



CITY of SARATOGA

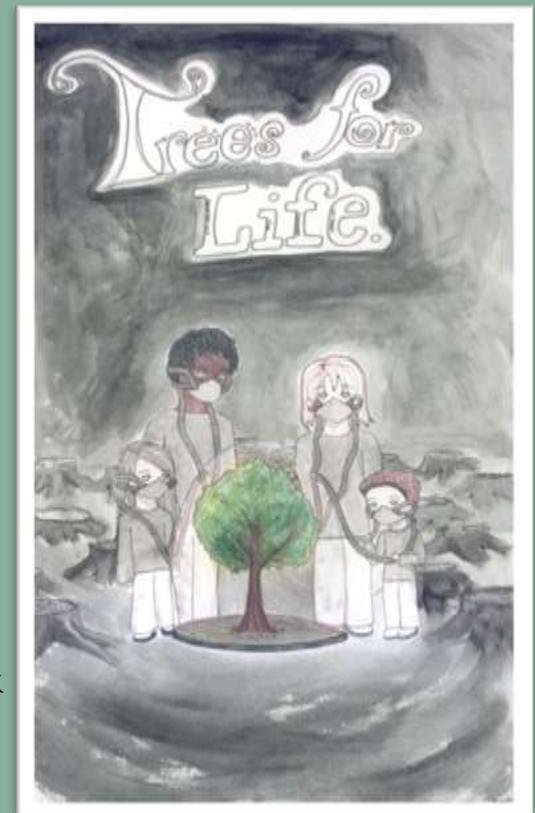
C A L I F O R N I A

EDWARD OH
7TH GRADE



CRYSTAL WANG
3RD GRADE

ARBOR
DAY
2013
POSTER
WINNERS



ESAU VANDERBECK
12TH GRADE

FISCAL YEAR 2013/14
COMPREHENSIVE ANNUAL FINANCIAL REPORT

THE CITY OF SARATOGA IS PROUD TO BE A TREE CITY USA



Saratoga, California

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

City Council

Emily Lo	Mayor
Howard Miller.....	Vice Mayor
Chuck Page	Council Member
Manny Cappello.....	Council Member
Jill Hunter.....	Council Member

Presented under the direction of:
James Lindsay, City Manager
Finance & Administrative Services Department

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**CITY OF SARATOGA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2014**

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**CITY OF SARATOGA
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INTRODUCTORY SECTION

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CITY OF SARATOGA

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

November 19, 2014

Honorable Mayor, City Council, and Citizens of the City of Saratoga, California

The Comprehensive Annual Financial Report (CAFR) of the City of Saratoga for the year ended June 30, 2014 is hereby submitted in accordance with mandated statutes. These statutes require the City of Saratoga to annually issue a report on its financial position and activity, and that an independent firm of certified public accountants audits this report. This annual report was prepared in accordance with accounting principles generally accepted in the United States of America. City Management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

To provide a reasonable basis for making these representations, the City has established internal controls to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. Information contained 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, 2014, along with additional disclosures and financial information designed to enable the reader to gain an understanding of the City's financial activities.

The 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. To facilitate the general public's understanding and usefulness of the City of Saratoga's financial statements, GASB Statement 34 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 formal letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Unaudited sections of this document are presented to supplement the basic financial statements. While not audited, the supplemental information is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for operational, economic and historical context.

THE REPORTING ENTITY AND ITS SERVICES

The City of Saratoga (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 contained a population of 30,887 at January 1, 2014, 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 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 fiscal year 2005/06. The Authority's final financial report was issued for fiscal year 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

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

Due to its highly rated schools and beautiful neighborhoods nestled within the foothills at the edge of the valley, Saratoga has grown into an affluent residential city and in general is fiscally protected by the stability of its' tax and development fee revenues. As is typical for California cities, the City of Saratoga's largest funding sources are property tax, franchise fees, sales tax, and development fees and permits. It should be noted however, that while development fees are a significant funding source; expenses related to the intake of this fee-based revenue more than offsets the revenue received.

Property Tax

Effective with the 2006/07 fiscal year, the City began receiving a significant increase in property tax revenues due to the passage of Assembly Bill 117. This legislation increased the property tax percentage allocated to the City under the Tax Equity Allocation (TEA) formula.

Allocation inequality originally arose from the passage of Proposition 13 in 1978, which froze property taxes at their current level for all cities across the State. This action created significant problems for cities with low property tax rates. Subsequently, Section 98 of the California Revenue and Taxation Code was passed establishing a minimum tax equity allocation of 7% of the 1.0% ad valorem tax to those cities

below the average rate as a condition for Counties to receive trial court funding. Impacts to ERAF created by the shift were backfilled by the State. Because Santa Clara County determined it would receive less from trial court funding than from the additional tax moneys flowing to the four low tax cities (Saratoga, Cupertino, Los Altos Hills, and Monte Sereno), additional legislation was enacted which limited the four low property tax cities in Santa Clara County to just 55% of the 7% minimum allocation.

In 2006, Assembly Bill 117 repealed the 55% limit, however the four cities were required to continue to remit the County's ERAF rate on these funds so that the bill would have no effect on the State Budget, and therefore avoid the Appropriations Committee. Unfortunately, the ERAF rate the County remits to the State is much higher at 47.7% than the four city's ERAF rates ranging from 7.53% to 17.37 %.) Although made partially whole, these four cities continue to be treated differently than the State's other TEA cities. For Saratoga, the 2006 legislative adjustments increased revenues from 3.85% to 5.46% of the 1.0% property tax paid by residents; however it remains below the minimum 7.0%. Due to this difference in treatment, efforts to bring the four cities up to the full tax rate continue.

Franchise Fees

Franchise Fees are assessments on a number of utility services, including gas, electricity, water, cable, and solid waste. These assessments are integrated into the utility agreements, to be collected and remitted by the service companies. The assessments are determined by easement formulas or a percentage of service costs and are a pass-through fee on their billings. With most of these services considered necessities in an urban setting, there is little fluctuation in most of the revenues stream. Cable revenue has increased due to growth in the use of enhanced cable services. And, over the last several years, solid waste franchise fee revenue has increased with the rise in service charges. Both of these fees are expected to remain fairly flat in the future.

Sales Tax

With Saratoga primarily a residential community with limited retail sources, Sales Tax is small in comparison to other cities of similar size. In an average year, the City receives approximately \$1 million in Sales Tax, which is derived primarily from restaurants, grocery and drug stores, and gas stations. These revenue categories have remained fairly consistent over time as they provide a good balance to meet local needs. Revenue is not expected to grow significantly in the future as spending habits are migrating to online purchases, nor is it expected to decrease significantly as the Sales Tax comes from basic services and goods the community requires.

Development Fees

Development Fees revenue is derived from services related to planning reviews, planning applications, building plan reviews, engineering reviews, building inspections, and all permits, fees and costs associated with performing these activities. These services are regulatory to ensure compliance with all applicable laws, and to ensure health and safety of the community. Although the entire community benefits from an enforced regulatory program, the service requestor initiates the development change and benefits the most from it, and therefore should pay most if not all of the costs. While in the past, the financial strength of the Saratoga community has insulated this revenue source from minor economic fluctuations, the last few years have proven that development activity does correlate with the stronger economic highs and lows.

Fiscal Outlook

For Saratoga, these main funding sources continue to be stable and reliable. The City's property and sales tax performances have weathered the storm of the "Great Recession" caused by the economic downturn of 2008. Over the past two fiscal years, California has experienced a recovery that is being led by the Silicon Valley's strong housing and labor markets.

General Fund Property Tax revenues increased more than 6% in FY 2013/14 as the region's assessed value of properties continues to exceed expectations. While Property Tax revenues continue to grow, there are signs

that the housing market has tempered its pace, prompting conservative Property Tax revenue projections of 3% for the following budget year and into the near future.

Franchise Fee revenue remained stable throughout the recession due to the nature of the revenue. With no expectation for growth, minimal revenue increases are projected each year, in line with service fee increases.

FY 2013/14 Sales Tax revenue fell slightly from the prior year, but as the decrease was due to corrections in the State's allocations, it was clear the overall strength of the economy remained strong. While encouraging, minimal actual growth is expected in future years as the City's land use structure consists primarily of built-out residential neighborhoods and a small number of commercial developments, thereby limiting large Sales Tax revenue generating sources.

Development Fees have stabilized over the past three fiscal years as a result of increasing housing prices. Revenues have almost returned to pre-recession levels; in FY 2013/14 revenues maintained the healthy resurgence in construction activity in alignment with other strengthening revenues.

California's overall economy is improving, with Saratoga and the rest of the San Francisco Bay Area cities at the forefront of this swell. Even the State's finances appear to have stabilized. However, ongoing reduced funding levels continue to have cities concerned that any unprotected State or County-based funding is still at risk, even with Proposition 1A protecting cities from unrestrained State takeaways. With this continuing fiscal uncertainty and with the anticipation of ever-increasing operating and capital improvement costs, Saratoga plans to continue operations at basic service levels in preparation for funding impacts as the new normal of government emerges. The Capital Improvement Program, primarily infrastructure, continues to be funded through dedicated funding sources, grant money, and residual funding from prior year operations.

FINANCIAL INFORMATION AND MAJOR INITIATIVES

Financial Controls

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.

For Cash Management, the City practices 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. Cash management is tracked by fund and reconciled monthly.

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. On occasion, outstanding encumbrances of a material nature are reviewed by the responsible department at year end, and if deemed critical, a recommendation is made to the City Council to take action by Resolution to re-appropriate these funds into the following year's budget.

Major Initiatives

The fiscal year 2013/14 Budget was developed with a focus on attaining a sustainable operating structure with some minor service level improvements under the slowly improving financial outlook. In some instances, staffing levels were restored or reorganized. Contracts were also restructured in order to improve customer service levels.

The Operating Budget focused on maintaining core services. The City also supported healthier life choices for youth in the community by committing to the Let's Move City campaign led by First Lady Michelle Obama. On the environmental front, the City partnered with the County of Santa Clara and Joint Venture Silicon Valley to develop an Energy Efficient Climate Action Plan.

With limited funding available for new Capital Projects in FY 2013/14, staff concentrated on completing existing projects already budgeted and standard ongoing maintenance projects for storm drain and sidewalk repairs, and traffic safety. Available City funding was used primarily to leverage grant funding for Street projects and for two safety projects with some funding provided for the Quarry Park Master Plan.

INDEPENDENT AUDIT

The City engaged Chavan & Associates, LLP to express an opinion on the financial statements based on their audit. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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 City's Annual Financial Report received an unqualified (clean) opinion from the auditors. The independent auditors' report is presented as the first component of the financial section of this report.

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 A-133, Audits of States, Local Governments, and Non-Profit Organizations. The City's federal financial assistance program also received an unqualified (clean) opinion from the auditors.

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, 2013. 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 Anthony McFarlane, Finance Manager for his preparation of this annual financial report, and to our supporting staff members: Ann Xu, Accountant; Julie Ingraham, Karen Caselli, and Gina Fitch, Accounting Technicians for their assistance with the audit and exemplary services throughout the year. Furthermore, we would like to thank Chavan & Associates, LLP Certified Public Accountants for their helpful assistance in the preparation of this report. Finally, we would like to give credit to the City Council and retiring City Manager, Dave Anderson 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,



James Lindsay
City Manager



Mary Furey
Finance and Administrative Services Director



Government Finance Officers Association

**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, 2013

Executive Director/CEO

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

As of Aug 29, 2014

CITY COUNCIL

Emily Lo - Mayor
Howard Miller – Vice Mayor
Chuck Page
Manny Cappello
Jill Hunter

CITY STAFF

James Lindsay – City Manager
Crystal Bothelio – City Clerk
Mary Furey – Administrative Services Director
Vacant – Community Development Director
John Cherbone – Public Works Director
Michael Taylor – Recreation & Facilities Director

CITY ATTORNEY

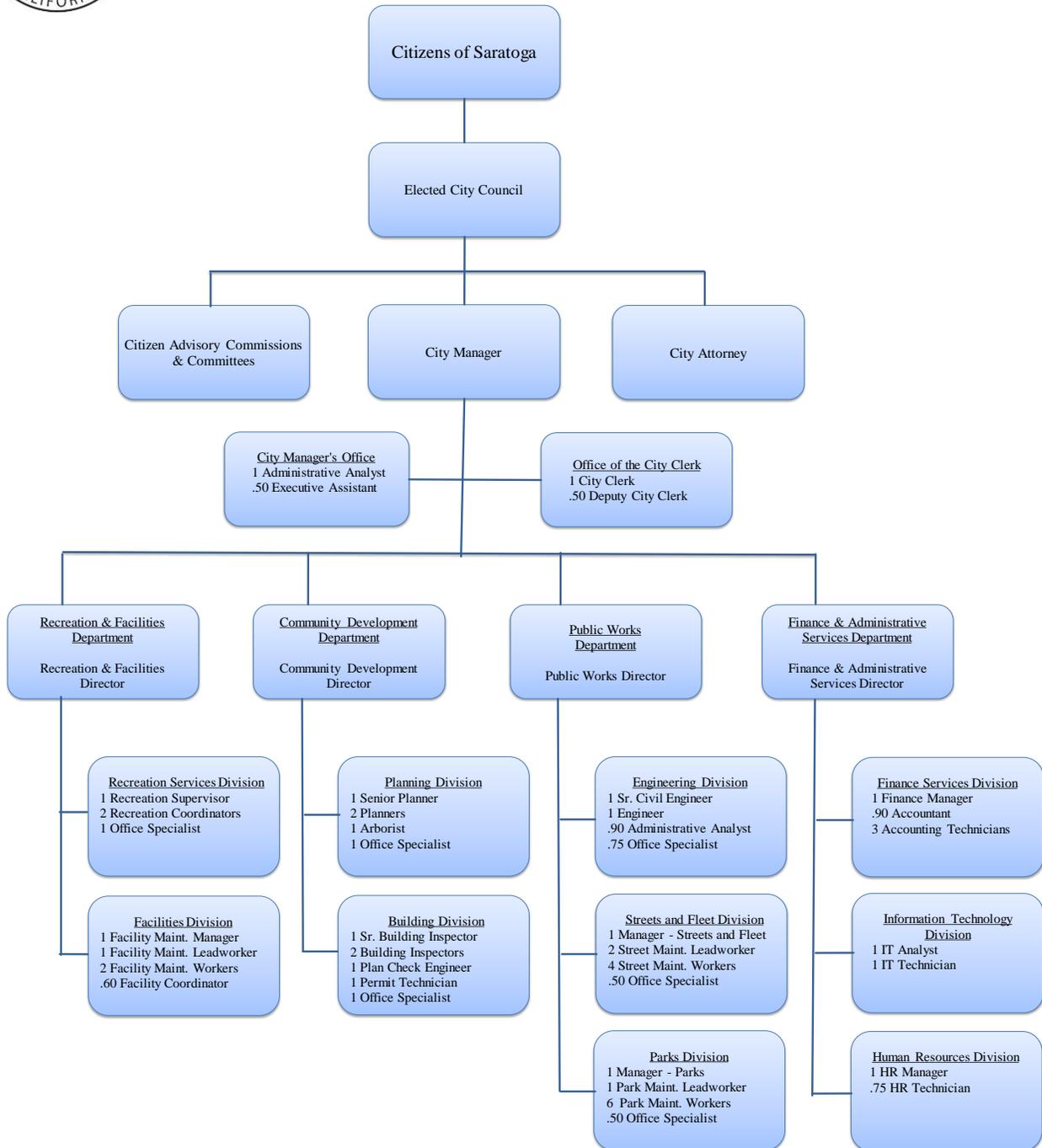
Richard S. Taylor – Shute, Mihaly & Weinberger

INDEPENDENT AUDITORS

Chavan & Associates, LLP Certified Public Accountants

City of Saratoga - Organization Chart

FY 2013/14



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Saratoga (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, the standards applicable to financial audits contained in *Government 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, 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 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

C & A LLP

August 29, 2014
San Jose, California

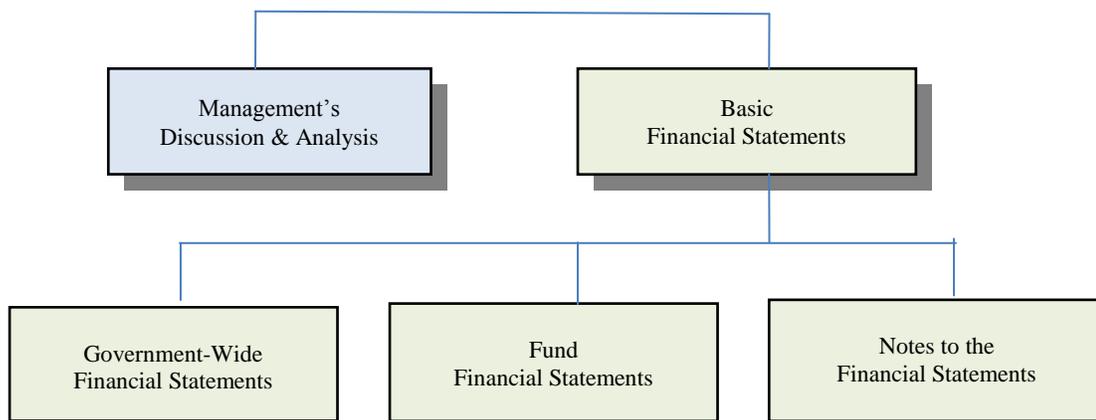
**CITY OF SARATOGA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

INTRODUCTION

The Management’s Discussion and Analysis (MD&A) is a required section of the City’s Comprehensive Annual Financial Report (CAFR), as shown in the overview below. The purpose of the MD&A is to present discussion and analysis of the City’s financial performance during the fiscal year that ended on June 30, 2014. This report will (1) focus on significant financial issues, (2) provide an overview of the City’s financial activity, (3) identify changes in the City’s financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Transmittal Letter and Basic Financial Statements is intended to provide a comprehensive understanding of the City’s operations and financial standing.

