284,365	-	-	1,284,365
Special revenue funds	-	-	569,132	569,132
Capital projects funds	-	3,705,941	351,359	4,057,300
<b>Total fund balances</b>	<u>8,010,678</u>	<u>3,705,941</u>	<u>1,813,084</u>	<u>13,529,703</u>
<b>Total liabilities and fund balances</b>	<u>\$ 9,518,333</u>	<u>\$ 3,798,873</u>	<u>\$ 1,916,234</u>	<u>\$ 15,233,440</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, 2010**

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<b>Total Fund Balances - Total Governmental Funds</b>	\$ 13,529,703
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	66,583,057
Depreciable capital assets, net	<u>55,046,268</u>
Total Capital Assets	121,629,325
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.	(280,690)
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	1,655,207
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.	132,874
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	(12,955,000)
Compensated absences	<u>(693,668)</u>
Total Long-Term Liabilities	<u>(13,648,668)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 123,017,751</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, 2010**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Improvement		
<b>REVENUES:</b>				
Property taxes	\$ 8,185,390	\$ -	\$ 186,006	\$ 8,371,396
Special assessments	8,974	-	1,237,806	1,246,780
Sales taxes	954,574	-	-	954,574
Other local taxes	560,040	-	-	560,040
Licenses & permits	1,063,946	424,737	-	1,488,683
Fines & forfeiture	350,751	8,010	-	358,761
Intergovernmental - Federal	-	430,387	-	430,387
Intergovernmental - State	323,837	934,083	-	1,257,920
Intergovernmental - Other	34,050	99,712	123,812	257,574
Franchise fees	1,663,657	-	-	1,663,657
Use of money and property	541,305	41,640	12,385	595,330
Other revenue	1,558,525	221,897	13,423	1,793,845
<b>Total revenues</b>	<b>15,245,049</b>	<b>2,160,466</b>	<b>1,573,432</b>	<b>18,978,947</b>
<b>EXPENDITURES:</b>				
Current:				
General and intergovernmental services	3,102,397	-	-	3,102,397
Public safety	4,348,778	-	-	4,348,778
Public works	4,353,903	-	375,619	4,729,522
Community services	1,222,649	-	-	1,222,649
Community development services	2,111,172	-	-	2,111,172
Capital outlay	-	2,578,501	5,458	2,583,959
Debt service:				
Principal	-	-	330,000	330,000
Interest and fiscal charges	-	-	685,276	685,276
<b>Total expenditures</b>	<b>15,138,899</b>	<b>2,578,501</b>	<b>1,396,353</b>	<b>19,113,753</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>106,150</b>	<b>(418,035)</b>	<b>177,079</b>	<b>(134,806)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	325,842	845,979	-	1,171,821
Transfers out	(650,000)	(232,983)	(133,838)	(1,016,821)
<b>Total other financing sources (uses)</b>	<b>(324,158)</b>	<b>612,996</b>	<b>(133,838)</b>	<b>155,000</b>
<b>Net change in fund balances</b>	<b>(218,008)</b>	<b>194,961</b>	<b>43,241</b>	<b>20,194</b>
<b>FUND BALANCES:</b>				
Beginning of year	8,228,686	3,510,980	1,769,843	13,509,509
End of year	\$ 8,010,678	\$ 3,705,941	\$ 1,813,084	\$ 13,529,703

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, 2010**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 20,194
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.	1,622,628
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.	(1,675,048)
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 or (excess expenses) of the internal service funds is reported with government activities.	(39,942)
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.	3,334
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	(109,253)
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	330,000
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.	8,250
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 160,163</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

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	Governmental Activities - Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 1,498,570
Accounts receivable	5,378
Total current assets	<u>1,503,948</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	714,059
Less: accumulated depreciation	<u>(422,520)</u>
Total capital assets (net of accumulated depreciation)	<u>291,539</u>
Total assets	<u>1,795,487</u>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Current assets:	
Accounts payable	47,053
Accrued payroll	38,626
Other payables	54,601
Total current liabilities	<u>140,280</u>
<b>NET ASSETS</b>	
Investment in capital assets	291,539
Unrestricted	1,363,668
Total net assets	<u>\$ 1,655,207</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, 2010**

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	Governmental Activities - Internal Service Funds
<b>Operating revenues:</b>	
Charges for services	\$ 2,003,010
Other operating revenues	54,618
Total operating revenues	<u>2,057,628</u>
<b>Operating expenses:</b>	
Cost of services	972,136
Administration	828,857
Depreciation	141,577
Total operating expenses	<u>1,942,570</u>
Operating income	<u>115,058</u>
Transfers out	<u>(155,000)</u>
Change in net assets	(39,942)
Total net assets - beginning	1,695,149
Total net assets - ending	<u>\$ 1,655,207</u>

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, 2010**

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	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 2,062,188
Payments to suppliers	(1,146,675)
Payments to employees	(703,438)
Net cash provided (used) by operating activities	<u>212,075</u>
<b>Cash flows from noncapital financing activities:</b>	
Operating transfers out	<u>(155,000)</u>
Net cash used in nonoperating activities	<u>(155,000)</u>
<b>Cash flows from capital activities:</b>	
Acquisition of capital assets	<u>(12,345)</u>
Net cash provided for the acquisition of capital assets	<u>(12,345)</u>
Net increase in cash and cash equivalents	44,730
Cash and cash equivalents, beginning of year	<u>1,453,840</u>
Cash and cash equivalents, ending of year	<u><u>\$ 1,498,570</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 115,058
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>	
Depreciation	141,577
<b>Change in operating assets and liabilities:</b>	
Decrease in accounts receivables	4,560
Increase in accounts payable	(31,658)
Increase in claims payable	(28,615)
Decrease in accrued payroll	<u>11,153</u>
Net cash provided (used) by operating activities	<u><u>\$ 212,075</u></u>

**CITY OF SARATOGA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2010**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 91,364
Receivables:	
Accounts	18,352
Interest	126
<b>Total assets</b>	<u><u>\$ 109,842</u></u>
<b>LIABILITIES</b>	
Deposits payable	<u><u>\$ 109,842</u></u>

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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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 31,997 at June 30, 2010. 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, 2010, the City's staff comprised 55 full-time and ten 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 ten employees.
- General Government services are provided by a total of 12 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**  
**JUNE 30, 2010**

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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

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.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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The City has presented all major funds that met the applicable criteria. The following funds are major funds:

**General Fund**

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

**Capital Improvement Capital Projects Fund**

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

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

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

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.

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**  
**JUNE 30, 2010**

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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.

Internal service funds account for charges to City departments for services provided, on a cost reimbursement basis, in the following areas: general liability, workers' compensation, office stores, information technology services, vehicle maintenance, building maintenance, equipment replacement, and information technology replacement.

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.

The activity reported in the City's fiduciary fund is for the support of the Saratoga Community Access Television, a non-profit organization responsible for operating the Public, Educational, and Government Access channels for the community of Saratoga.

***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**  
**JUNE 30, 2010**

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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 is to be performed approximately every 3 years. The next condition assessment is scheduled for September 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**  
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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 will complete an internal update in January, 2011. 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.

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,

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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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 both reserved and unreserved fund balances. Reserved fund balances are 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. Unreserved fund balances are comprised of both designated and undesignated fund balances. Designations represent funds identified by Council for an intended use, but are not legally obligated. Undesignated fund balance represents funds available to offset budgetary shortfalls or provide for unanticipated uses during the year.

City Council has designated an amount for “Operations Reserve” to provide working capital cash flow. This designation was established at \$2,000,000 on July 1, 1999, to be increased annually by an amount equal to the interest the City earned on an equivalent amount of cash and investments. As of June 30, 2010 this fund balance has grown to \$2,889,077.

City Council has designated \$1,500,000 for an “Economic Uncertainty” reserve. This amount provides funding for emergency uses and economic downturns.

The Environmental Services reserve, collected from surcharges on garbage bills is designated specifically for use as supplemental funding of Environmental Services program fees for household hazardous waste fees, storm drain, street sweeping, and other pollution mitigation expenses related to integrated waste programs and storm water management.