Required Components of the Annual Financial Report



FISCAL YEAR 2014 FINANCIAL HIGHLIGHTS

- Total net position increased by \$1.6 million last fiscal year.
- The City's assets exceed its liabilities by almost \$ 129.3 million; with total assets of \$144 million and liabilities of \$ 14.8 million.
- Net Position is comprised of \$112.1 million for investment in capital assets, net of depreciation and related debt; \$2.0 million restricted for specific purposes; and \$15.1 million in unrestricted Net Position (reference pg. #39).
- Total City-wide revenues of \$22.1 million consist of \$14.8 million in general revenue and \$7.3 million in program revenue (reference pg. #40).
- City expenses total \$20.6 million (reference pg. #40).
- The Governmental Fund’s fund balances total \$16.6 million, with \$11.8 million in the General Fund, \$3.1 million in the Capital Improvement Funds, and \$1.6 million in the Other Governmental Funds. This represents an increase of \$1.75 million from last year (reference pg. #41).
- General Fund revenues total \$18.3 million, while General Fund expenditures total \$16.1 million (reference pg. #43).

**CITY OF SARATOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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 are comprised of the *Statement of Net Position* and the *Statement of Activities*. The *Statement of Net Position* provides summary level information about the financial position of the City, 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 summary level information about the City's revenues and 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* illustrates the change in Net Position for the fiscal year.

City financial activities are required to be grouped as either government activities or business-type activities. The amount in the *Statement of Net Position* and the *Statement of Activities* are required to be separated into governmental activities or business-type activities in order to distinguish between the two types of activities. In the case of the City of Saratoga, there are no business-type activities as of June 30, 2014.

Fund Financial Statements report the City's operations in more detail than 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 current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

Major funds account for the major financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds in the Supplementary Information section. 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 Position* 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 development and recreation program fees.

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

Fund Financial Statements

A fund represents a grouping of related accounts and is used to maintain control over resources that are 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 funds are classified as major funds,

**CITY OF SARATOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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 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 types: 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 insurance and risk management, workers compensation, office equipment support services, information technology services, vehicle and building maintenance, and vehicle and information technology equipment replacement. Because internal service funds primarily benefit governmental functions, they have been included with the *governmental activities* in the Government-Wide financial statements.

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. Currently the City does not have any fiduciary funds.

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 presented in this MD&A, follows the Notes Section 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 additional information on non-major governmental funds including special revenue, debt service, and capital project funds, as well as proprietary internal service fund information 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.

**CITY OF SARATOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as an indicator of the City's financial position. The City's Total Net Position increased \$1,574,709, from \$127,681,352 in fiscal year 2012/13 to \$129,256,061 in fiscal year 2013/14.

The most significant portion of the City's Net Position (\$112,116,255 or 86.7%) 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.

\$2,044,800 or 1.6% of the City's Net Position is subject to external restrictions on how the funding may be used. Within the restricted Net Position total, \$733,832 is for lighting and landscaping assessment districts, \$413,182 is for environmental programs, and \$897,786 is for repayment of long-term debt.

The remaining \$15,095,078 or 11.7% of the City's Net Position are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Net Position

		<u>Governmental Activities</u>	
		<u>2014</u>	<u>2013</u>
Assets			
Current assets		\$ 20,853,961	\$ 18,646,780
Capital assets		123,171,255	123,893,273
	Total Assets	<u>144,025,216</u>	<u>142,540,053</u>
Liabilities			
Current liabilities		3,633,553	3,228,709
Long-term debt		11,135,528	11,629,992
	Total Liabilities	<u>14,769,081</u>	<u>14,858,701</u>
Net Position			
Net investment in capital assets		112,116,257	112,353,273
Restricted for environmental services		413,182	463,182
Restricted for special assessment funds		733,832	621,948
Restricted for debt service		897,786	885,757
Unrestricted		15,095,078	13,357,192
	Total Net Position	<u>\$ 129,256,135</u>	<u>\$ 127,681,352</u>

**CITY OF SARATOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Statement of Changes in Net Position

Functions/Programs	Governmental Activities		Increase (Decrease)
	2014	2013	
Program Revenues			
Charges for services	\$ 6,396,863	\$ 7,154,600	\$ (757,737)
Operating grants and contributions	116,667	75,000	41,667
Capital grants and contributions	807,481	599,067	208,414
Total Program Revenues	7,321,011	7,828,667	(507,656)
General Revenues			
Property taxes	9,737,144	9,152,499	584,645
Sales taxes	941,350	1,051,121	(109,771)
Local taxes	822,271	769,357	52,914
Franchise taxes	1,948,642	1,919,750	28,892
Motor vehicle in-lieu	13,575	16,402	(2,827)
Intergovernmental revenues	980,937	766,090	214,847
Investment earnings	61,895	50,562	11,333
Other revenues	305,011	112,906	192,105
Total General Revenues	14,810,825	13,838,687	972,138
Expenses			
General and intergovernmental services	4,521,784	4,143,254	378,530
Public safety	4,491,384	4,381,644	109,740
Public works	7,378,503	6,921,349	457,154
Community services	1,586,353	1,804,331	(217,978)
Community development services	2,178,634	1,712,706	465,928
Interest on long-term debt (unallocated)	400,469	410,118	(9,649)
Total Expenses	20,557,127	19,373,402	1,183,725
Increase / (Decrease) in Net Position	1,574,709	2,293,952	(719,243)
Net Position, Beginning of Year	127,681,352	125,387,400	2,293,952
Net Position, End of Year	\$ 129,256,061	\$ 127,681,352	\$ 1,574,709

As shown in the above *Statement of Changes in Net Position* schedule, program revenues decreased by \$507,656 from the prior fiscal year for governmental activities. General revenues increased by \$972,138 from the prior year. This resulted in a total increase in revenues of \$464,482. Expenses increased by \$1,183,725 from the prior year.

With total program and general revenues for fiscal year 2013/14 at \$22,131,836 and total expenses at \$20,557,127, the net activity resulted in an increase in Net Position of \$1,574,709.

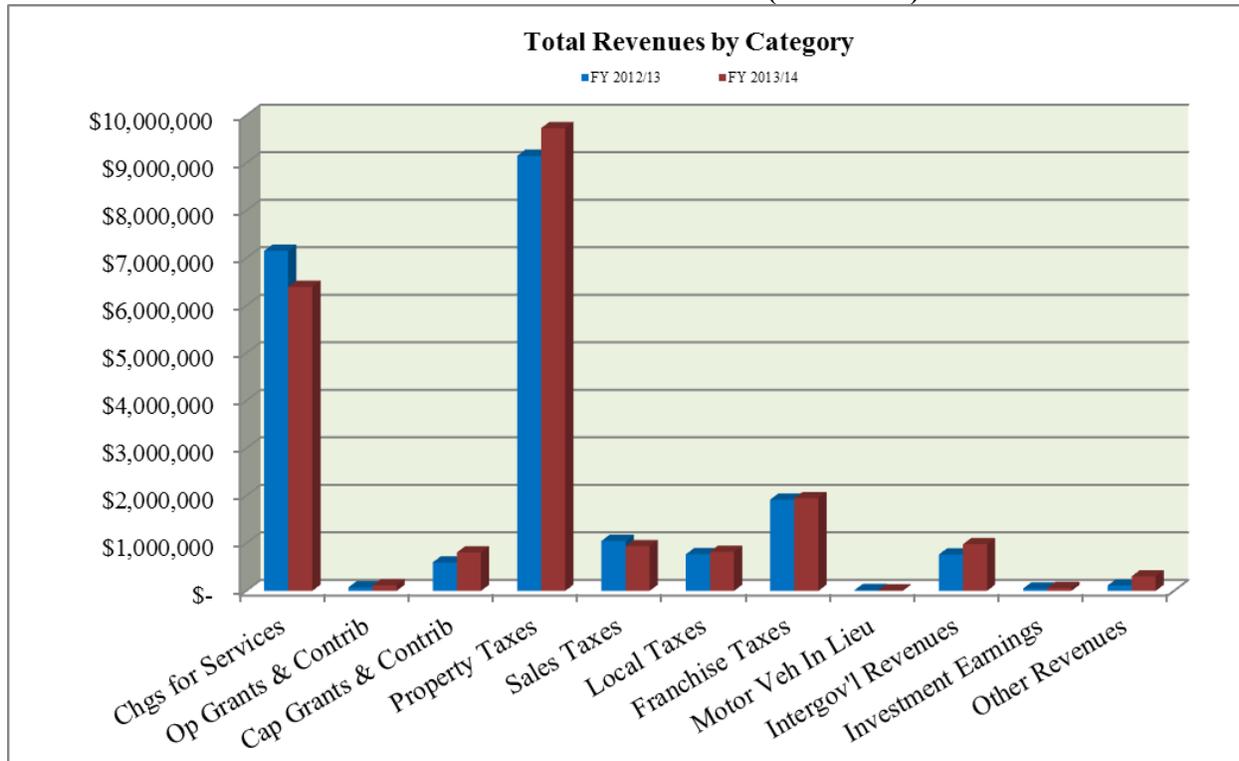
An analysis and graphical representation of the changes in revenues and expenditures by type of significant events follows:

**CITY OF SARATOGA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Revenues

The large increases from Property Tax and Capital Grants & Contributions revenue was offset by a large decrease in Charges for Services during FY 2013/14, resulting in a net increase of \$464,482 in total general and program revenues.

CHART OF REVENUE INCREASE OR (DECREASE)



Increase in Revenues

General Revenues increased \$972,138 from the prior year. The most significant changes include:

- A \$584,685 increase in Property Tax Revenue due to higher assessed valuations of property within the City.
- A \$214,847 increase in Intergovernmental Revenue as a result in an increased Traffic Congestion Relief allocation to Gasoline Tax revenue.
- A \$192,105 increase in Other Revenue as a result of a new Solid Waste JPA distribution of \$43,959 and a one-time payment from an insurance claim of \$156,884

Program Revenues increased in grant revenues:

- An increase of \$208,414 in Capital Grants and Contributions is a result of grant reimbursement for the Highway 9 Safety Improvement Project.
- An increase of \$41,667 in Operating Grants & Contributions revenue due to the timing of Supplemental Law Enforcement Support (SLESF) grant disbursements.

**CITY OF SARATOGA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

General Revenues decreased substantially in one category:

- A \$109,771 decrease in Sales Tax revenues resulted from a combination of the State’s estimates being too high in a prior year, which subsequently resulted in a reconciling reduction in FY 2013/14 payments to compensate for the overpayment and adjustments for incorrect allocations.

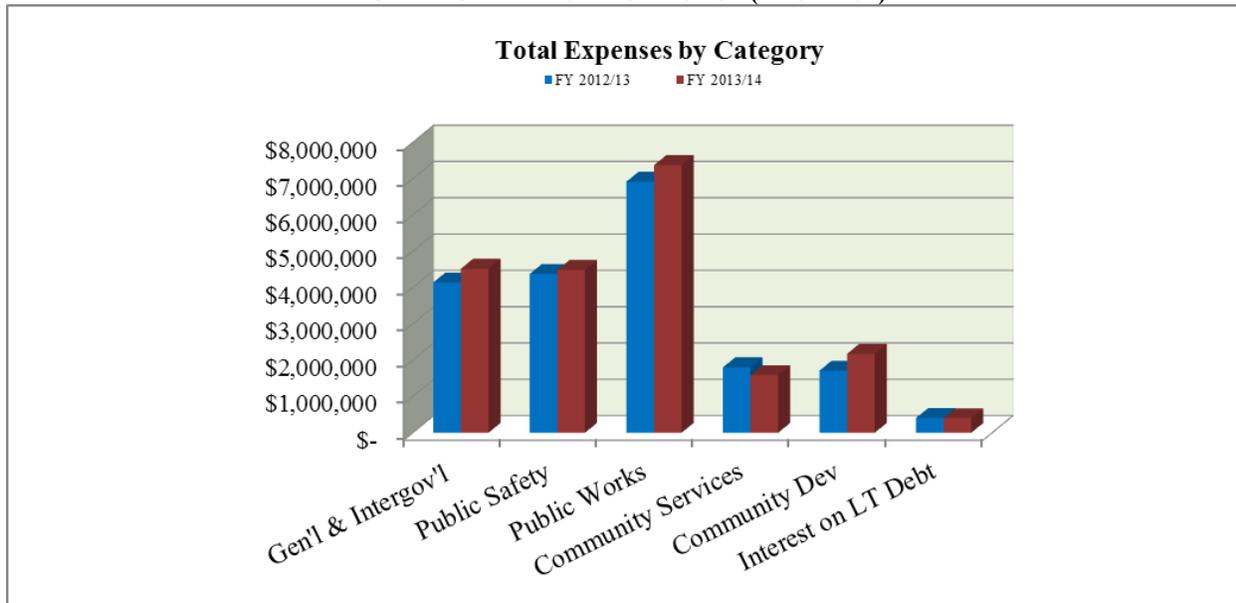
Program Revenues decreases were due to a substantial decrease in one category:

- Charge for Services revenue decreased by \$757,737 due in part to the elimination of the road impact fee (\$523,773) and a reduction in the refund amount received from the Sheriff’s contract (\$261,761).

Expenses

The FY 2013/14 net change in expenses for Governmental Activities was an increase of \$1,183,725. The increases were spread between Community Development, Public Works and General and Intergovernmental Services as illustrated in the chart below.

CHART OF EXPENSE INCREASE OR (DECREASE)



Increases in Expenses

Significant increases in expenses from the prior year occurred in several categories:

- Community Services capital improvements (primarily parks and trail improvement projects) increased by \$459,696.
- Public Works expenses increased \$291,741 as a result of growth in labor and operating costs.
- Community Development expenses increased by \$134,857 as a result of growth in labor and operating costs.
- Public Safety increased by \$99,540 as a result of additional costs for Sheriff and Animal Control contract services.

**CITY OF SARATOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Decreases in Expenses

A notable decrease is related to a reduction in capital project expenses:

- Public Works (primarily street capital improvement projects) decreased in total by \$1,389,314. This decrease is primarily due to the cyclical nature of CIP Streets projects. There was a decrease in Highway 9 Safety Improvement project activity of \$1,030,844 due to the completion of one phase last year and the transitioning into a new phase during the current year. Construction costs increase as a phase is closer to completion as opposed to the costs associated with planning and development when a new phase of the project is started.

MAJOR AND OTHER GOVERNMENTAL FUNDS: CHANGE IN FUND BALANCE

A summary of the changes in fund balance of the Major Funds and Other Governmental Funds is presented below:

	Major Funds		Other Governmental Funds
	General	Capital Improvement	
Total Revenues	\$ 18,268,368	\$ 2,587,657	\$ 1,422,842
Total Expenses	16,137,578	3,095,514	1,298,928
Revenues Over (Under) Expenditures	2,130,790	(507,857)	123,914
Transfers in	167,050	618,038	-
Transfers out	(380,880)	(404,208)	-
Net change in fund balances	1,916,960	(294,027)	123,914
Beginning of year	9,918,674	3,420,334	1,507,705
End of year	\$ 11,835,634	\$ 3,126,307	\$ 1,631,619

Included in the Major Funds are the General Fund and the Capital Improvement Funds. The Other Governmental Funds include twenty-five Lighting and Landscape Assessment Districts (accounted for as one fund in the financials) and the Library Bond Debt Service Fund. The total net change from fiscal year transactions, including Major Funds and Other Governmental Funds, was an increase of \$1,746,847.

General Fund

As shown in the preceding *Major Funds* table, the net change in the General Fund's ending fund balance is an increase of \$1,916,960. A Net Gain is a result of the net operating revenues exceeding net operating expenses. A number of the General Fund revenue categories increased from the prior year for a net revenue gain of \$632,380, most notably property tax revenue. General Fund revenues budgets are conservatively based upon prior year experience and revenue specific information; however the strengthening of the housing market at a fairly rapid pace and a couple of added revenue streams resulted in a positive variance from budgeted revenues.

Expenses are budgeted at anticipated program needs at not-to-exceed projected funding levels. With an increase in development activity, related expenditures also increased from the prior year. Additional increases came from rising salary and benefit costs, sheriff and animal contract costs, and internal service fund costs.

**CITY OF SARATOGA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Capital Improvement Project Fund

As shown in the table above, the net change in the Capital Improvement Fund decreased by \$294,027 as a portion of the capital improvement project work completed over the course of the year utilized prior year funding in addition to current year funding.

Other Governmental Funds

Of the net \$123,914 increase in Other Governmental Funds, the collective 25 Landscaping & Lighting funds comprise \$111,885 of the total. The Library Bond debt service fund accounts for the remaining \$12,029 of the increase. Both net gains represent a small excess of revenue over expenditures in the normal course of operations.

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. Significant changes from the City’s original budget to the final budget are summarized as follows:

Revenues and Transfers In

The General Fund adopted revenue budget was \$17,195,646, and adopted transfers in was \$106,000, as shown in the first column in the schedule below:

**Adopted to Final Budget
Fiscal Year Ended June 30, 2014**

	Adopted Budget	+ Budget Adjustments	= Final Budget
Revenues	\$ 17,195,646	878,417	\$ 18,074,063
Transfers in	\$ 106,000	-	\$ 106,000

At mid-year, budget adjustments were made to increase expected revenues. The Sheriff’s Office provided the City with a contract refund of \$41,533. This refund was not budgeted as refunds may or may not be received, and the amount is unknown at the time of budget adoption. Impacts from the upturn in the housing market coupled with historically low interest rates contributed to an expected \$350,000 increase in property taxes, \$155,000 in in-lieu taxes, \$130,000 in building fees, and a one-time insurance claim reimbursement of \$156,844.

The \$106,000 of budgeted transfers in was from Gas Tax funds to reimburse the General Fund for engineering, administrative, and project management staff time.

**CITY OF SARATOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Expenses and Transfers Out

The General Fund adopted expenditure budget was set at \$16,646,407 and adopted transfers out at \$380,800, as shown in the first column in the schedule below:

**Adopted to Final Budget
Fiscal Year Ended June 30, 2014**

	Adopted Budget	Budget Adjustments	Final Budget
Expenses	\$ 16,646,407	196,501	\$ 16,842,908
Transfers out	\$ 380,880	-	\$ 380,880

Several budget adjustments were made at the City's mid-year review; City Council members approved: \$39,000 in additional expenditures in development, engineering and parks programs, plus \$73,101 for carry-forward programs. \$10,000 was also budgeted for the General Plan update. As a result of the retirement announcement of City Manager Dave Anderson, \$24,400 was budgeted for executive recruitment funding. A hazardous material spill late in the fiscal year required an additional adjustment of \$50,000 to mitigate the impact of the spill into Saratoga Creek.

The original amount of \$380,800 of budgeted transfers from the General Fund to the Capital Improvement funds was allocated as follows; \$150,000 for street, sidewalk, and storm drain repair, \$45,880 for trail improvements, \$100,000 for various facility improvements and \$85,000 for various administrative projects.

CAPITAL ASSETS

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

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

City policy is to achieve a Pavement Condition Index (PCI) average rating of 70 for all streets, at minimum. The City's overall rating was 69 with 0% of streets rated as Excellent, 81% of streets rated as "Very Good" to "Good", 16% of streets rated "Poor", and 3% of streets rated as "Very Poor". With the overall rating below target, the City will need to review infrastructure investment strategies.

Overall, the City spent \$2,079,413 to maintain and preserve eligible infrastructure assets. For more detailed information on Capital Assets activity, please refer to Note 4 in the section entitled "Notes to the Basic Financial Statements" and Note 2 in the "Required Supplementary Section". The latest assessment study was conducted during the fall of 2013.

**CITY OF SARATOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

As reflected in the following schedule, the City has \$123,171,870 invested in a variety of capital assets as of June 30, 2014. This represents a decrease of \$721,403 or a 0.6% decrease from the prior year.

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

	Governmental Activities	
	2014	2013
Land	\$ 14,585,401	\$ 14,585,401
Building and structures	17,738,462	18,203,584
Machinery and equipment	715,874	663,288
Infrastructure	81,607,369	82,825,336
Construction in progress	8,524,764	7,615,664
Total Capital Assets, Net of Depreciation	<u>\$ 123,171,870</u>	<u>\$ 123,893,273</u>

The following reconciliation summarizes the changes in Capital Assets.

Changes in Capital Assets

	Balance July 1, 2013	Additions	Retirements	Reclassification	Balance June 30, 2014
Land	\$ 14,585,401	\$ -	\$ -	\$ -	\$ 14,585,401
Building and structures	25,480,150	221,180	-	-	25,701,330
Machinery and equipment	2,470,326	177,961	(58,847)	-	2,589,440
Infrastructure	105,026,791	-	-	-	105,026,791
Construction in progress	7,615,664	1,287,076	(249,096)	(128,880)	8,524,764
Depreciation	(31,285,059)	(2,029,644)	58,847	-	(33,255,856)
Total Capital Assets, Net of Depreciation	<u>\$ 123,893,273</u>	<u>\$ (343,427)</u>	<u>\$ (249,096)</u>	<u>\$ (128,880)</u>	<u>\$ 123,171,870</u>

Major capital projects in progress during fiscal year 2013/14 included the following expenditures:

- Quito Road Bridge Replacement - \$109,842
- Highway 9 Traffic Safety - \$173,306
- De Anza Trail Improvement - \$214,785
- Saratoga to Sea Master Plan - \$220,996
- Village Sidewalk, Curb, and Gutters - \$119,698
- Hakone Gardens Driveway & Retaining Wall - \$310,375

Additional information on Capital Assets is included in Note 4 to the financial statements.

**CITY OF SARATOGA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

DEBT AND OTHER LONG-TERM OBLIGATION ADMINISTRATION

The net change in outstanding obligations for the City of Saratoga is a decrease of \$457,334. Total long term bonded debt, net of premium decreased by \$506,892. Outstanding compensated absences increased by \$49,558.

Outstanding Long-Term Obligation at Year End

	Governmental Activities	
	2014	2013
2011 General obligation bond	\$ 11,055,000	\$ 11,540,000
Net original issue premium	394,062	415,954
Compensated absences	671,537	621,979
Total Outstanding long-term obligations	<u>\$ 12,120,599</u>	<u>\$ 12,577,933</u>

The current portion of long-term debt (\$495,000 for the refunded 2001 General Obligation Bonds for fiscal year 2013/14) and \$21,892 of amortized net original premium, are classified as a current liability in the City's *Statement of Net Position*.

General Obligation Bonds

The City refunded the 2001 General Obligation Bonds and in their place issued 2011 General Obligation Bonds in the amount of \$11,995,000 on July 14, 2011 with interest rates on the bonds ranging from 2.0% to 4.0%, with final payment due August 1, 2031. Principal of \$485,000 and interest of \$403,085 were paid during the fiscal year.

Compensated absences are accrued liabilities for vested and unpaid vacation and sick pay. The compensated absences balance increased during the fiscal year by \$49,558 due to a decrease in use and payouts of unused compensated absences to retiring, terminated, and general employee payouts. An estimated current liability of \$468,179 is expected to be used in the next fiscal year.

Additional information on outstanding obligations can be found in Note 5 to the financial statements.

ECONOMIC FACTORS

The fiscal year 2013/14 budget was developed in early spring of 2013 amidst the “new normal”. Increases continue to be seen in the local tax base as the overall health of the economy recovers. Factors that continue to put pressure on the budget include operating cost increases related to health care, pensions and public safety. Infrastructure costs continuing to increase coupled with decreasing state and federal aid. The City continues to budget using conservative revenue projections while pursuing decreases in ongoing program expenditures in order to maintain a sustainable Operating Budget.

As a carryover trend from fiscal year 2012/13, the City continues to see some stability in revenues.

- General Fund Property Taxes increased in total by 6.0%, with increases of \$443,000 in Secured Property Tax, more than \$70,000 in Unsecured Property Tax, and \$21,000 in Transfer Tax.
- Development fees maintained stability as evidenced by:
 - Construction Tax and Supplemental Business License Tax (based on building permit values) revenues increases of 7.6% – almost \$31,000

**CITY OF SARATOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

- Planning and Building revenues jumped by 1.7% and Development Engineering revenues increased by 17.2% - almost \$25,000
- Transient Occupancy Tax, long an indicator of economic temperament, saw a strong uptick with an 11% increase – almost \$29,000.
- Interest rates remain at historical lows with a bleak outlook projected.

Development engineering income decreased, primarily from reduced encroachment permit revenue. Many other revenues remained flat – however General Fund expenses continued to increase.

- Salary and Benefit costs increased by \$104,569 (1.4%), primarily due to the hiring of additional personnel to address service levels. With new employee benefit levels reduced through the implementation of lower cost pension plans and the capping of medical benefits, future labor cost increases will be mitigated with the turnover of staff over time.
- Labor costs also contributed to the \$76,000 (1.8%) increase in Sheriff Services, in combination with operational cost increases. However, Public Safety labor costs will be mitigated as time goes on due to the new lower cost State regulated pension plans for Public Safety employees.
- Consultant and Contract Services grew by more than \$256,470. This is in part attributable to the \$107,627 increase in advanced planning costs related to the general plan update. Legal services increased \$88,957 related to litigation and employee law services. Public safety increased \$81,368 as a result of increases in the Santa Clara county sheriff and City of San Jose animal control contracts.

Overall, FY 2013/14 revenues grew at a faster pace than expenditures (net of transfers), both in dollars and percentage. The substantial revenue increase which occurred in FY 2013/14 helped to firm the City's long-term fiscal sustainability at current levels while allowing the reinstatement of some expenditure appropriations at mid-year for operational right-sizing and flexibility and in response to unplanned needs.

Outlook

Although the City's fiscal health continues to show improvement, General Fund revenues are not expected to continue on this rapid growth trajectory. Fiscal projections anticipate a leveling off in revenues as the initial rebound is tempered by economic hesitation. Fiscal uncertainty remains with us in this new normal, therefore the City plans to continue to maintain operations at core service levels in preparation of potential funding impacts. Potential revenue impacts include State takeaways of unprotected funding and changes in State directed revenue allocations. Known impacts will come from reductions in capital funding grants from state and federal sources to fund infrastructure improvement projects.

In addition to generally rising operational costs, aging infrastructure maintenance expenses are increasing as our city ages. New infrastructure also adds to rising maintenance expenses, such as the annual refinishing of the Community Center's new wood floor, or maintenance of new trails, and increased water bills for tree plantings and median improvements.

In a long term status-quo projection, rising expenditures are certain, while revenue growth is not. As local governments do not have the ability to increase taxes or other revenues at a sufficient pace to maintain increasing operations, management must consider a long term view in the decision-making process. One of the hardest challenges the City faces is balancing community expectations against the fiscal reality of long-term operational practicality. The City continues to focus on this challenge.

**CITY OF SARATOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

REQUEST FOR FINANCIAL INFORMATION

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



BASIC FINANCIAL STATEMENTS

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CITY OF SARATOGA
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 19,656,310
Receivables:	
Accounts	1,196,389
Interest	55
Prepaid	1,207
Total Current Assets	<u>20,853,961</u>
Noncurrent Assets:	
Capital Assets:	
Non-depreciable	72,265,784
Depreciable, net	50,905,471
Total Capital Assets	<u>123,171,255</u>
Total Noncurrent Assets	<u>123,171,255</u>
Total Assets	<u>144,025,216</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 983,952
Accrued payroll	157,224
Other payable	24,556
Interest payable	165,932
Deposits payable	1,142,289
Unearned Revenue	135,031
Claims payable	39,500
Long-term obligations - due within one year	985,071
Total Current Liabilities	<u>3,633,555</u>
Noncurrent Liabilities:	
Long-term obligations - due in more than one year	11,135,528
Total liabilities	<u>14,769,083</u>
Net Position	
Net investment in capital assets	112,116,255
Restricted for:	
Environmental funds	413,182
Special assessment funds	733,832
Debt service	897,786
Total Restricted	<u>2,044,800</u>
Unrestricted	15,095,078
Total Net Position	<u>\$ 129,256,133</u>

The accompanying notes are an integral part of these financial statements

CITY OF SARATOGA
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
						Primary Governmental Activities
Primary Government:						
Governmental Activities:						
General and intergovtl services	\$ 4,521,784	\$ 120,189	\$ -	\$ -	\$ 120,189	\$ (4,401,595)
Public safety	4,491,384	330,358	116,667	-	447,025	(4,044,359)
Public works	7,378,436	2,768,179	-	807,481	3,575,660	(3,802,776)
Community services	1,586,353	958,203	-	-	958,203	(628,150)
Community development services	2,178,634	2,219,935	-	-	2,219,935	41,301
Interest on long-term debt (unall.)	400,469	-	-	-	-	(400,469)
Total	\$ 20,557,060	\$ 6,396,864	\$ 116,667	\$ 807,481	\$ 7,321,012	\$ (13,236,048)
General Revenues:						
Taxes						
Property taxes						\$ 9,737,145
Sales taxes						941,350
Local taxes						822,272
Franchise taxes						1,948,642
Motor vehicle-in-lieu						13,575
Total taxes						13,462,984
Intergovernmental						980,938
Investment earnings						61,895
Other revenues						305,012
Total General Revenues						14,810,829
Change in Net Position						1,574,781
Net Position - Beginning of Year						127,681,352
Net Position - End of Year						\$ 129,256,133

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2014**

	Major Funds			Total Governmental Funds
	General	Capital Improvement	Other Governmental Funds	
ASSETS				
Cash and investments	\$ 13,020,301	\$ 3,101,484	\$ 1,657,159	\$ 17,778,944
Receivables:				
Accounts	615,883	565,054	4,926	1,185,863
Interest	55	-	-	55
Prepaid Items	1,207	-	-	1,207
Total assets	<u>\$ 13,637,446</u>	<u>\$ 3,666,538</u>	<u>\$ 1,662,085</u>	<u>\$ 18,966,069</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 497,302	\$ 403,682	\$ 30,467	\$ 931,451
Accrued payroll	137,659	1,518	-	139,177
Deposits payable	1,142,289	-	-	1,142,289
Other payable	24,556	-	-	24,556
Unearned Revenue	6	135,031	-	135,037
Total liabilities	<u>1,801,812</u>	<u>540,231</u>	<u>30,467</u>	<u>2,372,510</u>
Fund Balances:				
Restricted:				
Environmental services	413,182	-	-	413,182
Special assessment funds	-	-	733,832	733,832
Debt service	-	-	897,786	897,786
Committed:				
Capital improvement program	-	3,126,307	-	3,126,307
Hillside stability	992,934	-	-	992,934
Assigned:				
Future capital & efficiency	1,928,915	-	-	1,928,915
Carryforwards	118,788	-	-	118,788
Facility replacement	600,000	-	-	600,000
Unassigned:				
Working capital	2,930,184	-	-	2,930,184
Fiscal stabilization	1,500,000	-	-	1,500,000
Compensated absences	223,846	-	-	223,846
Development services	705,459	-	-	705,459
Other unassigned	2,422,326	-	-	2,422,326
Total fund balances	<u>11,835,634</u>	<u>3,126,307</u>	<u>1,631,618</u>	<u>16,593,559</u>
Total liabilities and fund balances	<u>\$ 13,637,446</u>	<u>\$ 3,666,538</u>	<u>\$ 1,662,085</u>	<u>\$ 18,966,069</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 POSITION
JUNE 30, 2014

Total Fund Balances - Total Governmental Funds \$ 16,593,559

Amounts reported for governmental activities in the statement of net position 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	72,265,784
Depreciable capital assets, net	50,705,634
Total Capital Assets	<u>122,971,418</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (165,932)

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 1,977,681

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. 6

Long-term obligations 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	(11,055,000)
Compensated absences	(671,537)
Net original issue premium	(394,062)
Total Long-Term Obligations	<u>(12,120,599)</u>