The Development Services reserve is designated supplemental funding for community development services that includes zoning administration, inspection services, and development regulation programs during periods where expenditures exceed revenues.

The Uncollected Deposits reserve is designated funding to offset development applicant deposits with outstanding balances owed to the City.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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The Carryforward reserve designation represents prior-year funding held over for one-time operational activities that were not completed by year-end, or to carryforward prior-year funding for specific activities as directed by Council.

The Grant Matching/Capital Improvement reserve designation represents funding set aside for use as the matching funds required for grant based capital improvement projects.

The Hillside Stability reserve designation is funding for use as needed in hillside or landslide repairs or mitigation projects.

***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.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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***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. Subsequent Events***

Management has considered subsequent events through November 8, 2010, the date which the financial statements were available to be issued.

***P. New GASB Pronouncements***

**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. The City has no intangibles to which the statement applies.

**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 no derivative investments to which the statement applies.

**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.

**GASB Statement No. 57** - In December, 2009 GASB issued Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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measurements by employers that participate in agent multiple-employer benefit (OPEB) plans. The City has determined this Statement will not have an effect on the financial statements.

**GASB Statement No. 59** – In June 2010, GASB issued Statement No 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been indentified in practice. This pronouncement is effective for periods beginning after June 15, 2010. The City does not believe there will be a significant financial statement effect related to this Statement.

**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, 2010:

	Statement of Net Assets		Total
	Governmental Activities	Fiduciary Fund	
Cash and investments	\$ 15,864,455	\$ 91,364	\$ 15,955,819

The City's Cash and Investments at June 30, 2010, in more detail:

Cash and cash equivalents:		
Petty cash		\$ 1,300
Demand deposits		201,598
Total Cash and Cash Equivalents		<u>202,898</u>
Investments:		
Local Agency Investment Fund (LAIF)		15,752,921
Total Cash and Investments		<u>\$ 15,955,819</u>

**A. Cash Deposits**

The carrying amounts of the City's cash deposits were \$201,598 at June 30, 2010. Bank balances before reconciling items were \$710,867 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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
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requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Demand deposits (non-interest bearing checking accounts) have unlimited insurance through the TAG Program. Other accounts are insured up to \$250,000 per custodian within agency. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

***B. Investments***

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

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

The City 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, 2010, 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, 2010, the City had \$15,752,921 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 1.001643776 was used to calculate the fair value of the investments in LAIF.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
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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, 2010, these investments had a weighted average maturity of 203 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)	\$ 15,752,921	\$ 15,752,921

Credit Risk

As of June 30, 2010, the City's investments in external investment pools are unrated. The City only invests in LAIF, therefore has no other policy relating to the credit risk of investments.

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, 2010.

**NOTE 3 - LOANS RECEIVABLE**

The City had the following loans receivable as of June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year	Due More Than One Year
Housing Rehabilitation Loan Program	\$ 85,003	\$ -	\$ (13,333)	\$ 71,670	\$ 13,333	\$ 58,337

**CITY OF SARATOGA**  
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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 program, 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 revenue.

**NOTE 4 – PROPERTY TAXES: PROPOSITION 1A STATE BORROWING**

Under the provision of Proposition 1A and as part of the 2009/10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties, and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2103. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Saratoga was \$674,777.

Authorized with the 2009/10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority (“California Communities”), a joint power authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds (“Prop 1A Bonds”) to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equal 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its right under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 - FUND FINANCIAL STATEMENTS INTERFUND TRANSACTIONS**

*Transfers In/Out*

Transfers for the year ended June 30, 2010 were as follows:

Transfer in	Transfer out	Amount
General Fund	Community Development Block Grant	\$ 42,859
	Capital Improvement Fund	232,983
	IT Equipment Replacement Fund	50,000
		<u>325,842</u>
Capital Improvement Fund	General Fund	650,000
	Community Development Block Grant	90,574
	IT Equipment Replacement Fund	105,000
	Library Capital Improvement Fund	405
		<u>845,979</u>
Total		<u>\$ 1,171,821</u>

Of the transfers, \$650,000 was transferred from the General Fund, \$90,574 from the Community Development Block Grant Fund, \$105,000 from the IT Equipment Replacement Fund, and \$405 from the Library Capital Improvement Fund to fund various projects in the Capital Improvement Plan. A transfer of \$106,000 from the Capital Improvement Fund went to the General Fund to reimburse administration and engineering staff services for the Gas Tax funded street program. Additionally, \$126,983 was transferred from the Capital Improvement Fund back to the General Fund upon the closeout of two projects. A transfer from the Community Development Block Grant Fund to the General Fund was reimbursement for grants and administrative costs, and the IT Equipment Replacement Fund transferred \$50,000 to the General Fund for budget relief.

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**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2010, consisted of the following:

	Primary Government				Balance June 30, 2010
	Balance July 1, 2009	Additions	Retirements	Reclassifications	
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land and land improvements	\$ 10,585,106	\$ -	\$ -	\$ 2,398,972	\$ 12,984,078
Construction in progress	6,595,346	1,808,376	(57,958)	(3,902,404)	4,443,360
Infrastructure:					
Street pavement system	48,570,458	-	-	585,161	49,155,619
Total capital assets, not being depreciated	<u>65,750,910</u>	<u>1,808,376</u>	<u>(57,958)</u>	<u>(918,271)</u>	<u>66,583,057</u>
Capital assets, being depreciated:					
Buildings and structures	23,156,758	-	-	256,005	23,412,763
Machinery and equipment					
Governmental funds	1,324,426	-	(127,790)	371,149	1,567,785
Internal service funds	701,714	12,345	-	-	714,059
Infrastructure:					
Bridges	1,563,654	-	-	-	1,563,654
Signs and lights	1,820,585	-	-	-	1,820,585
Drainage system	39,912,821	-	-	-	39,912,821
Sidewalks	11,681,711	-	-	291,117	11,972,828
Total capital assets, being depreciated	<u>80,161,669</u>	<u>12,345</u>	<u>(127,790)</u>	<u>918,271</u>	<u>80,964,495</u>
Accumulated depreciation:					
Buildings and structures	(4,894,979)	(576,134)	-	-	(5,471,113)
Machinery and equipment					
Governmental funds	(1,274,551)	(32,197)	127,790	-	(1,178,958)
Internal service funds	(280,943)	(141,577)	-	-	(422,520)
Infrastructure:					
Bridges	(945,168)	(28,034)	-	-	(973,202)
Signs and lights	(723,540)	(68,565)	-	-	(792,105)
Drainage system	(11,531,047)	(798,256)	-	-	(12,329,303)
Sidewalks	(4,159,835)	(299,652)	-	-	(4,459,487)
Total accumulated depreciation	<u>(23,810,063)</u>	<u>(1,944,415)</u>	<u>127,790</u>	<u>-</u>	<u>(25,626,688)</u>
Total capital assets, being depreciated, net	<u>56,351,606</u>	<u>(1,932,070)</u>	<u>-</u>	<u>918,271</u>	<u>55,337,807</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 122,102,516</u>	<u>\$ (123,694)</u>	<u>\$ (57,958)</u>	<u>\$ -</u>	<u>\$ 121,920,864</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	\$ 1,182,170
Public Works	606,544
Community Services	13,577
Community Development	547
Internal Service Funds	141,577
Total Depreciation Expense	<u>\$ 1,944,415</u>

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 7 – LONG-TERM OBLIGATIONS**

A summary of the City's long-term obligations transactions for the year ended June 30, 2010, is presented below:

Description	Balance			Balance June 30, 2010	Classification	
	July 1, 2009	Additions	Retirements		Due Within One Year	Due In More Than One Year
General Obligation Bonds:						
2001 Library Bonds	\$ 13,285,000	\$ -	\$ (330,000)	\$ 12,955,000	\$ 350,000	\$ 12,605,000
Compensated absences	584,415	531,322	(422,069)	693,668	391,822	301,846
Total	<u>\$ 13,869,415</u>	<u>\$ 531,322</u>	<u>\$ (752,069)</u>	<u>\$ 13,648,668</u>	<u>\$ 741,822</u>	<u>\$ 12,906,846</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. The bonds may be called for redemption at the option of the City at redemption prices from 101 percent beginning on or after August 1, 2010 and 100 percent of par on or after August 1, 2011. At June 30, 2010, the outstanding balance of the bonds was \$12,955,000.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
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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>
2011	\$ 350,000	\$ 663,156	\$ 1,013,156
2012	370,000	641,556	1,011,556
2013	395,000	620,581	1,015,581
2014	415,000	600,331	1,015,331
2015	435,000	579,081	1,014,081
2016-2020	2,350,000	2,555,031	4,905,031
2021-2025	2,970,000	1,887,966	4,857,966
2026-2030	3,840,000	1,005,113	4,845,113
2031-2032	1,830,000	97,388	1,927,388
Total	<u>\$ 12,955,000</u>	<u>\$ 8,650,203</u>	<u>\$ 21,605,203</u>

**Compensated Absences**

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) has been accrued and amounts to \$693,668 at June 30, 2010. The compensated absences liability will generally be liquidated through the General Fund.