Net Position of Governmental Activities \$ 129,256,133

**CITY OF SARATOGA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Improvement		
REVENUES:				
Property taxes	\$ 9,525,980	\$ -	\$ 211,164	\$ 9,737,144
Special assessments	208	-	1,206,708	1,206,916
Sales taxes	941,350	-	-	941,350
Other local taxes	822,271	-	-	822,271
Licenses & permits	1,463,784	559,789	-	2,023,573
Fines & forfeiture	144,890	51,190	-	196,080
Intergovernmental - Federal	-	796,277	-	796,277
Intergovernmental - State	417,217	992,584	-	1,409,801
Intergovernmental - Other	49,207	79,952	-	129,159
Franchise fees	1,948,642	-	-	1,948,642
Use of money and property	482,210	35,132	3,265	520,607
Other revenue	2,472,609	72,733	1,705	2,547,047
Total revenues	18,268,368	2,587,657	1,422,842	22,278,867
EXPENDITURES:				
Current:				
General and intergovernmental services	3,247,245	-	-	3,247,245
Public safety	4,491,384	-	-	4,491,384
Public works	4,833,962	-	409,419	5,243,381
Community services	1,383,277	-	-	1,383,277
Community development services	2,181,710	-	-	2,181,710
Capital outlay	-	3,095,514	-	3,095,514
Debt service:				
Principal	-	-	485,000	485,000
Interest and fiscal charges	-	-	404,510	404,510
Total expenditures	16,137,578	3,095,514	1,298,929	20,532,021
REVENUES OVER (UNDER) EXPENDITURES	2,130,790	(507,857)	123,913	1,746,846
OTHER FINANCING SOURCES (USES):				
Transfers in	167,050	618,038	-	785,088
Transfers out	(380,880)	(404,208)	-	(785,088)
Total other financing sources (uses)	(213,830)	213,830	-	-
Net change in fund balances	1,916,960	(294,027)	123,913	1,746,846
FUND BALANCES:				
Beginning of year	9,918,674	3,420,334	1,507,705	14,846,713
End of year	<u>\$ 11,835,634</u>	<u>\$ 3,126,307</u>	<u>\$ 1,631,618</u>	<u>\$ 16,593,559</u>

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
POSITION
FOR THE YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 1,746,846
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position were different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, 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.	1,099,349
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds.	(1,920,232)
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.	253,891
Certain revenues were not recorded or recorded as unearned 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 Position under the full accrual basis.	(66,148)
Long-term compensated absences and claims payables were reported in the Government-Wide Statement of Activities and Changes in Net Position, 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	(49,858)
Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Long-term debt repayments	485,000
Revenues resulting from the refunding of outstanding debt are not available to pay current-period expenditures and therefore, are revenue in the funds.	
Net original issue premium	21,892
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, 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.	4,041
Change in Net Position of Governmental Activities	<u>\$ 1,574,781</u>

The accompanying notes are an integral part of these financial statements

CITY OF SARATOGA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash and investments	\$ 1,877,366
Accounts receivable	10,526
Total current assets	<u>1,887,892</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	941,365
Less: accumulated depreciation	<u>(741,528)</u>
Total capital assets (net of accumulated depreciation)	<u>199,837</u>
Total assets	<u>2,087,729</u>
LIABILITIES	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 52,501
Accrued payroll	18,047
Other payables	<u>39,500</u>
Total current liabilities	<u>110,048</u>
NET POSITION	
Net investment in capital assets	199,837
Unrestricted	<u>1,777,844</u>
Total net position	<u>\$ 1,977,681</u>

The accompanying notes are an integral part of these financial statements

CITY OF SARATOGA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 2,360,000
Other operating revenues	60,282
Total operating revenues	<u>2,420,282</u>
Operating expenses:	
Cost of services	1,091,010
Administration	1,024,885
Depreciation	50,497
Total operating expenses	<u>2,166,392</u>
Operating income (loss)	<u>253,890</u>
Transfers out	<u>-</u>
Change in net position	253,890
Total net position - beginning	1,723,791
Total net position - ending	<u>\$ 1,977,681</u>

The accompanying notes are an integral part of these financial statements

CITY OF SARATOGA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2014

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,420,266
Payments to suppliers	(1,227,773)
Payments to employees	(882,441)
Net cash provided (used) by operating activities	<u>310,052</u>
Cash flows from capital activities:	
Acquisition of capital assets	<u>(149,363)</u>
Net cash provided for the acquisition of capital assets	<u>(149,363)</u>
Net increase in cash and cash equivalents	160,689
Cash and cash equivalents, beginning of year	<u>1,716,677</u>
Cash and cash equivalents, ending of year	<u>\$ 1,877,366</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 253,891
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	50,497
Change in operating assets and liabilities:	
Accounts receivables	(16)
Accounts payable	(13,363)
Claims payable	14,700
Accrued payroll	4,343
Net cash provided (used) by operating activities	<u>\$ 310,052</u>

The accompanying notes are an integral part of these financial statements

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CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 30,887 at June 30, 2014. The City is a largely residential community located in the foothills of the Santa Cruz Mountains.

The City operates under the Council-Manager form of government, with five-elected Council members served by a full-time City Manager and staff. At June 30, 2014, the City's staff was comprised of 57 full-time or part-time employees, and numerous part-time temporary and seasonal employees. Staff is responsible for the following City services:

- Public Safety - The City provides round-the-clock police services under a contract with the Santa Clara County Sheriff's offices. Emergency management and Fire services are provided by a special district. Code enforcement and inspection services are provided by City employees.
- Public Works/Maintenance - The City builds and maintains its parks, streets, curbs, gutters, and related public property with a force of 21 employees. Major projects may be contracted out to reduce costs.
- Community Development - Zoning administration, plan checking and advance planning services are provided by 12 employees.
- Culture, Recreation and Community Support services are provided by a total of 10 employees.
- General Government services are provided by a total of 14 employees.

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

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

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 Position* and a *Statement of Activities and Changes in Net Position*. 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, long-term liabilities, and deferred inflows and outflows of resources are included in the accompanying *Statement of Net Position*. The *Statement of Activities* presents changes in net position. 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 Position have been eliminated. The following interfund activities have been eliminated:

- Transfers in/Transfers out
- Internal Service Fund charges
- Land and Lighting District Service Fees

Deferred Outflow of Resources and Deferred Inflow of Resources

Deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period, such as prepaid items and deferred charges.

Deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period, such as unearned revenue and advance collections.

Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unearned revenue.

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

General Fund

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

Capital Improvement Capital Projects Fund

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

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources 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 45 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.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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 unearned 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

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 position.

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

During fiscal year 2013/14 the City has no fiduciary responsibility as prior reported agency funds have been transferred to other outside government agencies.

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, 2014

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), are 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, 2013. This condition assessment was performed in the fall of 2013 with the final report presented in March, 2014. 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
JUNE 30, 2014

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. An appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

F. Interest Payable

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

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

G. Claims Payable

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

H. Compensated Absences

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

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

In the fund financial statements, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. Only the amounts which become due at June 30 are reported in the fund financial 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 February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This standard left unchanged the total amount reported as fund balance, but substantially altered the categories and terminology used to describe its components. Rather than focus on financial resources available for appropriation, the new categories focus on “the extent for which the government is bound to honor constraints in the specific purposes for which amounts in the reserve can be spent”.

The components of fund balance are now categorized as follows: “*non-spendable fund balance*”, resources that are inherently non-spendable from the vantage point of the current period; “*restricted fund balance*”, resources that are subject to enforceable legal restrictions; “*committed fund balance*”, resources whose specified use is constrained by limitations the government entity imposes upon itself through formal action at its highest level of decision making and remains binding unless removed in the same manner; “*assigned fund balance*”, resources that reflects a government’s intended general use of resources, such intent would have to be established at either the highest level of decision making, by a body, or an official designated for that purpose; and “*unassigned fund balance*”, net resources in excess of what can properly be classified in one of the other four categories. Currently, the City’s fund balance reserves fall into one of the four spendable categories; restricted, committed, assigned, or unassigned fund balance.

The City maintains three restricted fund balances constrained by external legal restrictions that can be spent only for the stipulated purposes. These fund balances are:

- Special Assessments Fund Balance – collectively represents year-end fund balances of twenty-five landscape and/or lighting assessment districts which use is restricted to the individual district.

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

- Environmental Services Fund Balance – represents surcharges collected on solid waste bills 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. These funds are used to supplement environmental expenditures by using \$50,000 per year.
- Debt Service Fund Balance – represents funding collected for and use in the City’s general obligation bond debt.

The committed category, in which fund balance is constrained by limitations that the government imposes upon itself at its highest level of decision making by formal vote on a resolution of the City Council, and remains binding unless removed in the same manner, includes the following:

- Capital Improvement Program (CIP) Fund Balance – represents the collective balance of funding appropriated for specific capital improvement projects. Capital Projects are funded through direct revenues or budgeted transfers for improvement work within the following program funds: Streets, Park & Trail, Facility, or Administrative Improvements.
- Hillside Stability - funding set aside for use either in emergency repairs or high-cost and non-routine mitigation of hillside or landslide projects.

In the assigned category, fund balance reflects an intended use as established by Council. Use of Assigned Fund Balance is approved by formal vote of the Council or official authorized to assign amounts to a specific purpose, either through specific action, fund balance policy, or through budget direction and approval. This category includes the following reserves:

- Future Capital & Efficiency Funding - represents General Fund funding set aside for capital and/or efficiency projects but not yet committed for a specific improvement project.
- Facility Replacement Reserve – represents accumulated funding for the future replacement, major rehabilitation, or new construction of City-owned facilities. This funding is to be used for funding the construction or provide for the services of related debt, but is not yet committed for a specific improvement project.
- Carryforward – represents either prior-year funds designated for one-time operational activities not yet completed by year-end, or to carryforward prior-year funding for specific activities as directed by Council. Carryover funds are appropriated for use in the following fiscal year.

The Unassigned Fund Balance category represents funding which may be held for specific types of uses or stabilization purposes, but is not yet directed to be used for a specific purpose. Reserve amounts are determined by, and align with, fund policy direction.

- Working Capital Reserve – provides funds for cash flow. Council policy set aside \$2,000,000 on July 1, 1999, to be increased annually by an amount equal to the interest the City earned on the equivalent amount of cash and investments. As of June 30, 2014 this fund balance has grown to \$2,930,184. This fund balance is not appropriated for use.
- Fiscal Stabilization Reserve – Council policy is to maintain \$1,500,000 for use by Council direction in case of disasters, emergencies, and economic downturns.

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
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- Development Services Reserve— represents reserve funds collected for development services to be used to support multi-year funding levels for zoning administration, inspection services, and development regulation programs during periods where expenditures exceed revenues.
- Compensated Absences Reserve – represents reserve funding for employee payout compensation equal to the one-third of annual liability balance. This funding level is anticipated to be the maximum potential payout in excess of budgeted salary in a fiscal year.
- Other Unassigned Fund Balance – represents funding not yet appropriated or assigned for use. Council policy is to maintain a minimum of \$500,000 in unassigned funds as a buffer for unplanned expenditures or revenue shortfalls.

Flow Assumption / Spending Order Policy – When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has directed otherwise.

K. Net Position

In the government-wide financial statements, net position is classified in the following categories:

- Net Investment in Capital Assets – 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. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position.
- Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – This amount is all net position that does not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

L. Use of Restricted/Unrestricted Net Position

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

M. Property Tax and Special Assessments

County tax assessments include 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.

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

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

N. Use of Estimates

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

O. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date of issuance. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

P. New GASB Pronouncements

GASB Statement No. 61 – In November, 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This pronouncement is effective for periods beginning after June 15, 2013. The City does not believe there will be a significant financial statement effect related to this Statement.

Statement No. 67 - In June, 2013, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local government pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regards to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The requirements of this Statement are effective for periods beginning after June 15, 2013. The City is in the process of determining the impact this statement will have on the financial statements.

Statement No. 68 - In June, 2013, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent

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arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The City is in the process of determining the impact this statement will have on the financial statements.

Statement No. 69 – In January, 2013, GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposal of government operations. As used in this Statement, *combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for periods beginning after December 15, 2013. The City believes there will be no financial statement effect related to this Statement.

Statement No. 70 – In April, 2013, GASB issued Statement No 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or private entity without directly receiving equal or approximately equal value in exchange (a non-exchange transaction). The requirements of this Statement are effective for periods beginning after June 15, 2013. The City does not participate in nonexchange transactions and this Statement will have no financial statement effect.

Statement No. 71 – In November, 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding the application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state, or local government, employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net liability. The requirements of this Statement are effective for periods beginning after December 15, 2013, in conjunction with Statement No. 68. The City is in the process of determining the impact this statement will have on the financial statements.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average month-end cash and investment balances in these funds. The City has the following cash and investments at June 30, 2014:

	Statement of Net Position
	<u>Governmental Activities</u>
Cash and investments	<u>\$ 19,656,310</u>

The City's Cash and Investments at June 30, 2014, in more detail:

Cash and cash equivalents:	
Petty cash	\$ 1,450
Demand deposits	<u>84,656</u>
Total Cash and Cash Equivalents	<u>86,106</u>
Investments:	
Local Agency Investment Fund (LAIF)	<u>19,570,204</u>
Total Cash and Investments	<u>\$ 19,656,310</u>

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$291,747 at June 30, 2014. Bank balances before reconciling items were \$347,976 at that date due to deposits in transit and outstanding checks. The total amount was collateralized or insured with securities held by the pledging financial institutions.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest, and places the City ahead of general creditors of the institution.

The market value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). 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.

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
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B. Investments

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

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

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

C. External Investment Pool

The City's investments with LAIF at June 30, 2014, 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. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>

As of June 30, 2014, the City had \$19,570,204 invested in LAIF. The LAIF fair value factor of 1.00029875 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, 2014, these investments had a weighted average maturity of 232 days. The City had the following invested in LAIF:

	Fair Value	Investment Maturities in Years Less Than One Year
	<u> </u>	<u> </u>
State of California - Local Agency Investment Fund (LAIF)	<u>\$ 19,650,820</u>	<u>\$ 19,650,820</u>

Credit Risk

As of June 30, 2014, 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 through investment counterparties at the year ended June 30, 2014.

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - FUND FINANCIAL STATEMENTS INTERFUND TRANSACTIONS

Transfers In/Out

Transfers for the year ended June 30, 2014 were as follows:

<u>Transfer in</u>	<u>Transfer out</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	\$ 167,050
Capital Improvement Fund	General Fund	<u>380,880</u>
Total		<u><u>\$ 547,930</u></u>

The General Fund received monies from the Capital Improvement Fund from the Gas Tax Fund for general administration of \$106,000 and the return of surplus funding from completed Hillside Reserve funded projects in the amount of \$61,050, \$59,837 from the Hakone Gardens Driveway and Retaining Wall repair project and \$1,214 from the Parking District #3 Storm Damage Repair project.

The Capital Improvement Fund received monies from the General Fund from the adopted budget of \$100,000 for annual facility improvement projects, \$150,000 for Roadway Safety, Sidewalk Maintenance and Traffic Calming, \$45,880 for trail improvements, and \$85,000 for various administrative projects.