**NOTE 8 - RISK MANAGEMENT**

The City participates in the following public entity risk pools:

ABAG Plan Corporation (ABAG PLAN) covers general liability claims up to a limit of \$5 million and purchases an additional \$15 million of excess insurance coverage, for a total of \$20 million per occurrence limit. 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, 2010, the City contributed \$184,614 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 \$250,000 and excess coverage provides an employer liability limit of \$5 million per occurrence, and workers' compensation per occurrence limit to \$100 million. The City has no deductible for these claims. During the fiscal year ended June 30, 2010, the City contributed \$182,575 for current year coverage.

The City's contribution equals 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.

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**NOTES TO FINANCIAL STATEMENTS**  
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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 \$54,601 reported at June 30, 2010, 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, 2010	Year Ended June 30, 2009
Claims payable, beginning of year	\$ 83,216	\$ 59,908
Fiscal year claims and changes in estimates	49,735	54,366
Claims payments	(78,350)	(31,058)
Claims payable, end of year	<u>\$ 54,601</u>	<u>\$ 83,216</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, 2009 (most recent available):

	Plan Corporation	Comp Shared Risk Pool
Total Assets	\$ 48,715,107	\$ 3,431,189
Total Liabilities	17,360,134	580,976
Net Assets	<u>\$ 31,354,973</u>	<u>\$ 2,850,213</u>
Total Revenues	\$ 11,211,127	\$ 667,365
Total Expenses	7,218,603	482,364
Net Increase in Net Assets	<u>\$ 3,992,524</u>	<u>\$ 185,001</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**  
**JUNE 30, 2010**

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**NOTE 9 - 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* – The City employer is required to contribute an actuarially determined rate of annual covered payroll for its miscellaneous employees (11.652 percent for FY 2009/10). Active plan members are required by State statute to contribute 7 percent (7%) of their annual covered salary. The City employer contributes this required amount on behalf of City employees, which amounted to \$339,339 for the year ended June 30, 2010.

*Annual Pension Cost* - For fiscal year 2009/10, the City's annual pension cost was \$564,855. The required contribution was determined as part of the June 30, 2007, 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, 2007, was 20 years for miscellaneous employees for prior and current service unfunded liability.

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 538,526	100%	\$ -
2009	559,971	100%	-
2010	564,855	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. Stand alone 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 (latest available information):

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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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 10 - NET ASSETS / FUND BALANCES**

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

As of June 30, 2010, the investment in capital assets, net of related debt consisted of the following:

Capital Assets, Net	\$ 121,920,864
2001 General Obligation Library Bonds	<u>(12,955,000)</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 108,965,864</u>

**B. Restricted Net Assets**

As of June 30, 2010, the restricted net assets consisted of the following:

	Restricted For			Total
	Capital Projects	Debt Service	Special Projects	
Restricted Net Assets	<u>\$ 4,057,300</u>	<u>\$ 892,593</u>	<u>\$ 569,132</u>	<u>\$ 5,519,025</u>

**NOTE 11 - JOINT POWERS AGREEMENTS**

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

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

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**NOTE 12 - EXCESS EXPENDITURES OVER APPROPRIATIONS**

There were no excess of expenditures over appropriations in individual funds during fiscal year 2009/10.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

***A. Lawsuits***

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

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

The City participates in Federal and State grant programs. These programs are audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. For Federal programs, the City reached the level of qualifying cost during the current fiscal year so a single audit was required. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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***C. Commitments***

The City had several outstanding contracts or planned construction projects as of June 30, 2010. These projects are evidenced by contractual commitments with contractors and include:

Vendor	Original commitment	Commitment Remaining
Fehr & Peers	\$ 40,000	\$ 29,846
Cotton Shires & Associates	1,011	1,011
O' Grady Paving	751,768	497,156
Labor Consultants	7,000	7,000
BFK Engineers	498,238	426,363
David Gates & Associates	14,092	3,677
Testing Engineers	8,087	8,087
Metropolitan Planning Group	8,540	500
Maggiora Brothers Drilling	47,075	13,548
Steve Benzing Architect	5,250	2,647
Mark Thomas & Company	56,809	35,814
Guerra Construction	70,653	5,475
Hakone Foundation - New Visitor Center	250,000	250,000
	<u>\$ 1,758,523</u>	<u>\$ 1,281,124</u>

As of June 30, 2010, 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, 2010**

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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 Operating and Capital Budgets assure the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The annual budgets are adopted for the period of July 1 to June 30, and prepared to accurately and openly communicate service and infrastructure priorities to the community, businesses, vendors, employees, and other public agencies. The Annual Operating Budget is developed on a program basis for all funds with fund level authority. 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 adopts an annual budget for the capital projects as part of adopting the five-year Capital Improvement Plan. The annual capital budget is adopted on a project-by-project basis.

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

- a. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating and capital budgets include proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. The budgets are legally enacted through the passage of a resolution.
- d. For the Operating Budget, 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. As Capital Projects are adopted on a project basis, the City Council must approve increases or decreases of budgeted amounts or changes in project scope. Upon project completion, immaterial amounts are transferred to ongoing maintenance projects within the capital program. If remaining project funds are material, the project balance is brought back to Council for approval to transfer.
- f. Formal budgetary integration in the form of legally adopted budgets is employed as a management control device for all 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, Internal Service, and Capital funds. Unexpended and unencumbered appropriations automatically lapse at the end of the fiscal year.

**CITY OF SARATOGA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

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The following is the budget comparison schedules for General Fund.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 8,169,500	\$ 8,169,500	\$ 8,185,390	\$ 15,890
Special assessments	6,000	6,000	8,974	2,974
Sales taxes	935,000	910,000	954,574	44,574
Other local taxes	655,000	630,000	560,040	(69,960)
Licenses & permits	1,271,400	1,031,400	1,063,946	32,546
Fines & forfeitures	285,000	285,000	350,751	65,751
Intergovernmental - state	285,000	245,000	323,837	78,837
Intergovernmental - other	23,500	23,500	34,050	10,550
Franchise fees	1,675,000	1,675,000	1,663,657	(11,343)
Use of money & property	684,342	534,342	541,305	6,963
Other revenue	1,756,881	1,606,881	1,558,525	(48,356)
<b>Total revenues</b>	<u>15,746,623</u>	<u>15,116,623</u>	<u>15,245,049</u>	<u>128,426</u>
<b>EXPENDITURES:</b>				
Current:				
General and intergovernmental services	3,495,806	3,276,989	3,102,397	174,592
Public safety	4,345,915	4,345,234	4,348,778	(3,544)
Public works	4,511,348	4,324,168	4,353,903	(29,735)
Community services	1,277,906	1,248,694	1,222,649	26,045
Community development services	2,185,603	2,143,460	2,111,172	32,288
<b>Total expenditures</b>	<u>15,816,578</u>	<u>15,338,545</u>	<u>15,138,899</u>	<u>199,646</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(69,955)</u>	<u>(221,922)</u>	<u>106,150</u>	<u>328,072</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	153,732	325,842	325,842	-
Transfers out	<u>(253,500)</u>	<u>(650,000)</u>	<u>(650,000)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(99,768)</u>	<u>(324,158)</u>	<u>(324,158)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ (169,723)</u>	<u>\$ (546,080)</u>	<u>(218,008)</u>	<u>\$ 328,072</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>8,228,686</u>	
End of year			<u>\$ 8,010,678</u>	

**CITY OF SARATOGA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

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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 which provide 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 includes the street system, park and recreation lands and improvements; storm water conveyance and drainage systems, and 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. The next assessment study is contracted for September, 2010.

**CITY OF SARATOGA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

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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, 2010, 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 \$771,386 on street maintenance for the year ended June 30, 2010. 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, 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
2009-10	1,811,130	771,386	575,710	195,676	771,386	70

As of June 2010, 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.



## **SUPPLEMENTARY INFORMATION**



## NONMAJOR GOVERNMENTAL FUNDS

### **Special Revenue Funds**

*Lighting and Landscape Assessment District Funds* – This combined fund accounts for revenues and expenditures associated with maintaining the 24 Landscape and Lighting districts throughout the city which were approved by consent of property owners living along or within the boundaries of the Districts.

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

### **Debt Service Fund**

*Library Bond* - Santa Clara County general obligation bond tax revenues are accumulated in this fund to pay annual principal and interest payments on the voter approved 2001 Library Improvement Bond.

### **Capital Projects Funds**

*Library Expansion* - This fund accounts for the remaining resources approved for use in the remodel and expansion of the City's library.

**CITY OF SARATOGA  
 COMBINING BALANCE SHEETS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2010**

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	<u>Special Revenue</u>		<u>Debt Service</u>
	Lighting and Landscaping Assessment District	Community Development Block Grant	Library Bond
<b>ASSETS</b>			
Cash and investments	\$ 459,919	\$ 128,550	\$ 890,341
Receivables:			
Accounts	442	9,621	1,414
Interest	536	192	838
Loans	-	71,670	-
<b>Total assets</b>	<u>\$ 460,897</u>	<u>\$ 210,033</u>	<u>\$ 892,593</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 20,507	\$ -	\$ -
Deferred revenue	-	81,291	-
<b>Total liabilities</b>	<u>20,507</u>	<u>81,291</u>	<u>-</u>
<b>Fund Balances:</b>			
Reserved for:			
Debt service	-	-	892,593
Unreserved, undesignated, reported in:			
Special revenue funds	440,390	128,742	-
Capital projects funds	-	-	-
<b>Total fund balances</b>	<u>440,390</u>	<u>128,742</u>	<u>892,593</u>
<b>Total liabilities and fund balances</b>	<u>\$ 460,897</u>	<u>\$ 210,033</u>	<u>\$ 892,593</u>

The accompanying notes are an integral part of these financial statements

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<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
Library Expansion	
\$ 352,141	\$ 1,830,951
-	11,477
570	2,136
-	71,670
<u>\$ 352,711</u>	<u>\$ 1,916,234</u>

\$ 1,352	\$ 21,859
-	81,291
<u>1,352</u>	<u>103,150</u>

-	892,593
-	569,132
<u>351,359</u>	<u>351,359</u>
<u>351,359</u>	<u>1,813,084</u>
<u>\$ 352,711</u>	<u>\$ 1,916,234</u>

**CITY OF SARATOGA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

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	Special Revenue		Debt Service
	Lighting and Landscaping Assessment District	Community Development Block Grant	Library Bond
<b>REVENUES:</b>			
Property taxes	\$ 186,006	\$ -	\$ -
Special assessment	266,609	-	971,197
Intergovernmental - Other	-	123,812	-
Use of money and property	3,388	858	5,311
Other revenue	90	13,333	-
<b>Total revenues</b>	<b>456,093</b>	<b>138,003</b>	<b>976,508</b>
<b>EXPENDITURES:</b>			
Current:			
Public works	375,619	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	330,000
Interest and fiscal charges	-	-	685,276
<b>Total expenditures</b>	<b>375,619</b>	<b>-</b>	<b>1,015,276</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>80,474</b>	<b>138,003</b>	<b>(38,768)</b>
<b>OTHER FINANCING (USES):</b>			
Transfers out	-	(133,433)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(133,433)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>80,474</b>	<b>4,570</b>	<b>(38,768)</b>
<b>FUND BALANCES:</b>			
Beginning of year	359,916	124,172	931,361
End of year	\$ 440,390	\$ 128,742	\$ 892,593

The accompanying notes are an integral part of these financial statements

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<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
<u>Library Expansion</u>	
\$ -	\$ 186,006
-	1,237,806
-	123,812
2,828	12,385
-	13,423
<u>2,828</u>	<u>1,573,432</u>
-	375,619
5,458	5,458
-	330,000
-	<u>685,276</u>
<u>5,458</u>	<u>1,396,353</u>
<u>(2,630)</u>	<u>177,079</u>
<u>(405)</u>	<u>(133,838)</u>
<u>(405)</u>	<u>(133,838)</u>
(3,035)	43,241
354,394	1,769,843
<u>\$ 351,359</u>	<u>\$ 1,813,084</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, 2010**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses & permits	\$ 303,903	\$ 303,903	\$ 424,737	\$ 120,834
Fines & forfeitures	-	-	8,010	8,010
Intergovernmental - federal	3,772,906	3,772,906	430,387	(3,342,519)
Intergovernmental - state	1,844,630	1,844,630	934,083	(910,547)
Intergovernmental - other	79,724	79,724	99,712	19,988
Use of money and property	-	-	41,640	41,640
Other revenue	359,940	411,940	221,897	(190,043)
<b>Total revenues</b>	<u>6,361,103</u>	<u>6,413,103</u>	<u>2,160,466</u>	<u>(4,252,637)</u>
<b>EXPENDITURES:</b>				
Capital outlay	10,340,221	10,572,313	2,578,501	7,993,812
<b>Total expenditures</b>	<u>10,340,221</u>	<u>10,572,313</u>	<u>2,578,501</u>	<u>7,993,812</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,979,118)</u>	<u>(4,159,210)</u>	<u>(418,035)</u>	<u>3,741,175</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	332,971	1,045,443	845,979	(199,464)
Transfers out	(106,000)	(232,983)	(232,983)	-
<b>Total other financing sources (uses)</b>	<u>226,971</u>	<u>812,460</u>	<u>612,996</u>	<u>(199,464)</u>
<b>Net change in fund balances</b>	<u>\$ (3,752,147)</u>	<u>\$ (3,346,750)</u>	194,961	<u>\$ 3,541,711</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>3,510,980</u>	
End of year			<u>\$ 3,705,941</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, 2010**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 158,467	\$ 158,467	\$ 186,006	\$ 27,539
Special assessments	269,681	269,681	266,609	(3,072)
Use of money and property	11,210	11,210	3,478	(7,732)
<b>Total revenues</b>	<u>439,358</u>	<u>439,358</u>	<u>456,093</u>	<u>16,735</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	<u>526,560</u>	<u>536,060</u>	<u>375,619</u>	<u>160,441</u>
<b>Total expenditures</b>	<u>526,560</u>	<u>536,060</u>	<u>375,619</u>	<u>160,441</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(87,202)</u>	<u>(96,702)</u>	<u>80,474</u>	<u>177,176</u>
<b>Net change in fund balances</b>	<u>\$ (87,202)</u>	<u>\$ (96,702)</u>	<u>80,474</u>	<u>\$ 177,176</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>359,916</u>	
End of year			<u>\$ 440,390</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, 2010**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental - Other	\$ 332,897	\$ 332,897	\$ 123,812	\$ (209,085)
Use of money and property	3,000	3,000	858	(2,142)
Other revenue	-	-	13,333	13,333
<b>Total revenues</b>	<u>335,897</u>	<u>335,897</u>	<u>138,003</u>	<u>(197,894)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	13,000	-	-	-
Transfers out	<u>(140,203)</u>	<u>(332,897)</u>	<u>(133,433)</u>	<u>199,464</u>
<b>Total other financing sources (uses)</b>	<u>(127,203)</u>	<u>(332,897)</u>	<u>(133,433)</u>	<u>199,464</u>
<b>Net change in fund balances</b>	<u>\$ 208,694</u>	<u>\$ 3,000</u>	4,570	<u>\$ 1,570</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>124,172</u>	
End of year			<u>\$ 128,742</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, 2010**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Special assessments	\$ 950,000	\$ 950,000	\$ 971,197	\$ 21,197
Use of money and property	10,000	10,000	5,311	(4,689)
<b>Total revenues</b>	<u>960,000</u>	<u>960,000</u>	<u>976,508</u>	<u>16,508</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	330,000	330,000	330,000	-
Interest and fiscal charges	685,556	685,556	685,276	280
<b>Total expenditures</b>	<u>1,015,556</u>	<u>1,015,556</u>	<u>1,015,276</u>	<u>280</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(55,556)</u>	<u>(55,556)</u>	<u>(38,768)</u>	<u>16,788</u>
<b>Net change in fund balances</b>	<u>\$ (55,556)</u>	<u>\$ (55,556)</u>	<u>(38,768)</u>	<u>\$ 16,788</u>
<b>FUND BALANCES:</b>				
Beginning of year			931,361	
End of year			<u>\$ 892,593</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, 2010**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 10,000	\$ 10,000	\$ 2,828	\$ (7,172)
<b>Total revenues</b>	<u>10,000</u>	<u>10,000</u>	<u>2,828</u>	<u>(7,172)</u>
<b>EXPENDITURES:</b>				
Current:				
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>5,458</u>	<u>9,542</u>
<b>Total expenditures</b>	<u>15,000</u>	<u>15,000</u>	<u>5,458</u>	<u>9,542</u>
<b>REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES</b>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(2,630)</u>	<u>2,370</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>-</u>	<u>(405)</u>	<u>(405)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(405)</u>	<u>(405)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ (5,000)</u>	<u>\$ (5,405)</u>	<u>(3,035)</u>	<u>\$ 2,370</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>354,394</u>	
End of year			<u>\$ 351,359</u>	