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is illustrated in the following table:

	Primary Government				Balance June 30, 2014
	Balance July 1, 2013	Additions	Retirements	Reclassifications	
Governmental activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$ 14,585,401	\$ -	\$ -	\$ -	\$ 14,585,401
Construction in progress	7,615,664	1,287,076	(249,096)	(128,880)	8,524,764
Infrastructure:					
Street pavement system	49,155,619	-	-	-	49,155,619
Total capital assets, not being depreciated	<u>71,356,684</u>	<u>1,287,076</u>	<u>(249,096)</u>	<u>(128,880)</u>	<u>72,265,784</u>
Capital assets, being depreciated:					
Buildings and structures	25,480,150	221,180	-	-	25,701,330
Machinery and equipment					
Governmental funds	1,678,323	28,598	(58,847)	-	1,648,074
Internal service funds	792,003	149,363	-	-	941,366
Infrastructure:					
Bridges	1,563,654	-	-	-	1,563,654
Signs and lights	1,835,143	-	-	-	1,835,143
Drainage system	40,100,053	-	-	-	40,100,053
Sidewalks	12,372,322	-	-	-	12,372,322
Total capital assets, being depreciated	<u>83,821,648</u>	<u>399,141</u>	<u>(58,847)</u>	<u>-</u>	<u>84,161,942</u>
Accumulated depreciation:					
Buildings and structures	(7,276,566)	(686,302)	-	-	(7,962,868)
Machinery and equipment					
Governmental funds	(1,116,007)	(74,878)	58,847	-	(1,132,039)
Internal service funds	(691,031)	(50,497)	-	-	(741,528)
Infrastructure:					
Bridges	(1,052,821)	(23,596)	-	-	(1,076,417)
Signs and lights	(991,651)	(65,874)	-	-	(1,057,525)
Drainage system	(14,731,371)	(802,001)	-	-	(15,533,372)
Sidewalks	(5,425,612)	(326,497)	-	-	(5,752,109)
Total accumulated depreciation	<u>(31,285,059)</u>	<u>(2,029,644)</u>	<u>58,847</u>	<u>-</u>	<u>(33,255,857)</u>
Total capital assets, being depreciated, net	<u>52,536,589</u>	<u>(1,630,504)</u>	<u>-</u>	<u>-</u>	<u>50,906,085</u>
Governmental activities capital assets, net	<u>\$ 123,893,273</u>	<u>\$ (343,428)</u>	<u>\$ (249,096)</u>	<u>\$ (128,880)</u>	<u>\$ 123,171,869</u>

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

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – LONG-TERM OBLIGATIONS

A summary of the City's long-term obligations transactions for the year ended June 30, 2014, is presented below:

Description	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Classification	
					Due Within One Year	Due In More Than One Year
General Obligation Bonds:						
2011 Library bonds	11,540,000	-	(485,000)	11,055,000	495,000	10,560,000
Net original issue premium	415,954	-	(21,892)	394,062	21,892	372,170
Compensated absences	621,679	49,858	-	671,537	468,179	203,358
Total	<u>\$ 12,577,633</u>	<u>\$ 49,858</u>	<u>\$ (506,892)</u>	<u>\$12,120,599</u>	<u>\$ 985,071</u>	<u>\$ 11,135,528</u>

General Obligation 2011 Library Bonds - Original Issue \$11,995,000

On July 14, 2011, the City issued General Obligation Bonds Series 2011 in the amount of \$11,995,000. The bonds were issued to fully refund the General Obligation 2001 Library Bonds. The bonds are payable from and secured by certain property taxes within the City. Interest on the bonds ranges from 2.0 percent to 4.0 percent and is payable on February 1 and August 1 of each year, commencing February 1, 2012. Principal is due annually beginning on August 1, 2012, in amounts ranging from \$455,000 to \$790,000, with a final payment on August 1, 2031 of \$820,000. The bonds maturing on or before August 1, 2021 are not subject to redemption prior to their respective stated maturity dates. Bonds maturing on or after August 1, 2022 are subject to redemption prior to their respective stated maturity dates at the option of the city at the principal amount of the bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

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

Year Ended	Principal	Interest	Total
2015	\$ 495,000	\$ 393,285	\$ 888,285
2016	500,000	393,285	893,285
2017	475,000	383,335	858,335
2018	485,000	371,210	856,210
2019	500,000	356,811	856,811
2020-2024	2,825,000	1,387,500	4,212,500
2025-2029	3,405,000	803,623	4,208,623
2030-2032	2,370,000	144,600	2,514,600
Total	<u>\$ 11,055,000</u>	<u>\$ 4,233,649</u>	<u>\$ 15,288,649</u>

Compensated Absences

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) has been accrued and amounts to \$671,537 at June 30, 2014. The compensated absences liability will generally be liquidated through the General Fund.

CITY OF SARATOGA
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - RISK MANAGEMENT

The City participates in the two 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, 2014, the City contributed \$182,465 for current year coverage and received no refund of prior year excess contributions.

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, 2014, the City contributed \$188,889 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.

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 \$39,500 reported at June 30, 2014, 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 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:

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

	Year Ended <u>June 30, 2014</u>	Year Ended <u>June 30, 2013</u>
Claims payable, beginning of year	\$ 24,800	\$ 21,247
Fiscal year claims and changes in estimates	14,700	24,800
Claims payments	-	(21,247)
Claims payable, end of year	<u>\$ 39,500</u>	<u>\$ 24,800</u>

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.

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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, 2013 (most recent available):

	Plan Corporation	Comp Shared Risk Pool
Total Assets	\$ 45,141,862	\$ 3,978,862
Total Liabilities	24,677,330	791,665
Net Assets	<u>\$ 20,464,532</u>	<u>\$ 3,187,197</u>
Total Revenues	\$ 9,110,482	\$ 557,954
Total Expenses	15,179,160	471,897
Net Increase in Net Assets	<u>\$ (6,068,678)</u>	<u>\$ 86,057</u>

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

NOTE 7 - 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. Active plan members are required by State statute to contribute 7 percent of their annual covered salary.

Annual Pension Cost - For fiscal year 2013/14, the City's annual pension cost was \$603,323. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. CalPERS actuarial assumptions included (a) 7.5 percent (7.50%) investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.30 percent to 14.20 percent for miscellaneous employees depending on age, service, and type of employment, and (c) 3.00 percent per year payroll growth adjustments. Both (a) and (b) included an inflation component of 2.75 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, 2013, was 22 years for miscellaneous employees for prior and current service unfunded liability.

Required Supplementary Information

The funding history below shows the actuarial accrued liability, the plan's share of the pool's market value of assets, the plan's share of the pool's unfunded liability, funded ratio and the annual covered

CITY OF SARATOGA
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payroll as of June 30, 2013. This was provided by CalPERS in the City's 2013 Annual Valuation report dated October 2014.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2011	\$ 33,070,836	\$ 26,749,324	\$ 6,321,512	80.9%	\$ 4,896,568
6/30/2012	34,752,043	26,587,593	8,164,450	76.5%	4,763,600
6/30/2013	37,035,095	30,098,271	6,936,824	81.3%	4,714,858

NOTE 8 - NET POSITION

A. Net Investment in Capital Assets

As of June 30, 2014, the net investment in capital assets consisted of the following:

Capital assets, net	\$ 123,171,255
2011 general obligation library bonds	(11,055,000)
Net investment in capital assets	<u>\$ 112,116,257</u>

B. Restricted Net Position

As of June 30, 2014, the restricted net position consisted of the following:

	Restricted For			Total
	Environmental Services	Special Assessments	Debt Service	
Restricted Net Assets	<u>\$ 413,182</u>	<u>\$ 733,832</u>	<u>\$ 897,786</u>	<u>\$ 2,044,800</u>

NOTE 9 - JOINT POWERS AGREEMENTS

The City is a member of several Joint Power Agreements, as follows:

The Santa Clara County Valley Transportation Authority (VTA) consists of various cities in the San Francisco Bay area. The Transportation 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 West Valley Solid Waste Management Joint Powers Authority consists of the west valley cities of Campbell, Los Gatos, Monte Sereno, and Saratoga. The JPA was formed to coordinate efforts in carrying out solid waste collection and disposal activities, and in meeting the mandates of AB939, the States' Integrated Waste Management Act.

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The Silicon Valley Regional Interoperability Authority (SVRIA) consists of Silicon Valley agencies formed to coordinate the design and implementation of an interoperable public safety communication system.

The Santa Clara County Library System JPA consists of various member agencies as a policy making and governing body of the County's library system.

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

NOTE 10 - EXCESS EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations in individual funds during fiscal year 2013/14.

NOTE 11 - 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, 2014

C. Commitments

The City had several outstanding contracts or planned construction projects as of June 30, 2014. These projects are evidenced by contractual commitments with contractors and include:

Encumbrance Commitment as of June 30, 2014		
<u>Vendor</u>	<u>Original Commitment</u>	<u>Commitment Remaining</u>
Charles M. Salter Associates	\$ 19,900	\$ 18,220
David J. Powers & Associates	48,744	38,416
David L. Gates & Associates	6,900	317
Guerra Construction Group	1,053,940	1,007,032
Heid, W. Jeffrey	9,570	2,900
HT Harvey & Associates	14,074	8,654
Labor Consultants	7,875	2,625
Mark Thomas & Company	397,462	275,043
Phillip A. Murray Construction	7,500	7,500
Richard May Construction	98,800	43,515
Signet Testing Laboratory	3,142	3,142
Steve Benzing Architect	7,925	764
T.A.K.'s Equipment Sales	7,847	7,847
Testing Engineers	8,078	6,147
	<u>\$ 1,691,757</u>	<u>\$ 1,422,120</u>

As of June 30, 2014, 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

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**CITY OF SARATOGA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 - BUDGETARY INFORMATION

The following is the budget comparison schedules for General Fund.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive Negative
	Original	Final		
REVENUES:				
Property taxes	\$ 8,965,400	\$ 9,470,400	\$ 9,525,980	\$ 55,580
Special assessments	-	-	208	208
Sales taxes	1,050,000	1,050,000	941,350	(108,650)
Other local taxes	745,000	745,000	822,271	77,271
Licenses & permits	1,340,565	1,465,565	1,463,784	(1,781)
Fines & forfeitures	220,025	220,025	144,890	(75,135)
Intergovernmental - state	355,000	355,000	417,217	62,217
Intergovernmental - other	37,216	37,216	49,207	11,991
Franchise fees	1,896,000	1,896,000	1,948,642	52,642
Use of money & property	465,175	465,175	482,210	17,035
Other revenue	2,121,265	2,369,682	2,472,609	102,927
Total revenues	<u>17,195,646</u>	<u>18,074,063</u>	<u>18,268,368</u>	<u>194,305</u>
EXPENDITURES:				
Current:				
General and intergovernmental services	3,593,955	3,692,376	3,247,245	445,131
Public safety	4,516,155	4,491,155	4,491,384	(229)
Public works	4,841,301	4,917,301	4,833,962	83,339
Community services	1,450,396	1,450,396	1,383,277	67,119
Community development services	2,244,600	2,291,680	2,181,710	109,970
Total expenditures	<u>16,646,407</u>	<u>16,842,908</u>	<u>16,137,578</u>	<u>705,330</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>549,239</u>	<u>1,231,155</u>	<u>2,130,790</u>	<u>899,635</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	106,000	106,000	167,050	61,050
Transfers out	(380,880)	(380,880)	(380,880)	-
Total other financing sources (uses)	<u>(274,880)</u>	<u>(274,880)</u>	<u>(213,830)</u>	<u>61,050</u>
Net change in fund balances	<u>\$ 274,359</u>	<u>\$ 956,275</u>	<u>1,916,960</u>	<u>\$ 960,685</u>
FUND BALANCES:				
Beginning of year			9,918,674	
End of year			<u>\$ 11,835,634</u>	

**CITY OF SARATOGA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014**

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 with the final report received March 17, 2014. 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 141.1 centerline miles of paved surfaces. The City's road system can be grouped by function class and includes 24.2 centerline miles of arterial, 23.2 centerline miles of collector, and 93.7 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 assessment study was conducted during the fall of 2013.

**CITY OF SARATOGA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

The following conditions were defined:

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

The City's policy is to achieve an average rating of 70 for all streets, which is a very good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2014, the City's street system was rated at a PCI index of 69 on the average with the detail condition as follows:

Condition	Percent of Streets
Excellent	0%
Very Good	58%
Good	23%
Poor	16%
Very Poor	3%

The City expended \$2,079,413 on street maintenance for the year ended June 30, 2014. These projects include resurfacing, safety improvements, sidewalks, curbs and gutters, storm drain improvements, beautification projects, and various other routine maintenance projects help to delay deterioration and beautify the City's roadway system. Council policy requires a minimum of \$1,000,000 be budgeted for the CIP Streets program on an annual basis. Approximately \$10, 732, 208 is budgeted for various projects in the five-year CIP for fiscal year 2014/15.

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 ten years is presented below:

Fiscal Year	Budget	Actual Expenditures	Funded By		Total Funded	PCI Index
			Other Sources	Gas Tax Fund		
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
2010-11	4,770,782	1,847,221	1,449,686	397,535	1,847,221	76
2011-12	4,683,078	2,856,603	1,622,401	1,234,202	2,856,603	76
2012-13	4,826,265	2,417,444	1,660,028	757,416	2,417,444	76
2013-14	11,191,684	2,079,413	1,651,156	428,256	2,079,413	69

**CITY OF SARATOGA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

As of June 2014, approximately 19 percent of the City's streets were rated below the average standard of "Good". 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 (2014-2018) will amount to approximately \$15,400,000 for all streets and are expected to be rehabilitated with a minimum annual budget of \$1,000,000.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Lighting and Landscape Assessment District Funds – These funds account for revenues and expenditures associated with maintaining the City’s 25 Landscape and Lighting districts which were approved by consent of property owners living along or within the boundaries of the Districts.

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.

**CITY OF SARATOGA
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014**

	Special Revenue	Debt Service	
	Lighting and Landscaping Assessment District	Library Bond	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ 763,649	\$ 893,510	\$ 1,657,159
Receivables:			
Accounts	650	4,276	4,926
Interest	-	-	-
Total assets	<u>\$ 764,299</u>	<u>\$ 897,786</u>	<u>\$ 1,662,085</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 30,467	\$ -	\$ 30,467
Total liabilities	<u>30,467</u>	<u>-</u>	<u>30,467</u>
Fund Balances:			
Restricted:			
Special revenue funds	733,832	-	733,832
Debt service	-	897,786	897,786
Total fund balances	<u>733,832</u>	<u>897,786</u>	<u>1,631,618</u>
Total liabilities and fund balances	<u>\$ 764,299</u>	<u>\$ 897,786</u>	<u>\$ 1,662,085</u>

**CITY OF SARATOGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue	Debt Service	Total Other Governmental Funds
	Lighting and Landscaping Assessment District	Library Bond	
REVENUES:			
Property taxes	\$ 211,010	\$ 154	\$ 211,164
Special assessment	306,844	899,864	1,206,708
Use of money and property	1,744	1,521	3,265
Other revenue	1,705	-	1,705
Total revenues	<u>521,303</u>	<u>901,539</u>	<u>1,422,842</u>
EXPENDITURES:			
Current:			
General and ingov't services			
Public works	409,418	-	409,418
Debt service:			
Principal	-	485,000	485,000
Interest and fiscal charges	-	404,510	404,510
Total expenditures	<u>409,418</u>	<u>889,510</u>	<u>1,298,928</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>111,885</u>	<u>12,029</u>	<u>123,914</u>
Net change in fund balances	111,885	12,029	123,914
FUND BALANCES:			
Beginning of year	621,947	885,757	1,507,704
End of year	<u>\$ 733,832</u>	<u>\$ 897,786</u>	<u>\$ 1,631,618</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses & permits	\$ 425,000	\$ 190,148	\$ 559,789	\$ 369,641
Fines & forfeitures	-	-	51,190	51,190
Intergovernmental - federal	3,934,428	7,351,856	796,277	(6,555,579)
Intergovernmental - state	1,018,662	1,132,556	992,584	(139,972)
Intergovernmental - other	390,088	644,024	79,952	(564,072)
Use of money and property	35,000	35,000	35,132	132
Other revenue	323,212	256,350	72,734	(183,616)
Total revenues	<u>6,126,390</u>	<u>9,609,934</u>	<u>2,587,658</u>	<u>(7,022,276)</u>
EXPENDITURES:				
Capital outlay	13,270,147	13,270,147	3,095,514	10,174,633
Total expenditures	<u>13,270,147</u>	<u>13,270,147</u>	<u>3,095,514</u>	<u>10,174,633</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(7,143,757)</u>	<u>(3,660,213)</u>	<u>(507,856)</u>	<u>3,152,357</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	420,880	420,880	618,037	197,157
Transfers out	(146,000)	(146,000)	(404,208)	(258,208)
Total other financing sources (uses)	<u>274,880</u>	<u>274,880</u>	<u>213,829</u>	<u>(61,051)</u>
Net change in fund balances	<u>\$ (6,868,877)</u>	<u>\$ (3,385,333)</u>	<u>(294,027)</u>	<u>\$ 3,091,306</u>
FUND BALANCES:				
Beginning of year			3,420,334	
End of year			<u>\$ 3,126,307</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 180,500	\$ 180,500	\$ 211,010	\$ 30,510
Special assessments	304,436	304,436	306,844	2,408
Use of money and property	1,995	1,995	1,744	(251)
Other revenue	-	-	1,704	1,704
Total revenues	<u>486,931</u>	<u>486,931</u>	<u>521,302</u>	<u>34,371</u>
EXPENDITURES:				
Current:				
Public works	<u>602,137</u>	<u>602,137</u>	<u>409,418</u>	<u>192,719</u>
Total expenditures	<u>602,137</u>	<u>602,137</u>	<u>409,418</u>	<u>192,719</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(115,206)</u>	<u>(115,206)</u>	<u>111,884</u>	<u>227,090</u>
Net change in fund balances	<u>\$ (115,206)</u>	<u>\$ (115,206)</u>	<u>111,884</u>	<u>\$ 227,090</u>
FUND BALANCES:				
Beginning of year			<u>621,948</u>	
End of year			<u>\$ 733,832</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 860,000	\$ 860,000	\$ 900,018	\$ 40,018
Use of money and property	1,500	1,500	1,521	21
Total revenues	<u>861,500</u>	<u>861,500</u>	<u>901,539</u>	<u>40,039</u>
EXPENDITURES:				
Debt service:				
General and ingov't services	-	-	-	-
Principal	485,000	485,000	485,000	-
Interest and fiscal charges	404,860	404,860	404,510	350
Total expenditures	<u>889,860</u>	<u>889,860</u>	<u>889,510</u>	<u>350</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(28,360)</u>	<u>(28,360)</u>	<u>12,029</u>	<u>40,389</u>
Net change in fund balances	<u>\$ (28,360)</u>	<u>\$ (28,360)</u>	<u>12,029</u>	<u>\$ 40,389</u>
FUND BALANCES:				
Beginning of year			<u>885,757</u>	
End of year			<u>\$ 897,786</u>	