## FIDUCIARY FUND FINANCIAL STATEMENTS

### Agency Funds

*Community Access Television Trust* - This fund accounts for funds of the Saratoga Community Access Television (CATV) Trust Fund Foundation.

**CITY OF SARATOGA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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<u>Cable T.V. Trust</u>	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<b>ASSETS</b>				
Cash and investments	\$ 69,769	\$ 69,060	\$ (47,465)	\$ 91,364
Receivables:				
Accounts	14,573	18,352	(14,573)	18,352
Interest	261	126	(261)	126
<b>Total assets</b>	<u>\$ 84,603</u>	<u>\$ 87,538</u>	<u>\$ (62,299)</u>	<u>\$ 109,842</u>
<b>LIABILITIES</b>				
Deposits payable	<u>\$ 84,603</u>	<u>\$ 87,538</u>	<u>\$ (62,299)</u>	<u>\$ 109,842</u>

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

## 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 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. Expenses include 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 program 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, 2010**

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	<u>Liability / Risk Management</u>	<u>Workers' Compensation</u>	<u>Office Stores</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 298,431	\$ 197,763	\$ 27,432
Accounts receivable	3,201	2,177	-
Total current assets	<u>301,632</u>	<u>199,940</u>	<u>27,432</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	-	-
Less: accumulated depreciation	-	-	-
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>301,632</u>	<u>199,940</u>	<u>27,432</u>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Current assets:			
Accounts payable	778	895	602
Accrued payroll	1,691	454	-
Claims payable	54,601	-	-
Total current liabilities	<u>57,070</u>	<u>1,349</u>	<u>602</u>
<b>NET ASSETS</b>			
Investment in capital assets	-	-	-
Unrestricted	244,562	198,591	26,830
Total net assets	<u>\$ 244,562</u>	<u>\$ 198,591</u>	<u>\$ 26,830</u>

The accompanying notes are an integral part of these financial statements

<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>
\$ 231,679	\$ 61,264	\$ 249,239	\$ 236,230	\$ 196,532	\$ 1,498,570
-	-	-	-	-	5,378
<u>231,679</u>	<u>61,264</u>	<u>249,239</u>	<u>236,230</u>	<u>196,532</u>	<u>1,503,948</u>
-	-	-	623,819	90,240	714,059
-	-	-	(359,352)	(63,168)	(422,520)
-	-	-	264,467	27,072	291,539
<u>231,679</u>	<u>61,264</u>	<u>249,239</u>	<u>500,697</u>	<u>223,604</u>	<u>1,795,487</u>
7,524	3,350	24,058	-	9,846	47,053
10,214	3,655	22,612	-	-	38,626
-	-	-	-	-	54,601
<u>17,738</u>	<u>7,005</u>	<u>46,670</u>	<u>-</u>	<u>9,846</u>	<u>140,280</u>
-	-	-	264,467	27,072	291,539
213,941	54,259	202,569	236,230	186,686	1,363,668
<u>\$ 213,941</u>	<u>\$ 54,259</u>	<u>\$ 202,569</u>	<u>\$ 500,697</u>	<u>\$ 213,758</u>	<u>\$ 1,655,207</u>

**CITY OF SARATOGA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010**

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	Liability / Risk Management	Workers' Compensation	Office Stores
<b>Operating revenues:</b>			
Charges for services	\$ 250,000	\$ 250,000	\$ 23,000
Other operating revenues	9,056	27,692	11,693
Total operating revenues	<u>259,056</u>	<u>277,692</u>	<u>34,693</u>
<b>Operating expenses:</b>			
Cost of services	-	-	-
Administration	217,366	202,136	47,496
Depreciation	-	-	-
Total operating expenses	<u>217,366</u>	<u>202,136</u>	<u>47,496</u>
Operating income	<u>41,690</u>	<u>75,556</u>	<u>(12,803)</u>
Transfers out	-	-	-
Change in net assets	41,690	75,556	(12,803)
Total net assets - beginning	<u>202,872</u>	<u>123,035</u>	<u>39,633</u>
Total net assets - ending	<u>\$ 244,562</u>	<u>\$ 198,591</u>	<u>\$ 26,830</u>

The accompanying notes are an integral part of these financial statements

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Information Technology Services	Vehicle and Equipment Maintenance	Building Maintenance	Vehicle and Equipment Replacement	Information Technology Equipment Replacement	Total
\$ 400,000	\$ 208,000	\$ 704,000	\$ 110,000	\$ 58,010	\$ 2,003,010
963		5,214	-	-	54,618
<u>400,963</u>	<u>208,000</u>	<u>709,214</u>	<u>110,000</u>	<u>58,010</u>	<u>2,057,628</u>
-	210,396	715,486	14,640	31,614	972,136
361,859	-	-	-	-	828,857
-	-	-	123,529	18,048	141,577
<u>361,859</u>	<u>210,396</u>	<u>715,486</u>	<u>138,169</u>	<u>49,662</u>	<u>1,942,570</u>
<u>39,104</u>	<u>(2,396)</u>	<u>(6,272)</u>	<u>(28,169)</u>	<u>8,348</u>	<u>115,058</u>
-	-	-	-	(155,000)	(155,000)
39,104	(2,396)	(6,272)	(28,169)	(146,652)	(39,942)
174,837	56,655	208,841	528,866	360,410	1,695,149
<u>\$ 213,941</u>	<u>\$ 54,259</u>	<u>\$ 202,569</u>	<u>\$ 500,697</u>	<u>\$ 213,758</u>	<u>\$ 1,655,207</u>

**CITY OF SARATOGA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010**

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	Liability / Risk Management	Workers' Compensation	Office Stores
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 260,198	\$ 278,580	\$ 34,693
Payments to suppliers	(243,965)	(192,833)	(49,854)
Payments to employees	(21,982)	(8,638)	-
Net cash provided by operating activities	<u>(5,749)</u>	<u>77,109</u>	<u>(15,161)</u>
<b>Cash flows from noncapital financing activities:</b>			
Operating transfers out	-	-	-
Net cash used in nonoperating activities	<u>-</u>	<u>-</u>	<u>-</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	(5,749)	77,109	(15,161)
Cash and cash equivalents, beginning of year	304,180	120,654	42,593
Cash and cash equivalents, ending of year	<u>\$ 298,431</u>	<u>\$ 197,763</u>	<u>\$ 27,432</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 41,690	\$ 75,556	\$ (12,803)
<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 in accounts receivables	1,142	888	-
(Decrease) increase in accounts payable	(21,657)	592	(2,358)
(Decrease) in claims payable	(28,615)	-	-
Increase in accrued payroll	1,691	73	-
Net cash provided (used) by operating activities	<u>\$ (5,749)</u>	<u>\$ 77,109</u>	<u>\$ (15,161)</u>

Information Technology Services	Vehicle and Equipment Maintenance	Building Maintenance	Vehicle and Equipment Replacement	Information Technology Equipment Replacement	Total
\$ 400,963	\$ 208,000	\$ 709,214	\$ 112,530	\$ 58,010	\$ 2,062,188
(169,423)	(136,740)	(316,259)	(14,640)	(22,961)	(1,146,675)
(185,740)	(72,520)	(414,558)	-	-	(703,438)
45,800	(1,260)	(21,603)	97,890	35,049	212,075
-	-	-	-	(155,000)	(155,000)
-	-	-	-	(155,000)	(155,000)
-	-	-	(12,345)	-	(12,345)
-	-	-	(12,345)	-	(12,345)
45,800	(1,260)	(21,603)	85,545	(119,951)	44,730
185,879	62,524	270,842	150,685	316,483	1,453,840
\$ 231,679	\$ 61,264	\$ 249,239	\$ 236,230	\$ 196,532	\$ 1,498,570
\$ 39,104	\$ (2,396)	\$ (6,272)	\$ (28,169)	\$ 8,348	\$ 115,058
-	-	-	123,529	18,048	141,577
-	-	-	2,530	-	4,560
2,999	159	(20,046)	-	8,653	(31,658)
-	-	-	-	-	(28,615)
3,697	977	4,715	-	-	11,153
\$ 45,800	\$ (1,260)	\$ (21,603)	\$ 97,890	\$ 35,049	\$ 212,075

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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, 2010 AND 2009**

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	<u>2010</u>	<u>2009</u>
<b>Governmental Funds Capital Assets:</b>		
Land and land improvements	\$ 12,984,078	\$ 10,585,106
Buildings and structures	23,412,763	23,156,758
Machinery and equipment	1,567,785	1,324,426
Infrastructure	104,425,507	103,549,229
Construction in progress	4,443,360	6,595,346
<b>Total Governmental Funds Capital Assets</b>	<u>146,833,493</u>	<u>145,210,865</u>
Accumulated depreciation	<u>(25,204,168)</u>	<u>(23,529,120)</u>
<b>Total Governmental Funds Capital Assets, Net</b>	<u><u>\$ 121,629,325</u></u>	<u><u>\$ 121,681,745</u></u>

**Investments in Governmental Funds**

**Capital Assets by Source:**

General Fund	\$ 115,548,433	\$ 115,642,022
Special revenue funds	974,487	1,008,688
Capital projects funds	30,213,225	28,462,807
Donations	97,348	97,348
Accumulated depreciation	<u>(25,204,168)</u>	<u>(23,529,120)</u>
<b>Total Governmental Funds Capital Assets</b>	<u><u>\$ 121,629,325</u></u>	<u><u>\$ 121,681,745</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, 2010**

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<b>Function and Activity</b>	<u>Land and Land Improvements</u>	<u>Buildings and Structures</u>
General and intergovernmental services:		
Management services	\$ -	\$ 438,036
Administrative services	-	167,585
Intergovernmental services	<u>118,183</u>	<u>3,138,641</u>
Total General and Intergovernmental Services:	<u>118,183</u>	<u>3,744,262</u>
Public safety:		
Police services	-	-
Code enforcement	<u>-</u>	<u>-</u>
Total Public Safety:	<u>-</u>	<u>-</u>
Public works:		
Streets and sidewalks	835,155	30,628
Parks/open space	<u>2,637,061</u>	<u>2,656,850</u>
Total Public Works:	<u>3,472,216</u>	<u>2,687,478</u>
Community services	7,651,215	2,666,124
Community development services	<u>1,742,464</u>	<u>14,314,899</u>
Total Governmental Funds Capital Assets	12,984,078	23,412,763
Accumulated depreciation	<u>-</u>	<u>(5,471,113)</u>
<b>Total Governmental Funds Capital Assets, Net</b>	<u>\$ 12,984,078</u>	<u>\$ 17,941,650</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
\$ 405,358	\$ -	\$ 99,031	\$ 942,425
74,491	-	-	242,076
47,560	-	-	3,304,384
<u>527,409</u>	<u>-</u>	<u>99,031</u>	<u>4,488,885</u>
27,813	-	-	27,813
7,548	-	-	7,548
<u>35,361</u>	<u>-</u>	<u>-</u>	<u>35,361</u>
483,632	104,342,490	1,914,299	107,606,204
270,483	-	-	5,564,394
<u>754,115</u>	<u>104,342,490</u>	<u>1,914,299</u>	<u>113,170,598</u>
220,753	83,017	2,402,019	13,023,128
30,147	-	28,011	16,115,521
1,567,785	104,425,507	4,443,360	146,833,493
<u>(1,178,957)</u>	<u>(18,554,098)</u>	<u>-</u>	<u>(25,204,168)</u>
<u>\$ 388,828</u>	<u>\$ 85,871,409</u>	<u>\$ 4,443,360</u>	<u>\$ 121,629,325</u>

**CITY OF SARATOGA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**JUNE 30, 2010**

<b>Function and Activity</b>	Governmental			Governmental
	Funds Capital Assets July 1, 2009	Additions	Deletions	Funds Capital Assets June 30, 2010
General and intergovernmental services:				
Management services	\$ 474,684	\$ 490,608	\$ (22,867)	\$ 942,425
Administrative services	252,449	-	(10,373)	242,076
Intergovernmental services	3,304,385	-	(1)	3,304,384
Total General and Intergovernmental Services:	<u>4,031,518</u>	<u>490,608</u>	<u>(33,241)</u>	<u>4,488,885</u>
Public safety:				
Police services	27,813	-	-	27,813
Code enforcement	7,548	-	-	7,548
Total Public Safety:	<u>35,361</u>	<u>-</u>	<u>-</u>	<u>35,361</u>
Public works:				
Streets and sidewalks	107,000,101	653,263	(47,160)	107,606,204
Parks/open space	5,606,449	-	(42,055)	5,564,394
Total Public Works:	<u>112,606,550</u>	<u>653,263</u>	<u>(89,215)</u>	<u>113,170,598</u>
Community services	12,413,046	659,859	(49,777)	13,023,128
Community development services	16,124,390	4,646	(13,515)	16,115,521
Total Governmental Funds Capital Assets	<u>145,210,865</u>	<u>1,808,376</u>	<u>(185,748)</u>	<u>146,833,493</u>
Accumulated depreciation	<u>(23,529,120)</u>	<u>127,790</u>	<u>(1,802,838)</u>	<u>(25,204,168)</u>
<b>Total Governmental Funds Capital Assets, Net</b>	<u>\$ 121,681,745</u>	<u>\$ 1,936,166</u>	<u>\$ (1,988,586)</u>	<u>\$ 121,629,325</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.