INTERNAL SERVICE FUNDS

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

Worker's Compensation Self-insurance Fund – Accounts for insurance premiums, self insured portion of claims, and administrative costs associated with settling claims. Charges 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 POSITION
JUNE 30, 2014**

	Liability / Risk Management	Workers' Compensation	Office Stores
ASSETS			
Current assets:			
Cash and investments	\$ 319,887	\$ 279,439	\$ 55,021
Accounts receivable	4,743	4,337	-
Total current assets	<u>324,630</u>	<u>283,776</u>	<u>55,021</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	-	-
Less: accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>324,630</u>	<u>283,776</u>	<u>55,021</u>
LIABILITIES			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 434	\$ 1,499	\$ 1,901
Accrued payroll	1,570	635	-
Claims payable	<u>39,500</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>41,504</u>	<u>2,134</u>	<u>1,901</u>
NET POSITION			
Investment in capital assets	-	-	-
Unrestricted	<u>283,126</u>	<u>281,642</u>	<u>53,120</u>
Total net position	<u>\$ 283,126</u>	<u>\$ 281,642</u>	<u>\$ 53,120</u>

<u>Information Technology Services</u>	<u>Vehicle and Equipment Maintenance</u>	<u>Building Maintenance</u>	<u>Vehicle and Equipment Replacement</u>	<u>Information Technology Equipment Replacement</u>	<u>Total</u>
\$ 275,437	\$ 47,226	\$ 236,259	\$ 509,492	\$ 154,605	\$ 1,877,366
652	-	794	-	-	10,526
<u>276,089</u>	<u>47,226</u>	<u>237,053</u>	<u>509,492</u>	<u>154,605</u>	<u>1,887,892</u>
-	-	-	830,900	110,465	941,365
-	-	-	(649,265)	(92,263)	(741,528)
-	-	-	181,635	18,202	199,837
<u>276,089</u>	<u>47,226</u>	<u>237,053</u>	<u>691,127</u>	<u>172,807</u>	<u>2,087,729</u>
\$ 8,741	\$ 9,327	\$ 28,169	\$ 612	\$ 1,818	\$ 52,501
5,278	1,549	9,015	-	-	18,047
-	-	-	-	-	39,500
<u>14,019</u>	<u>10,876</u>	<u>37,184</u>	<u>612</u>	<u>1,818</u>	<u>110,048</u>
-	-	-	181,635	18,202	199,837
<u>262,070</u>	<u>36,350</u>	<u>199,869</u>	<u>508,880</u>	<u>152,787</u>	<u>1,777,844</u>
<u>\$ 262,070</u>	<u>\$ 36,350</u>	<u>\$ 199,869</u>	<u>\$ 690,515</u>	<u>\$ 170,989</u>	<u>\$ 1,977,681</u>

**CITY OF SARATOGA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Liability / Risk Management	Workers' Compensation	Office Stores
Operating revenues:			
Charges for services	\$ 375,000	\$ 200,000	\$ 55,000
Other operating revenues	14,810	17,432	10,027
Total operating revenues	<u>389,810</u>	<u>217,432</u>	<u>65,027</u>
Operating expenses:			
Cost of services	-	-	-
Administration	336,743	229,510	35,928
Depreciation	-	-	-
Total operating expenses	<u>336,743</u>	<u>229,510</u>	<u>35,928</u>
Operating income	<u>53,067</u>	<u>(12,078)</u>	<u>29,099</u>
Transfers out	-	-	-
Change in net position	53,067	(12,078)	29,099
Total net position - beginning	<u>230,059</u>	<u>293,720</u>	<u>24,021</u>
Total net position - ending	<u>\$ 283,126</u>	<u>\$ 281,642</u>	<u>\$ 53,120</u>

Information Technology Services	Vehicle and Equipment Maintenance	Building Maintenance	Vehicle and Equipment Replacement	Information Technology Equipment Replacement	Total
\$ 400,000	\$ 250,000	\$ 825,000	\$ 200,000	\$ 55,000	\$ 2,360,000
3,489	1	7,474	7,049	-	60,282
<u>403,489</u>	<u>250,001</u>	<u>832,474</u>	<u>207,049</u>	<u>55,000</u>	<u>2,420,282</u>
-	224,078	817,506	11,121	38,305	1,091,010
422,704	-	-	-	-	1,024,885
-	-	-	48,474	2,023	50,497
<u>422,704</u>	<u>224,078</u>	<u>817,506</u>	<u>59,595</u>	<u>40,328</u>	<u>2,166,392</u>
<u>(19,215)</u>	<u>25,923</u>	<u>14,968</u>	<u>147,454</u>	<u>14,672</u>	<u>253,890</u>
-	-	-	-	-	-
(19,215)	25,923	14,968	147,454	14,672	253,890
281,285	10,427	184,901	543,061	156,317	1,723,791
<u>\$ 262,070</u>	<u>\$ 36,350</u>	<u>\$ 199,869</u>	<u>\$ 690,515</u>	<u>\$ 170,989</u>	<u>\$ 1,977,681</u>

**CITY OF SARATOGA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	Liability / Risk Management	Workers' Compensation	Office Stores
Cash flows from operating activities:			
Receipts from customers and users	\$ 390,734	\$ 213,095	\$ 65,054
Payments to suppliers	(260,096)	(204,472)	(39,260)
Payments to employees	<u>(60,996)</u>	<u>(25,477)</u>	<u>-</u>
Net cash provided by operating activities	<u>69,642</u>	<u>(16,854)</u>	<u>25,794</u>
Cash flows from capital activities:			
Acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used for acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	69,642	(16,854)	25,794
Cash and cash equivalents, beginning of year	<u>250,245</u>	<u>296,293</u>	<u>29,227</u>
Cash and cash equivalents, ending of year	<u>\$ 319,887</u>	<u>\$ 279,439</u>	<u>\$ 55,021</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 53,067	\$ (12,078)	\$ 29,099
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Change in operating assets and liabilities:			
Accounts receivables	924	(4,337)	28
Accounts payable	434	(715)	(3,333)
Claims payable	14,700	-	-
Accrued payroll	<u>517</u>	<u>276</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 69,642</u>	<u>\$ (16,854)</u>	<u>\$ 25,794</u>

Information Technology Services	Vehicle and Equipment Maintenance	Building Maintenance	Vehicle and Equipment Replacement	Information Technology Equipment Replacement	Total
\$ 402,990	\$ 250,001	\$ 836,343	\$ 207,049	\$ 55,000	\$ 2,420,266
(182,290)	(138,410)	(344,199)	(10,508)	(48,538)	(1,227,773)
(236,841)	(79,411)	(479,716)	-	-	(882,441)
(16,141)	32,180	12,428	196,541	6,462	310,052
-	-	-	(129,138)	(20,225)	(149,363)
-	-	-	(129,138)	(20,225)	(149,363)
(16,141)	32,180	12,428	67,403	(13,763)	160,689
291,578	15,046	223,831	442,089	168,368	1,716,677
<u>\$ 275,437</u>	<u>\$ 47,226</u>	<u>\$ 236,259</u>	<u>\$ 509,492</u>	<u>\$ 154,605</u>	<u>\$ 1,877,366</u>
\$ (19,214)	\$ 25,923	\$ 14,968	\$ 147,454	\$ 14,672	\$ 253,891
-	-	-	48,474	2,023	50,497
(500)	-	3,869	-	-	(16)
2,503	5,971	(8,603)	613	(10,233)	(13,363)
-	-	-	-	-	14,700
1,070	286	2,194	-	-	4,343
<u>\$ (16,141)</u>	<u>\$ 32,180</u>	<u>\$ 12,428</u>	<u>\$ 196,541</u>	<u>\$ 6,462</u>	<u>\$ 310,052</u>

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

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**CITY OF SARATOGA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Governmental Funds Capital Assets:		
Land and land improvements	\$ 14,585,401	\$ 14,585,401
Buildings and structures	25,701,330	25,480,150
Machinery and equipment	1,647,393	1,678,323
Infrastructure	105,026,791	105,026,791
Construction in progress	<u>8,524,764</u>	<u>7,615,664</u>
Total Governmental Funds Capital Assets	155,485,679	154,386,329
Accumulated depreciation	<u>(32,514,261)</u>	<u>(30,594,028)</u>
Total Governmental Funds Capital Assets, Net	<u><u>\$ 122,971,418</u></u>	<u><u>\$ 123,792,301</u></u>
Investments in Governmental Funds		
Capital Assets by Source:		
General Fund	\$ 115,272,417	\$ 115,331,263
Special revenue funds	960,972	960,972
Capital projects funds	38,404,942	37,246,746
Donations	847,348	847,348
Accumulated depreciation	<u>(32,514,261)</u>	<u>(30,594,028)</u>
Total Governmental Funds Capital Assets	<u><u>\$ 122,971,418</u></u>	<u><u>\$ 123,792,301</u></u>

¹ 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 position.

CITY OF SARATOGA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
JUNE 30, 2014

Function and Activity	<u>Land and Land Improvements</u>	<u>Buildings and Structures</u>
General and intergovernmental services:		
Management services	\$ -	\$ 564,632
Administrative services	-	521,073
Intergovernmental services	<u>118,184</u>	<u>3,138,641</u>
Total General and Intergovernmental Services:	<u>118,184</u>	<u>4,224,346</u>
Public safety:		
Police services	-	-
Code enforcement	<u>-</u>	<u>-</u>
Total Public Safety:	<u>-</u>	<u>-</u>
Public works:		
Streets and sidewalks	835,154	62,921
Parks/open space	<u>3,712,061</u>	<u>2,761,389</u>
Total Public Works:	<u>4,547,215</u>	<u>2,824,310</u>
Community services	8,177,538	4,337,775
Community development services	<u>1,742,464</u>	<u>14,314,899</u>
Total Governmental Funds Capital Assets	14,585,401	25,701,330
Accumulated depreciation	<u>-</u>	<u>(7,962,868)</u>
Total Governmental Funds Capital Assets, Net	<u>\$ 14,585,401</u>	<u>\$ 17,738,462</u>

¹ 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 position.

Machinery and Equipment	Infrastructure	Construction in Progress	Total
\$ 553,507	\$ -	\$ 372,748	\$ 1,490,887
140,332	-	-	661,405
22,225	-	-	3,279,050
<u>716,064</u>	<u>-</u>	<u>372,748</u>	<u>5,431,342</u>
15,435	-	-	15,435
7,548	-	-	7,548
<u>22,983</u>	<u>-</u>	<u>-</u>	<u>22,983</u>
376,303	104,899,554	5,296,512	111,470,444
150,019	-	131,746	6,755,215
<u>526,322</u>	<u>104,899,554</u>	<u>5,428,258</u>	<u>118,225,659</u>
365,392	127,237	2,650,848	15,658,790
16,632	-	72,910	16,146,905
1,647,393	105,026,791	8,524,764	155,485,679
<u>(1,131,971)</u>	<u>(23,419,422)</u>	<u>-</u>	<u>(32,514,261)</u>
<u>\$ 515,422</u>	<u>\$ 81,607,369</u>	<u>\$ 8,524,764</u>	<u>\$ 122,971,418</u>

CITY OF SARATOGA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGE BY FUNCTION AND ACTIVITY
JUNE 30, 2014

Function and Activity	Governmental			Governmental
	Funds Capital Assets July 1, 2013	Additions	Deletions	Funds Capital Assets June 30, 2014
General and intergovernmental services:				
Management services	\$ 1,473,244	\$ 17,644	\$ -	\$ 1,490,888
Administrative services	661,405	-	-	661,405
Intergovernmental services	3,279,050	-	-	3,279,050
Total General and Intergovernmental Services:	5,413,699	17,644	-	5,431,343
Public safety:				
Police services	29,459	-	(14,025)	15,434
Code enforcement	7,548	-	-	7,548
Total Public Safety:	37,007	-	(14,025)	22,982
Public works:				
Streets and sidewalks	111,088,255	427,010	(44,822)	111,470,443
Parks/open space	6,586,513	168,702	-	6,755,215
Total Public Works:	117,674,768	595,712	(44,822)	118,225,658
Community services	15,137,622	521,168	-	15,658,790
Community development services	16,123,233	23,672	-	16,146,905
Total Governmental Funds Capital Assets	154,386,329	1,158,196	(58,847)	155,485,678
Accumulated depreciation	(30,594,028)	(1,920,233)	-	(32,514,261)
Total Governmental Funds Capital Assets, Net	\$ 123,792,301	\$ (762,037)	\$ (58,847)	\$ 122,971,417

¹ 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 position.



STATISTICAL SECTION

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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.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.	104-109
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source; property tax.	110-119
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	120-126
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	127-129
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	130-135

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.

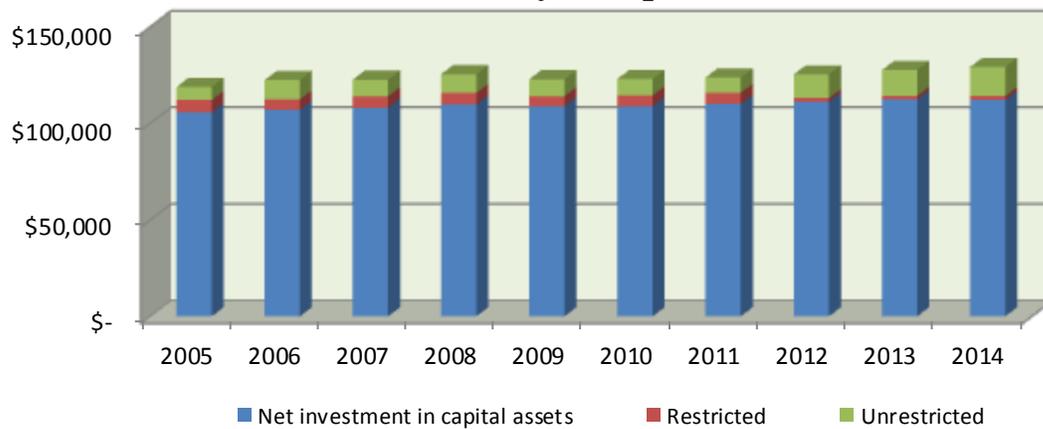
The City of Saratoga implemented GASB Statement No. 44 in fiscal year 2007/08; newly required schedules presenting information in the Statistical Section include the earliest available information.