**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 government's most significant local revenue source; property tax.	93-97
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	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 SIX YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

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(amounts expressed in thousands)

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

(amounts expressed in thousands)

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
<b>Expenses:</b>						
Governmental activities:						
General and intergovernmental services	\$ 4,160	\$ 3,473	\$ 4,532	\$ 6,293	\$ 5,595	\$ 3,729
Public safety	3,736	3,427	3,844	4,166	4,211	4,339
Public works	3,829	4,752	6,425	5,325	7,643	6,535
Community services	1,929	1,395	1,437	1,286	1,634	1,711
Community development services	2,349	2,226	1,993	2,032	2,000	1,751
Interest on long-term debt (unallocated)	760	754	768	714	697	677
Total governmental activities expenses	<u>16,763</u>	<u>16,027</u>	<u>18,999</u>	<u>19,816</u>	<u>21,780</u>	<u>18,742</u>
<b>Program revenues:</b>						
Charges for services:						
General and intergovernmental services	-	31	452	1,787	133	125
Public safety	141	122	-	411	520	425
Public works	1,988	1,890	528	1,705	2,379	2,535
Community services	757	1,008	604	911	935	917
Community development services	1,890	2,665	1,328	2,110	1,802	1,586
Operating grants and contributions	1,218	1,549	2,155	151	228	275
Capital grants and contributions	865	1,568	1,282	1,715	339	674
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>	<u>6,537</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>	<u>(12,205)</u>
<b>General revenue and other changes in net assets</b>						
Taxes:						
Property taxes	4,841	5,652	5,772	8,099	8,336	8,371
Sales taxes	1,011	988	995	1,058	1,043	955
Local taxes	1,143	1,288	1,099	694	663	560
Franchise taxes	995	1,040	1,187	1,625	1,657	1,664
Motor vehicle in-lieu	420	718	177	149	116	101
Total Taxes	<u>8,410</u>	<u>9,686</u>	<u>9,230</u>	<u>11,625</u>	<u>11,815</u>	<u>11,651</u>
Intergovernmental	-	-	673	841	474	522
Investment earnings	283	709	2,813	1,057	397	101
Other revenues	193	323	132	348	148	91
Total general revenues	<u>8,886</u>	<u>10,718</u>	<u>12,848</u>	<u>13,871</u>	<u>12,834</u>	<u>12,365</u>
Change in net assets	(1,018)	3,524	198	2,845	(2,610)	160
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>	<u>122,858</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>	<u>\$ 123,018</u>

Source: CAFR

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

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(amounts expressed in thousands)

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

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(amounts expressed in thousands)

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

(amounts expressed in thousands)

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>						
Property taxes	\$ 4,893	\$ 5,652	\$ 4,758	\$ 7,877	\$ 8,335	\$ 8,371
Special assessments	1,411	1,370	1,285	1,566	1,368	1,247
Sales taxes	1,011	987	995	1,058	1,043	954
Other local taxes	851	1,288	1,126	773	663	560
Licensed and permits	100	79	1,340	1,671	1,460	1,489
Fines and forfeitures	162	259	396	344	360	359
Intergovernmental - federal	-	-	-	-	-	430
Intergovernmental - state	1,375	2,660	3,631	1,641	1,283	1,258
Intergovernmental - other	671	976	629	777	290	258
Franchise fees	1,294	1,041	1,187	1,622	1,657	1,664
Use of money any property	664	752	2,813	924	794	595
Other revenues	153	1,719	151	326	1,966	1,794
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>	<u>18,979</u>
<b>Expenditures:</b>						
Current:						
General and intergovernmental services	3,238	3,346	3,806	4,083	3,330	3,102
Public safety	3,731	3,423	3,824	4,166	4,206	4,349
Public works	2,599	3,501	5,714	4,717	4,700	4,730
Community services	1,875	1,210	1,381	1,262	1,424	1,223
Community development services	1,990	1,847	1,962	2,026	2,450	2,111
Capital outlay	1,777	2,908	2,130	4,246	4,060	2,584
Debt service:						
Principal	255	270	280	295	310	330
Interest and fiscal charges	766	760	774	721	705	685
Total expenditures	<u>16,231</u>	<u>17,265</u>	<u>19,871</u>	<u>21,515</u>	<u>21,185</u>	<u>19,114</u>
Excess of revenues over (under) expenditures	(463)	2,233	(660)	1,247	(1,966)	(135)
<b>Other financing sources (uses):</b>						
Transfers in	2,492	499	3,422	2,241	2,043	1,172
Transfers out	(2,492)	(499)	(3,422)	(2,241)	(2,043)	(1,017)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155</u>
Net change in fund balances	<u>\$ (463)</u>	<u>\$ 2,233</u>	<u>\$ (660)</u>	<u>\$ 1,247</u>	<u>\$ (1,966)</u>	<u>\$ 20</u>
Debt as a percentage of noncapital expenditures	7.06%	7.17%	5.94%	5.62%	4.89%	5.80%

Source: CAFR

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

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

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
County Retirement Levy	0.0388	0.0388	0.0388	0.0388	0.0388	0.0388
County Library	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
City of Saratoga	0.0148	0.0117	0.0096	0.0113	0.0104	0.0094
Campbell School District	0.0529	0.0512	0.0508	0.0475	0.0524	0.0552
Cupertino Elementary School District	0.0360	0.0350	0.0289	0.0337	0.0306	0.0312
Moreland Elementary School District	0.0612	0.0561	0.0556	0.0569	0.0565	0.0594
Saratoga School District	0.0361	0.0356	0.0351	0.0363	0.0363	0.0388
Campbell Union High School District	0.0197	0.0224	0.0198	0.0285	0.0299	0.0314
Fremont Union High School District	0.0268	0.0260	0.0243	0.0241	0.0339	0.0306
Los Gatos-Saratoga Joint Union High School District	0.0409	0.0371	0.0651	0.0345	0.0330	0.0352
Foothill-DeAnza Community College District	0.0129	0.0119	0.0346	0.0113	0.0123	0.0322
West Valley-Mission Community College District	-	0.0140	0.0126	0.0118	0.0032	0.0140
Saratoga Fire District	0.0017	0.0052	0.0049	0.0053	0.0053	0.0058
Santa Clara Valley Water District - State Water Project	0.0086	0.0069	0.0070	0.0067	0.0059	0.0071
Santa Clara Valley Water District - Zone W-1	0.0006	0.0009	0.0002	0.0040	0.0002	0.0002

Source: California Municipal Statistics, Inc.

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

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(amounts expressed in thousands)

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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>Tax</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
58,210	10,241,220	(173,628)	10,067,592	1.0506

**CITY OF SARATOGA  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR AND FIVE YEARS AGO  
 JUNE 30, 2010**

(amounts expressed in thousands)

Taxpayer	2010			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	\$ 34,889	1	0.35%			
Quito Village Group, LLC	31,110	2	0.31%	12,901	3	0.22%
John M. & Abby J. Sobrato	17,643	3	0.18%			
Gregpenn Properties, LLC	14,424	4	0.14%			
San Jose Water Works	13,308	5	0.13%	9,901	5	0.13%
John I. Keller	12,208	6	0.12%			
David J. & Terri E. Morrison	10,604	7	0.11%	9,423	6	0.13%
Argonaut Associates, LLV	10,510	8	0.10%	12,005	3	0.13%
Ashok Krishnamurthi	10,439	9	0.10%	9,282	7	0.13%
Rakesh & Dipti BI Mathur	10,200	10	0.10%			
Odd Fellows Home of California				22,325	1	0.53%
Saratoga Office Center Partners, LLC				13,543	2	0.26%
David C. & Roxanne N. Petterschmidt				9,241	8	0.12%
Deloise A. Jordan				8,918	9	0.12%
David L. House				8,800	10	0.12%
Assessed Value	<u>\$ 10,067,592</u>			<u>\$ 7,393,858</u>		

<sup>1</sup> Earliest information available

Source: California Municipal Statistics, Inc./HdL Coren & Cone

**CITY OF SARATOGA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST SIX 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%
2010	8,371,396	8,381,134	100.1%	(9,738)	8,371,396	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 SIX YEARS**

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(amounts expressed in thousands, except per capita amounts)

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Governmental activities						
General obligation bonds	\$ 14,440	\$ 14,170	\$ 13,890	\$ 13,595	\$ 13,285	\$ 12,955
Total primary government	<u>\$ 14,440</u>	<u>\$ 14,170</u>	<u>\$ 13,890</u>	<u>\$ 13,595</u>	<u>\$ 13,285</u>	<u>\$ 12,955</u>
Percentage of Personal Income <sup>1</sup>	0.00%	0.00%	0.00%	0.00%	n/a	n/a
Per capita <sup>2</sup>	468	460	443	430	419	405

Source: CAFR

<sup>1</sup>Bureau of Economic Analysis - personal income information only available through 2008  
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 SIX YEARS**

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(amounts expressed in thousands, except per capita amounts)