**CITY OF SARATOGA
NET POSITION BY COMPONENT
LAST TEN YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

(amounts expressed in thousands)

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

Net Position by Component



Source: CAFR

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 108,818	\$ 108,966	\$ 110,016	\$ 111,201	\$ 112,353	\$ 112,116
5,281	5,519	5,830	1,938	1,971	2,045
8,759	8,533	7,964	12,248	13,357	15,095
<u>\$ 122,858</u>	<u>\$ 123,018</u>	<u>\$ 123,810</u>	<u>\$ 125,387</u>	<u>\$ 127,681</u>	<u>\$ 129,256</u>

**CITY OF SARATOGA
CHANGES IN NET POSITION
LAST TEN YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

(amounts expressed in thousands)

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

Source: CAFR

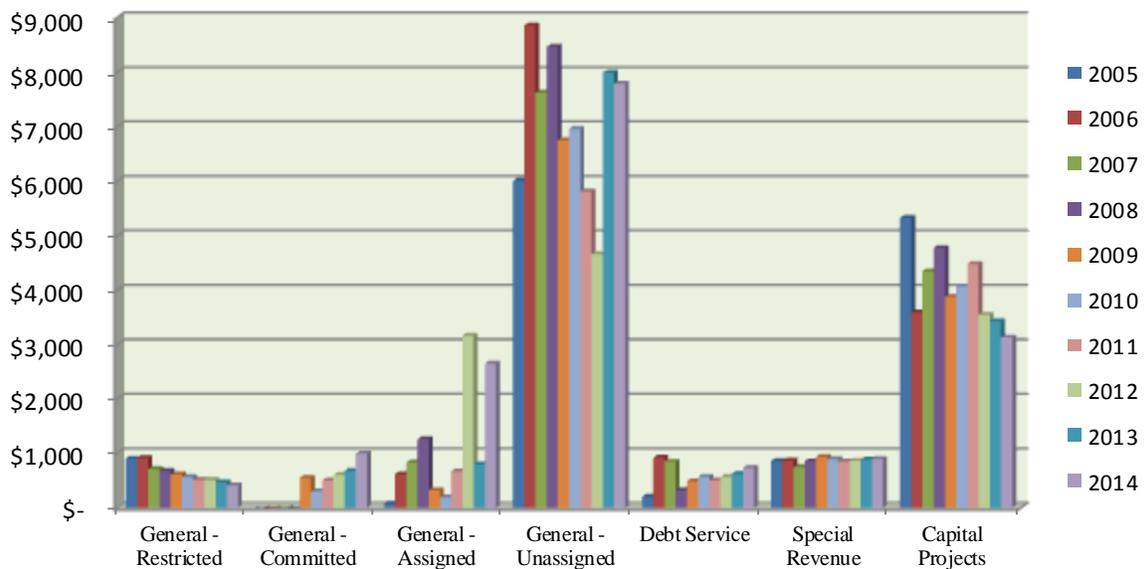
	2009	2010	2011	2012	2013	2014
\$	5,595	\$ 3,729	\$ 4,368	\$ 3,486	\$ 4,143	\$ 4,522
	4,211	4,339	4,457	4,300	4,382	4,491
	7,643	6,535	6,645	9,121	6,922	7,379
	1,634	1,711	1,846	1,996	1,804	1,586
	2,000	1,751	1,839	1,553	1,713	2,179
	697	677	656	453	410	400
	<u>21,780</u>	<u>18,742</u>	<u>19,811</u>	<u>20,909</u>	<u>19,374</u>	<u>20,557</u>
	133	125	171	140	102	120
	520	425	561	594	607	330
	2,379	2,535	2,771	2,079	3,316	2,768
	935	917	1,020	890	946	958
	1,802	1,586	1,734	1,923	2,184	2,220
	228	275	401	1,319	75	117
	339	674	1,221	2,337	599	808
	<u>6,336</u>	<u>6,537</u>	<u>7,879</u>	<u>9,282</u>	<u>7,829</u>	<u>7,321</u>
	<u>(15,444)</u>	<u>(12,205)</u>	<u>(11,932)</u>	<u>(11,627)</u>	<u>(11,545)</u>	<u>(13,236)</u>
	8,336	8,371	8,199	8,457	9,153	9,737
	1,043	955	991	1,101	1,051	941
	663	560	632	683	769	822
	1,657	1,664	1,821	1,852	1,920	1,949
	116	101	146	16	16	14
	<u>11,815</u>	<u>11,651</u>	<u>11,789</u>	<u>12,109</u>	<u>12,909</u>	<u>13,463</u>
	474	522	773	910	766	981
	397	101	65	67	51	62
	148	91	97	118	113	305
	<u>12,834</u>	<u>12,365</u>	<u>12,724</u>	<u>13,204</u>	<u>13,839</u>	<u>14,811</u>
	(2,610)	160	792	1,577	2,294	1,575
	125,468	122,858	123,018	123,810	125,387	127,681
\$	<u><u>122,858</u></u>	<u><u>123,018</u></u>	<u><u>123,810</u></u>	<u><u>125,387</u></u>	<u><u>127,681</u></u>	<u><u>129,256</u></u>

**CITY OF SARATOGA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

(amounts expressed in thousands)

	Fiscal Year			
	2005	2006	2007	2008
General fund:				
Restricted	\$ 899	\$ 910	\$ 711	\$ 679
Committed	-	-	-	-
Assigned	75	615	831	1,258
Unassigned	6,002	8,854	7,619	8,459
Total general fund	<u>\$ 6,976</u>	<u>\$ 10,379</u>	<u>\$ 9,161</u>	<u>\$ 10,396</u>
All other governmental funds:				
Restricted				
Special revenue funds	\$ 202	\$ 919	\$ 844	\$ 318
Debt service	856	865	746	854
Committed				
Capital project funds	5,321	3,586	4,338	4,768
Total all other governmental funds	<u>\$ 6,379</u>	<u>\$ 5,370</u>	<u>\$ 5,928</u>	<u>\$ 5,940</u>

Fund Balances of Governmental Funds



Source: CAFR

Information prior to fiscal year 2011 have been updated to conform with GASB 54 requirements

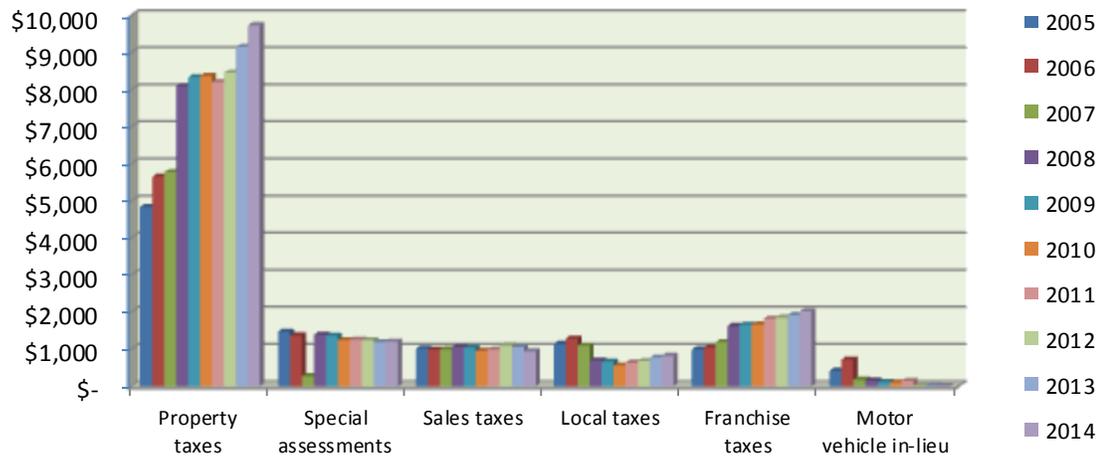
2009	2010	2011	2012	2013	2014
\$ 613	\$ 563	\$ 513	\$ 513	\$ 463	\$ 413
550	300	500	600	675	993
322	196	667	3,161	792	2,648
6,744	6,952	5,804	4,655	7,989	7,782
<u>\$ 8,229</u>	<u>\$ 8,011</u>	<u>\$ 7,484</u>	<u>\$ 8,929</u>	<u>\$ 9,919</u>	<u>\$ 11,836</u>
\$ 484	\$ 569	\$ 504	\$ 563	\$ 622	\$ 734
931	893	851	862	886	898
3,866	4,057	4,475	3,544	3,420	3,126
<u>\$ 5,281</u>	<u>\$ 5,519</u>	<u>\$ 5,830</u>	<u>\$ 4,969</u>	<u>\$ 4,928</u>	<u>\$ 4,758</u>

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

(amounts expressed in thousands)

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

Tax Revenues by Source



Source: CAFR

	2009	2010	2011	2012	2013	2014
\$	8,336	\$ 8,371	\$ 8,199	\$ 8,457	\$ 9,153	\$ 9,737
	1,368	1,247	1,255	1,243	1,185	1,207
	1,043	955	991	1,101	1,051	941
	663	560	632	683	769	822
	1,657	1,664	1,821	1,852	1,920	2,024
	116	101	146	16	16	14
\$	<u>13,183</u>	<u>\$ 12,898</u>	<u>\$ 13,044</u>	<u>\$ 13,352</u>	<u>\$ 14,094</u>	<u>\$ 14,745</u>

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

(amounts expressed in thousands)

	Fiscal Year			
	2005	2006	2007	2008
Revenues:				
Property taxes	\$ 4,893	\$ 5,652	\$ 4,758	\$ 7,877
Special assessments	1,411	1,370	1,285	1,566
Sales taxes	1,011	987	995	1,058
Other local taxes	851	1,288	1,126	773
Licensed and permits	100	79	1,340	1,671
Fines and forfeitures	162	259	396	344
Intergovernmental - federal	90	-	-	-
Intergovernmental - state	1,375	2,660	3,631	1,641
Intergovernmental - other	671	976	629	777
Franchise fees	1,294	1,041	1,187	1,622
Use of money any property	664	752	2,813	924
Other revenues	153	1,719	151	326
Total tax revenues	<u>15,768</u>	<u>19,498</u>	<u>19,211</u>	<u>22,763</u>
Expenditures:				
Current:				
General and intergovernmental services	3,238	3,346	3,806	4,083
Public safety	3,731	3,423	3,824	4,166
Public works	2,599	3,501	5,714	4,717
Community services	1,875	1,210	1,381	1,262
Community development services	1,990	1,847	1,962	2,026
Capital outlay	1,777	2,908	2,130	4,246
Debt service:				
Principal	255	270	280	295
Interest and fiscal charges	766	760	774	721
Total expenditures	<u>16,231</u>	<u>17,265</u>	<u>19,871</u>	<u>21,515</u>
Excess of revenues	(463)	2,233	(660)	1,247
Other financing sources (uses):				
Transfers in	2,492	499	3,422	2,241
Transfers out	(2,492)	(499)	(3,422)	(2,241)
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	<u>\$ (463)</u>	<u>\$ 2,233</u>	<u>\$ (660)</u>	<u>\$ 1,247</u>
Debt as a percentage of noncapital expenditures	7.06%	7.17%	5.94%	5.62%

Source: CAFR

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

	2009	2010	2011	2012	2013	2014
\$	8,335	\$ 8,371	\$ 8,199	\$ 8,457	\$ 9,153	\$ 9,737
	1,368	1,247	1,255	1,243	1,185	1,207
	1,043	954	991	1,101	1,051	941
	663	560	632	683	769	823
	1,460	1,489	1,950	1,728	2,177	2,023
	360	359	285	234	199	196
	-	430	1,033	1,915	975	796
	1,283	1,258	1,480	1,728	1,142	1,410
	290	258	337	73	269	129
	1,657	1,664	1,821	1,852	1,920	1,949
	794	595	550	589	527	521
	1,966	1,794	2,169	2,199	2,421	2,547
	<u>19,219</u>	<u>18,979</u>	<u>20,702</u>	<u>21,802</u>	<u>21,788</u>	<u>22,279</u>
	3,330	3,102	3,524	3,145	3,269	3,247
	4,206	4,349	4,467	4,310	4,392	4,491
	4,700	4,730	4,717	4,751	4,966	5,243
	1,424	1,223	1,322	1,269	1,318	1,383
	2,450	2,111	2,193	1,888	2,047	2,182
	4,060	2,584	3,704	5,179	3,979	3,096
	310	330	350	370	455	485
	705	685	665	551	414	405
	<u>21,185</u>	<u>19,114</u>	<u>20,942</u>	<u>21,463</u>	<u>20,840</u>	<u>20,532</u>
	(1,966)	(135)	(240)	339	948	1,747
	2,043	1,172	1,725	510	1,291	785
	(2,043)	(1,017)	(1,700)	(485)	(1,291)	(785)
	<u>-</u>	<u>155</u>	<u>25</u>	<u>245</u>	<u>-</u>	<u>-</u>
\$	<u>(1,966)</u>	<u>\$ 20</u>	<u>\$ (215)</u>	<u>\$ 584</u>	<u>\$ 948</u>	<u>\$ 1,747</u>
	4.89%	5.80%	5.56%	4.68%	4.76%	4.33%

CITY OF SARATOGA
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS

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

	Fiscal Year			
	2005	2006	2007	2008
General	1.0000	1.0000	1.0000	1.0000
County Retirement Levy	0.0388	0.0388	0.0388	0.0388
County Library	0.0024	0.0024	0.0024	0.0024
City of Saratoga	0.0148	0.0117	0.0096	0.0113
	<u>1.0560</u>	<u>1.0529</u>	<u>1.0508</u>	<u>1.0525</u>
Campbell School District	0.0529	0.0512	0.0508	0.0475
County Bond 2008 Hospital	0.0000	0.0000	0.0000	0.0000
Campbell Elementary 2002	0.0000	0.0000	0.0000	0.0000
Campbell Elementary 2010	0.0000	0.0000	0.0000	0.0000
Campbell Union High 1999	0.0198	0.0224	0.0198	0.0285
Campbell Union High 2006	0.0000	0.0000	0.0000	0.0000
Cupertino Elementary School District	0.0360	0.0350	0.0289	0.0337
Moreland Elementary School District	0.0612	0.0561	0.0556	0.0569
Saratoga School District	0.0361	0.0356	0.0351	0.0363
Campbell Union High School District	0.0197	0.0224	0.0198	0.0285
Fremont Union High School District	0.0268	0.0260	0.0243	0.0241
Los Gatos-Saratoga Joint Union High School District	0.0409	0.0371	0.0651	0.0345
Foothill-DeAnza Community College District	0.0129	0.0119	0.0346	0.0113
West Valley Community College District 2004	0.0000	0.0140	0.0126	0.0118
West Valley Community College District 2012	0.0000	0.0000	0.0000	0.0000
Saratoga Fire District	0.0017	0.0052	0.0049	0.0053
Santa Clara Valley Water District - State Water Project	0.0086	0.0069	0.0070	0.0067
Santa Clara Valley Water District - Zone W-1	0.0006	0.0009	0.0002	0.0040
	<u>0.3172</u>	<u>0.3247</u>	<u>0.3587</u>	<u>0.3291</u>
Total Tax Rate	<u><u>1.3732</u></u>	<u><u>1.3776</u></u>	<u><u>1.4095</u></u>	<u><u>1.3816</u></u>

Source: California Municipal Statistics, Inc.

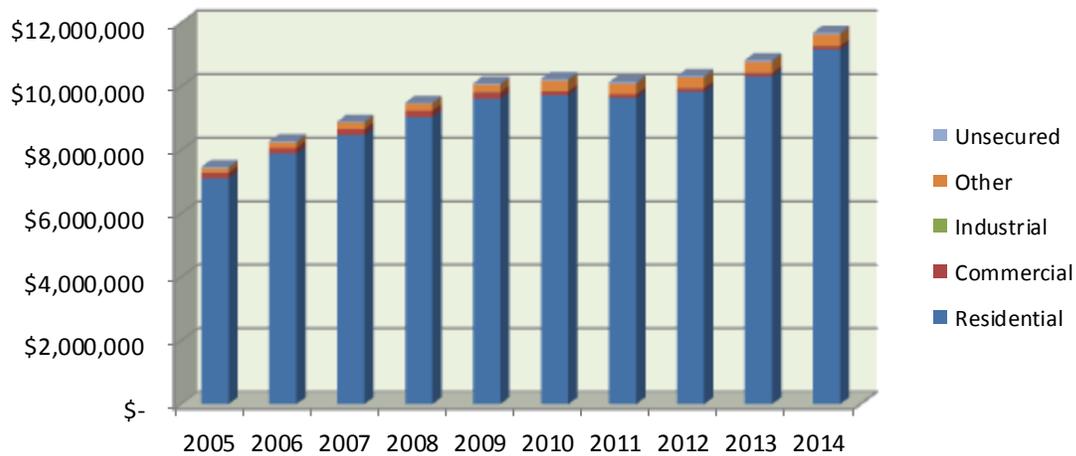
2009	2010	2011	2012	2013	2014
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
0.0388	0.0388	0.0388	0.0388	0.0388	0.0388
0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
0.0104	0.0094	0.0094	0.0088	0.0080	0.0074
1.0516	1.0506	1.0506	1.0500	1.0492	1.0486
0.0524	0.0285	0.0249	0.0283	0.0246	0.0264
0.0000	0.0122	0.0095	0.0047	0.0051	0.0035
0.0000	0.0267	0.0298	0.0266	0.0220	0.0288
0.0000	0.0000	0.0005	0.0003	0.0086	0.0000
0.0299	0.0183	0.0196	0.0186	0.0165	0.0134
0.0000	0.0131	0.0131	0.0156	0.0160	0.0156
0.0306	0.0000	0.0000	0.0000	0.0000	0.0000
0.0565	0.0000	0.0000	0.0000	0.0000	0.0000
0.0363	0.0000	0.0000	0.0000	0.0000	0.0000
0.0299	0.0000	0.0000	0.0000	0.0000	0.0000
0.0339	0.0000	0.0000	0.0000	0.0000	0.0000
0.0330	0.0000	0.0000	0.0000	0.0000	0.0000
0.0123	0.0000	0.0000	0.0000	0.0000	0.0000
0.0032	0.0140	0.0139	0.0137	0.0139	0.0125
0.0000	0.0000	0.0000	0.0000	0.0150	0.0130
0.0053	0.0000	0.0000	0.0000	0.0000	0.0000
0.0059	0.0071	0.0070	0.0063	0.0069	0.0070
0.0002	0.0003	0.0002	0.0001	0.0000	0.0000
0.3294	0.1202	0.1185	0.1142	0.1286	0.1202
1.3810	1.1708	1.1691	1.1642	1.1778	1.1688

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

(amounts expressed in thousands)

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Total Assessed Property
2005	\$ 7,114,095	\$ 166,071	\$ 8,746	\$ 138,912	\$ 42,965	\$ 7,470,789
2006	7,883,965	177,149	8,921	161,496	46,874	8,278,405
2007	8,467,894	187,142	9,099	192,470	39,764	8,896,369
2008	9,025,628	208,369	9,281	210,269	35,775	9,489,322
2009	9,605,309	213,951	9,467	223,190	43,933	10,095,850
2010	9,724,687	120,769	9,656	327,898	58,210	10,241,220
2011	9,639,782	107,269	9,633	323,881	57,172	10,137,737
2012	9,834,082	111,232	9,706	323,563	55,535	10,334,118
2013	10,312,597	112,875	11,455	335,765	62,378	10,835,070
2014	11,158,775	113,915	11,684	352,830	59,684	11,696,888

Total Assessed Property



Source: Santa Clara County Assessor data, MuniServices, LLC

Less:	Total Taxable	Total
Tax Exempt	Assessed	Direct
Real Property	Value	Tax
		Rate
\$ (76,932)	\$ 7,393,857	1.0560
(133,951)	8,144,454	1.0529
(140,859)	8,755,510	1.0508
(159,369)	9,329,953	1.0525
(161,488)	9,934,362	1.0516
(230,127)	10,011,093	1.0506
(230,477)	9,907,260	1.0506
(230,868)	10,103,250	1.0476
(233,895)	10,601,175	1.0492
(238,683)	11,458,205	1.0486

**CITY OF SARATOGA
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO
 JUNE 30, 2014**

(amounts expressed in thousands)

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Cupertino Village Associates, LLC	\$ 36,486	1	0.32%			
Quito Village Group, LLC	20,808	2	0.18%	16,640	2	
San Jose Water Works	18,661	3	0.16%	\$ 9,904	3	0.13%
John I. and Michelle Keller	14,932	4	0.13%			
Gregpenn Properties, LLC	13,554	5	0.12%	7,440	9	
Argonaut Associates, LLV	13,194	6	0.12%			
Stormin Norman LLC	12,600	7	0.11%			
Balakrishnan Balu and Mohimi	10,288	8	0.09%			
Public Storage Inc	9,877	9	0.09%	8,530	8	
Morrison Terri E	9,143	10	0.08%			
Saratoga Office Center Partner				19,300	1	0.26%
Krishnamurthi Ashok				9,455	4	0.13%
Peterschmidt David C Roxanne N				9,166	5	0.12%
Jordan Deloise A Trust				9,006	6	0.12%
House David L				8,865	7	0.12%
Jf Plaza Partners				6,700	10	0.09%
Top Ten Total Assessed Value	<u>\$ 159,543</u>			<u>\$ 105,006</u>		
City Total Assessed Value	<u>\$ 11,458,206</u>			<u>\$ 7,347,133</u>		

Source: Santa Clara County Assessor data, MuniServices, LLC

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage		Amount	Percentage
2005	\$ 4,972,875	\$ 4,972,875	100.0%	\$ -	\$ 4,972,875	100.0%
2006	5,243,038	5,243,038	100.0%	-	5,243,038	100.0%
2007	6,032,558	6,032,558	100.0%	-	6,032,558	100.0%
2008	8,108,364	8,108,364	100.0%	-	8,108,364	100.0%
2009	8,332,184	8,332,184	100.0%	-	8,332,184	100.0%
2010	8,371,396	8,371,396	100.0%	-	8,371,396	100.0%
2011	8,199,341	8,199,341	100.0%	-	8,199,341	100.0%
2012	8,456,687	8,456,687	100.0%	-	8,456,687	100.0%
2013	9,152,865	9,152,865	100.0%	-	9,152,865	100.0%
2014	9,737,144	9,737,144	100.0%	-	9,737,144	100.0%

Source: City of Saratoga

CITY OF SARATOGA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

(amounts expressed in thousands, except per capita amounts)

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
General obligation bonds	\$ 14,440	\$ 14,170	\$ 13,890	\$ 13,595
Net original issue premium	-	-	-	-
Total primary government	<u>\$ 14,440</u>	<u>\$ 14,170</u>	<u>\$ 13,890</u>	<u>\$ 13,595</u>
Percentage of Personal Income ¹	0.91%	0.82%	0.75%	0.74%
Per capita ²	468	460	443	430

Source: CAFR

¹US Census Bureau, adjusted for inflation, MuniServices LLC

²Population information from California State Controller's Office

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 13,285	\$ 12,955	\$ 12,605	\$ 11,995	\$ 11,540	\$ 11,055
-	-	-	438	416	394
<u>\$ 13,285</u>	<u>\$ 12,955</u>	<u>\$ 12,605</u>	<u>\$ 12,433</u>	<u>\$ 11,956</u>	<u>\$ 11,449</u>
0.76%	0.54%	0.57%	0.57%	0.53%	0.49%
419	405	417	409	389	371

CITY OF SARATOGA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS

(amounts expressed in thousands, except per capita amounts)

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

Source: CAFR

¹Population information from California State Controller's Office

2009	2010	2011	2012	2013	2014
\$ 13,285	\$ 12,955	\$ 12,605	\$ 11,995	\$ 11,540	\$ 11,055
-	-	-	438	416	394
(926)	(890)	(848)	(860)	(885)	(898)
<u>\$ 12,359</u>	<u>\$ 12,065</u>	<u>\$ 11,757</u>	<u>\$ 11,135</u>	<u>\$ 10,655</u>	<u>\$ 10,157</u>

0.12% 0.12% 0.12% 0.11% 0.10% 0.09%

390 377 389 367 347 329

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

(amounts expressed in thousands)

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

Source: CAFR

2010	2011	2012	2013	2014
\$ 1,536,183	\$ 1,520,660	\$ 1,550,118	\$ 1,625,261	\$ 1,754,233
12,065	11,757	11,135	10,655	10,157
\$ 1,524,118	\$ 1,508,903	\$ 1,538,983	\$ 1,614,606	\$ 1,744,076
0.79%	0.77%	0.72%	0.66%	0.58%
\$ 10,011,093	\$ 9,907,259	\$ 10,103,250	\$ 10,601,175	\$ 11,458,205
230,127	230,477	230,868	233,895	236,683
\$ 10,241,220	\$ 10,137,736	\$ 10,334,118	\$ 10,835,070	\$ 11,694,888
\$ 1,536,183	\$ 1,520,660	\$ 1,550,118	\$ 1,625,261	\$ 1,754,233
\$ 12,955	\$ 12,605	\$ 11,995	\$ 11,540	\$ 11,055
-	-	438	416	394
(890)	(848)	(860)	(885)	(898)
\$ 12,065	\$ 11,757	\$ 11,135	\$ 10,655	\$ 10,157
\$ 1,524,118	\$ 1,508,903	\$ 1,538,983	\$ 1,614,606	\$ 1,744,076

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

(amount expressed in thousands)

	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Direct Debt:			
City of Saratoga	\$ 11,055	100.000%	\$ 11,055
Total Direct Debt			<u>11,055</u>
Overlapping Tax and Assessment Debt:			
Santa Clara County	804,700	3.442%	27,698
Foothill-De Anza Community College District	613,179	1.655%	10,148
West Valley Community College District	294,323	10.189%	29,989
Campbell Union High School District	152,410	5.635%	8,588
Fremont Union High School District	290,570	3.656%	10,623
Los Gatos-Saratoga Joint Union High School District	41,805	39.165%	16,373
Campbell Union School District	160,845	6.946%	11,161
Cupertino Union School District	261,223	6.056%	15,820
Moreland School District	94,833	13.025%	12,352
Saratoga Union School District	40,224	86.028%	34,604
Saratoga Fire Protection District	3,909	97.140%	3,797
Santa Clara Valley Water District Benefit Assessment	115,045	3.442%	3,960
Total Overlapping Tax and Assessment Debt			<u>185,113</u>
Overlapping General Fund Debt:			
Santa Clara County General Fund Obligations	\$ 757,814	3.442%	\$ 26,084
Santa Clara County Pension Obligations	375,419	3.442%	12,922
Santa Clara County Board of Education			
Certificates of Participation	9,730	3.442%	335
Santa Clara County Vector Control District			
Certificates of Participation	3,275	3.442%	113
Foothill-De Anza Community College District			
Certificates of Participation	13,469	1.655%	223
West Valley-Mission College District			
General Fund Obligations	65,095	10.189%	6,633
Campbell Union High School District			
Certificates of Participation	10,160	5.635%	573
Los Gatos-Saratoga Joint Union High School District			
Certificates of Participation	7,925	39.165%	3,104
Campbell Union High School District			
Certificates of Participation	3,500	6.946%	243
Saratoga Union School District			
Certificates of Participation	5,240	86.028%	4,508
Midpeninsula Open Space Park District			
General Fund Obligations	133,209	5.948%	7,923
Total Overlapping General Fund Debt			<u>62,661</u>
Total Overlapping Tax & Assesment and General Fund Debt			<u>247,774</u>
Combined Total Debt ²			<u>\$ 258,829</u>

¹Percentage of overlapping agency's assessed valuation located within boundaries of the city.

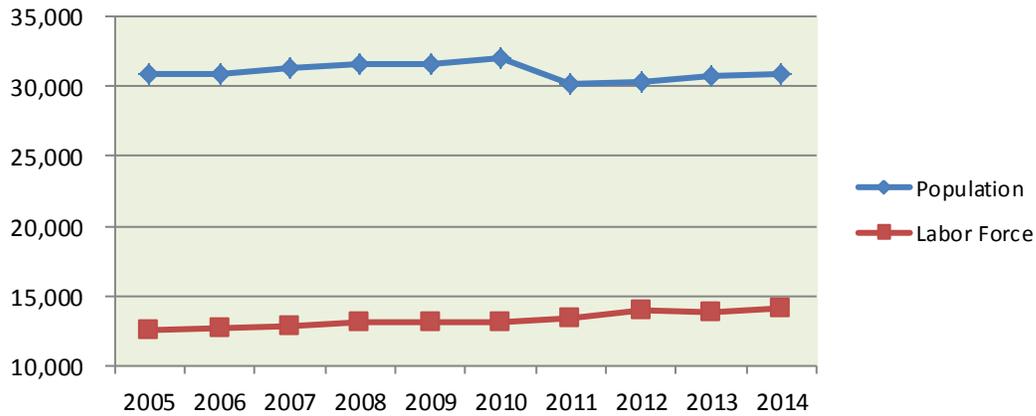
²Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

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

Fiscal Year	City Population ¹	Personal Income (in thousands) ²	Per Capita Personal Income ²	Labor Force ³	Unemployment Rate ³
2005	30,850	\$ 1,586,245	\$ 51,418	12,600	2.5%
2006	30,835	1,719,175	55,754	12,700	2.1%
2007	31,352	1,860,365	59,338	12,900	2.3%
2008	31,592	1,843,425	58,351	13,100	3.2%
2009	31,679	1,747,699	55,169	13,300	6.0%
2010	31,997	2,401,151	75,043	13,200	5.6%
2011	30,195	2,211,963	73,256	13,400	5.0%
2012	30,363	2,119,463	69,804	14,000	4.4%
2013	30,706	2,179,904	70,993	13,900	4.2%
2014	30,887	2,243,458	72,634	14,200	3.4%

Labor Force vs. Population



Source: ¹Population information from California State Controller's Office

²US Census Data, adjusted for inflation, MuniServices LLC

³EDD Labor Market Information Division, MuniServices LLC

**CITY OF SARATOGA
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO AT JUNE 30, 2014**

Employer	2014			2005 ¹		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
West Valley Community College	474	1	3.34%	-		0.00%
Saratoga Retirement Community	272	2	1.92%	-		0.00%
Saratoga Union School District	240	3	1.69%	-		0.00%
Mountain Winery	224	4	1.58%	-		0.00%
Sub-Acute Saratoga Hospital	149	5	1.05%	-		0.00%
Saratoga High School	133	6	0.94%	-		0.00%
YMCA	130	7	0.92%	-		0.00%
Our Lady Fatima Villa	101	8	0.71%	-		0.00%
Prospect High School	100	9	0.70%	-		0.00%
Safeway	91	10	0.64%	65	2	0.52%
Gene's Fine Foods				85	1	0.67%
Saratoga Country Club				65	3	0.52%
24 Hour Fitness				30	4	0.24%
Windermere				27	5	0.21%
CVS				20	6	0.16%
Classic Car Wash				20	7	0.16%
Harmonic European Day Spa				20	8	0.16%
Hinshaw, Draa & Marsh				20	9	0.16%
Bella Saratoga				20	10	0.16%
Total City Employment ¹	14,200			12,600		

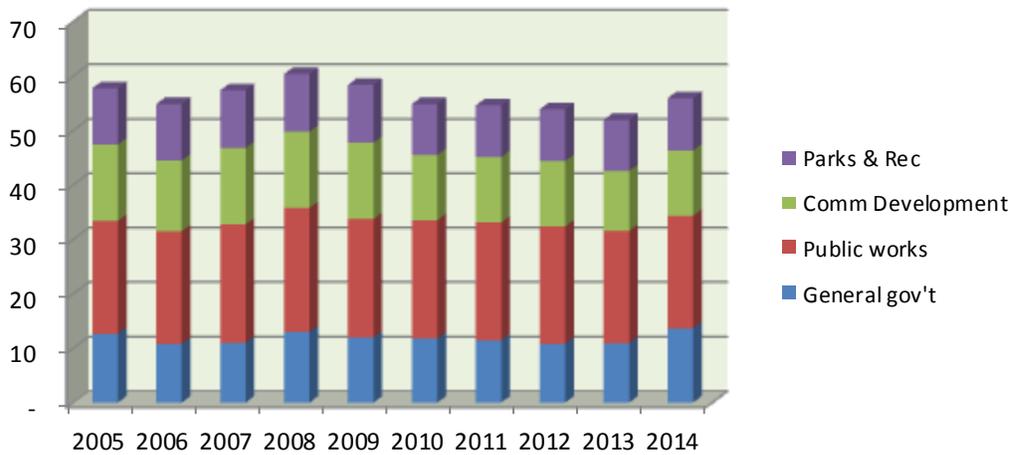
¹EDD Labor Market Information Division, MuniServices LLC

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

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

Full-Time Equivalents



Source: City of Saratoga Budget Document

2009	2010	2011	2012	2013	2014
12.00	11.75	11.45	10.80	10.90	13.65
21.75	21.75	21.65	21.55	20.65	20.65
14.00	12.00	12.00	12.00	11.00	12.00
10.60	9.35	9.50	9.50	9.35	9.60
<u>58.35</u>	<u>54.85</u>	<u>54.60</u>	<u>53.85</u>	<u>51.90</u>	<u>55.90</u>

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

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

¹Part 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

2009	2010	2011	2012	2013	2014
282	173	373	287	277	408
41,384	39,942	41,642	35,664	40,141	41,228
1,949	1,273	1,549	1,329	1,106	978
6	3	-	6	6.2	4.3
25	24	25	41	29	34
10,000	10,000	11,000	10,000	12,060	11,000
61,117	44,658	50,936	59,675	79,896	79,702
4,698	4,366	6,135	5,479	5,365	6,235
515	545	661	647	1,663	2,173
459	423	-	-	-	-
171	161	142	132	188	274
225	331	326	-	45	160
419	2,110	1,323	787	605	673
16,325	16,533	14,640	15,221	12,269	12,941

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

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

Source: City of Saratoga various records

2009	2010	2011	2012	2013	2014
-	-	-	-	-	-
1	1	1	1	1	1
1	1	1	1	1	1
14	14	14	14	14	14.5
140	140	140	140	141	142
8,683	8,687	8,664	8,679	8,821	8,919
127	127	127	127	127	127
2,938	2,949	2,954	2,959	2,961	2,963
37	37	37	37	37	37
84	84	84	84	84	84
15	15	15	15	15	15

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