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General obligation bonds	\$ 14,440	\$ 14,170	\$ 13,890	\$ 13,595	\$ 13,285	\$ 12,955
Less: Amount available in debt service fund	(855)	(865)	(747)	(854)	(926)	(890)
Total primary government	<u>\$ 13,585</u>	<u>\$ 13,305</u>	<u>\$ 13,143</u>	<u>\$ 12,741</u>	<u>\$ 12,359</u>	<u>\$ 12,065</u>
Percentage of actual taxable value of property	0.18%	0.16%	0.15%	0.14%	0.12%	0.12%
Per capita <sup>1</sup>	440	431	419	403	390	377

Source: CAFR

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

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

(amounts expressed in thousands)

	Debt Outstanding	Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
<b>Direct Debt:</b>			
City of Saratoga	12,955	100.000%	12,955
<b>Overlapping Tax and Assessment Debt:</b>			
Santa Clara County	\$ 350,000	3.729%	\$ 13,052
Santa Clara Valley Water District, Zone W-1	910	4.023%	37
Foothill-De Anza Community College District	479,279	1.716%	8,224
West Valley Community College District	215,070	11.726%	25,219
Campbell Union High School District	136,395	5.544%	7,562
Fremont Union High School District	202,415	3.686%	7,461
Los Gatos-Saratoga Joint Union High School District	58,915	40.910%	24,102
Campbell Union School District	98,223	6.846%	6,724
Cupertino Union School District	127,265	6.179%	7,864
Moreland School District	73,272	12.960%	9,496
Saratoga Union School District	49,432	86.175%	42,598
Saratoga Fire Protection District	5,049	97.424%	4,919
Santa Clara Valley Water District Benefit Assessment	152,440	3.729%	5,684
Total Overlapping Tax and Assessment Debt			<u>162,942</u>
<b>Overlapping General Fund Debt:</b>			
Santa Clara County General Fund Obligations	825,070	3.729%	\$ 30,767
Santa Clara County Pension Obligations	388,045	3.729%	14,470
Santa Clara County Board of Education			
Certificates of Participation	13,580	3.729%	506
Santa Clara County Vector Control District			
Certificates of Participation	3,965	3.729%	148
Foothill-De Anza Community College District			
Certificates of Participation	23,450	1.716%	402
West Valley-Mission College District			
General Fund Obligations	56,120	11.726%	6,581
Los Gatos-Saratoga Joint Union High School District			
Certificates of Participation	10,205	40.910%	4,175
Saratoga Union School District			
Certificates of Participation	6,380	86.175%	5,498
Midpeninsula Open Space Park District			
General Fund Obligations	113,788	6.277%	7,142
Total Overlapping General Fund Debt			<u>69,689</u>
Combined Total Debt <sup>2</sup>			<u>\$ 245,586</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 SIX YEARS**

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(amounts expressed in thousands)

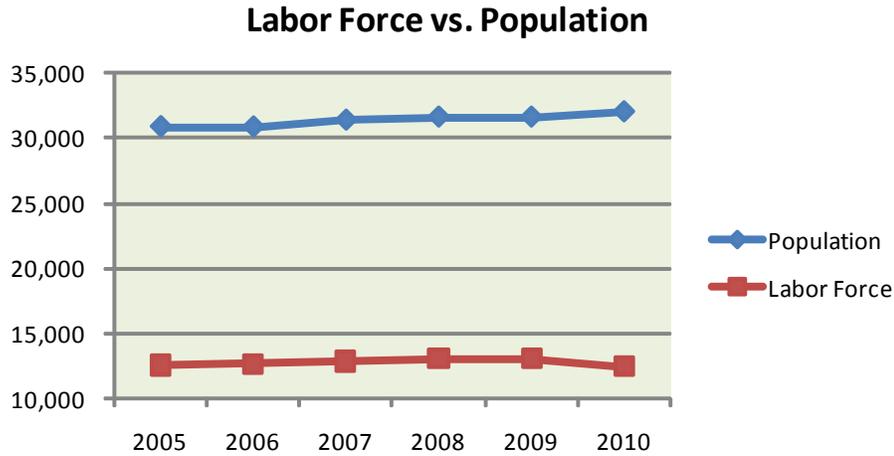
	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 1,120,618	\$ 1,241,761	\$ 1,334,455	\$ 1,423,398	\$ 1,514,378	\$ 1,536,183
Total net debt applicable to limit	13,585	13,305	13,143	12,741	12,359	12,065
Legal debt margin	\$ 1,107,033	\$ 1,228,456	\$ 1,321,312	\$ 1,410,657	\$ 1,502,019	\$ 1,524,118
Total net debt applicable to the limit as a percentage of debt limit	1.21%	1.07%	0.98%	0.90%	0.82%	0.79%
Legal debt margin calculation						
Assessed value	\$ 7,393,857	\$ 8,144,454	\$ 8,755,510	\$ 9,329,953	\$ 9,934,362	\$ 10,067,592
Add back: exempt real property	76,932	133,951	140,859	159,369	161,488	173,628
Total assessed value	\$ 7,470,789	\$ 8,278,405	\$ 8,896,369	\$ 9,489,322	\$ 10,095,850	\$ 10,241,220
Debt limit (15% of total assessed value)	\$ 1,120,618	\$ 1,241,761	\$ 1,334,455	\$ 1,423,398	\$ 1,514,378	\$ 1,536,183
Debt applicable to limit:						
General obligation bonds	\$ 14,440	\$ 14,170	\$ 13,890	\$ 13,595	\$ 13,285	\$ 12,955
Less: Amount available in debt service fund	(855)	(865)	(747)	(854)	(926)	(890)
Total net debt applicable to limit	\$ 13,585	\$ 13,305	\$ 13,143	\$ 12,741	\$ 12,359	\$ 12,065
Legal debt margin	\$ 1,107,033	\$ 1,228,456	\$ 1,321,312	\$ 1,410,657	\$ 1,502,019	\$ 1,524,118

Source: CAFR

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

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Fiscal Year	City Population <sup>1</sup>	Personal Income (in thousands) <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	105,979	58,531	13,100	3.2%
2009	31,679	n/a	n/a	13,300	6.0%
2009	31,997	n/a	n/a	12,500	5.8%



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 FIVE YEARS AGO AT JUNE 30, 2010**

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Employer	2010			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			0.00%	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 SIX FISCAL YEARS**

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

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Function	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Part 1 crimes <sup>1</sup>	463	426	425	381	282	173
Total incidents	42,011	40,567	39,663	41,243	41,384	39,942
Police reports	1,767	1,659	1,767	1,941	1,949	1,273
Public Works						
Street resurfacing (miles)	N/A	5	14	N/A	6	3
Street lights repaired	2	3	3	12	25	24
Potholes filled (sq. ft.)	N/A	5,000	5,000	7,000	10,000	10,000
Community Development						
Total permit valuation (\$000)	74,668	94,485	69,935	70,442	61,117	44,658
Parks and Recreation						
Classes, trips (enrollment) community events	5,604	5,712	4,817	4,782	4,698	4,366
Adult Exercise (e.g. JS Dance, Jazzerxcise)	272	312	285	362	515	545
Sports programs (e.g. Adult basketball, softball)	470	473	515	591	459	423
Prescholl programs (enrollment)	200	163	159	225	171	161
Day/summer camps (enrollment)	301	287	205	242	225	331
Teen/youth council (enrollment)	2,506	3,798	2,221	94	419	2,110
Senior center (enrollment/attendance days)	22,312	22,591	18,515	17,826	16,325	16,533

<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 SIX FISCAL YEARS**

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Function	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Public safety						
Police Station	1	1	-	-	-	-
Fire Station						
Saratoga Fire District	1	1	1	1	1	1
Central Fire District	1	1	1	1	1	1
Public Works						
Street Miles - Private	13	13	13	13	14	14
Street Miles - Public	137	137	137	137	140	140
West Valley Sanitation District						
Number of Connections	8,601	8,621	8,651	8,651	8,683	8,687
Length of Sewer Lines	120	120	127	127	127	127
Cupertino Valley Sanitation District						
Number of Connections	2,118	2,118	2,915	2,927	2,938	2,949
Length of Sewer Lines	36	36	36	36	36.5	36.5
Parks and Recreation						
Parks Acreage	81	81	81	81	84	84
Parks	15	15	15	15	15	15

Source: City of Saratoga various records