

# CITY OF SARATOGA

C A L I F O R N I A



Ranked #1 Safest City in California

FISCAL YEAR 2014/15  
COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT





# Saratoga, California

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2015

### City Council

Howard Miller.....	Mayor
Manny Capello.....	Vice Mayor
Emily Lo .....	Council Member
Mary-Lynne Bernald.....	Council Member
Rishi Kumar .....	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, 2015**

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**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

Letter of Transmittal ..... 9  
 GFOA Certificate of Achievement for Excellence in Financial Reporting ..... 15  
 Principal Officers of the City ..... 16  
 Organization Chart ..... 17

**FINANCIAL SECTION**

**Independent Auditors’ Report** ..... 21

**Management’s Discussion and Analysis (Required Supplementary Information)** ..... 23

**Basic Financial Statements:**

*Government-Wide Financial Statements*

Statement of Net Position ..... 40  
 Statement of Activities and Changes in Net Position ..... 41

*Fund Financial Statements*

*Governmental Funds:*

Balance Sheet ..... 42  
 Reconciliation of the Government Funds Balance Sheet  
 to the Government-Wide Financial Statement of Net Position ..... 43  
 Statement of Revenues, Expenditures and Changes in Fund Balances ..... 44  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Government-Wide  
 Statement of Activities and Changes in Net Position ..... 45

*Proprietary Funds:*

Statement of Net Position ..... 46  
 Statement of Revenues, Expenses, and Changes in Fund Net Position ..... 47  
 Statement of Cash Flows ..... 48

*Basic Financial Statement Notes:*

Notes to the Basic Financial Statements ..... 50

*Required Supplementary Information*

Budgetary Information ..... 82  
 Modified Approach for City Streets Infrastructure Capital Assets ..... 84  
 Pension Information ..... 86

**CITY OF SARATOGA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2015**

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**TABLE OF CONTENTS CONTINUED**

**SUPPLEMENTARY INFORMATION:**

*Non-Major Governmental Funds*

Combining Balance Sheets ..... 90  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..... 91  
 Schedule of Revenues, Exp and Changes in Fund Balances – Budget and Actual:  
     Capital Improvements ..... 92  
     Lighting & Landscape Assessment Districts Special Revenue Funds ..... 93  
     Library Bond Debt Service Fund ..... 94

*Internal Service Funds*

Combining Statement of Net Position ..... 96  
 Combining Statement of Revenues, Expenses, and Change in Fund Balance ..... 98  
 Combining Statement of Cash Flows ..... 100

*Capital Assets Used in the Operation of Governmental Funds*

Comparative Schedule by Source ..... 105  
 Schedule by Function and Activity ..... 106  
 Schedule of Changes by Function and Activity ..... 108

*Statistical Section (Unaudited)*

Net Position by Component ..... 112  
 Changes in Net Position ..... 114  
 Fund Balance of Governmental Funds ..... 116  
 Governmental Activities Tax Revenues by Source ..... 118  
 Changes in Fund Balances of Governmental Funds ..... 120  
 Property Tax Rates - Direct and Overlapping Governments ..... 122  
 Assessed Value of Taxable Property ..... 124  
 Principal Property Taxpayers ..... 126  
 Property Tax Levies and Collections ..... 127  
 Ratios of Outstanding Debt by Type ..... 128  
 Ratios of General Bonded Debt Outstanding ..... 130  
 Legal Debt Margin Information ..... 132  
 Direct and Overlapping Governmental Activities Debt ..... 134  
 Demographic and Economic Statistics ..... 135  
 Principal Employers ..... 136  
 Full-Time Equivalent City Government Employees by Function ..... 138  
 Operating Indicators by Function ..... 140  
 Capital Asset Statistics by Function ..... 142



## **INTRODUCTORY SECTION**

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# CITY OF SARATOGA

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

November 18, 2015

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, 2015 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, 2015, 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 30,779 at January 1, 2015, 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 four fiscal years, California continues to experience a recovery that is being led by the Silicon Valley's strong housing and labor markets.

General Fund Property Tax revenues increased more than 9% in FY 2014/15 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 2014/15 Sales Tax revenue increased over the prior year, partly due to timing differences in accruals, and corrections in allocations from the State. It is clear, however, that the overall strength of the economy remained strong in the region. 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 returned to pre-recession levels; in FY 2014/15 revenues maintained the healthy resurgence in construction activity in alignment with other strengthening revenues. A small portion of development fees are now being directed to fund long term planning services.

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 2014/15 Budget was developed with a focus on reinstatement of services and stabilizing workloads. It addressed cost increases for employee pensions and public safety services. These cost increases resulted from corrective actions taken by CalPERS and the addition of a traffic enforcement officer. Council also increased funding for the community grants program in order to maintain the importance of a sense of community and civic pride.

In October 2014, the City received its most recent actuarial valuation from CalPERS. The report highlighted the changes to assumptions and methodologies that CalPERS adopted in order to address the slow recovery to an acceptable funded status as a result of the losses experienced during the recession. The report also identified an Unfunded Accrued Liability of approximately \$6.9 million as of June 30, 2014. Council took quick action in order to address this liability. With the use of reserves and additional revenues received, the City was able to apply approximately \$3.3 million towards this liability. The long-term interest savings is anticipated to be \$3.6 million over the amortization period of 22 years.

The FY 2014/15 Capital Projects Budget included funding for 17 new projects. Some of the projects funded include residential street reconstruction, turf reduction at city parks to reduce irrigation usage, replacement of an aging play structure at the Civic Center pre-school, and implementation of the Quarry Park Master Plan. The Quarry Park Master Plan was approved in fiscal year 2013/14. The Master Plan includes the addition of hiking trails, picnic areas, recreational facilities and amenities to the Quarry property that the City acquired in 2011. The first phase of this plan is anticipated to be completed in the fall of 2015.

## **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 unmodified (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***

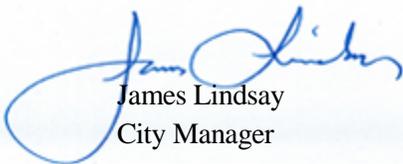
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement to the City for its Excellence in Financial Reporting on the CAFR for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, the City published an 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 Scott, 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 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, 2014**

Executive Director/CEO

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

**As of June 30, 2015**

**CITY COUNCIL**

Howard Miller - Mayor  
Manny Capello – Vice Mayor  
Emily Lo  
Mary-Lynne Bernald  
Rishi Kumar

**CITY STAFF**

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

**CITY ATTORNEY**

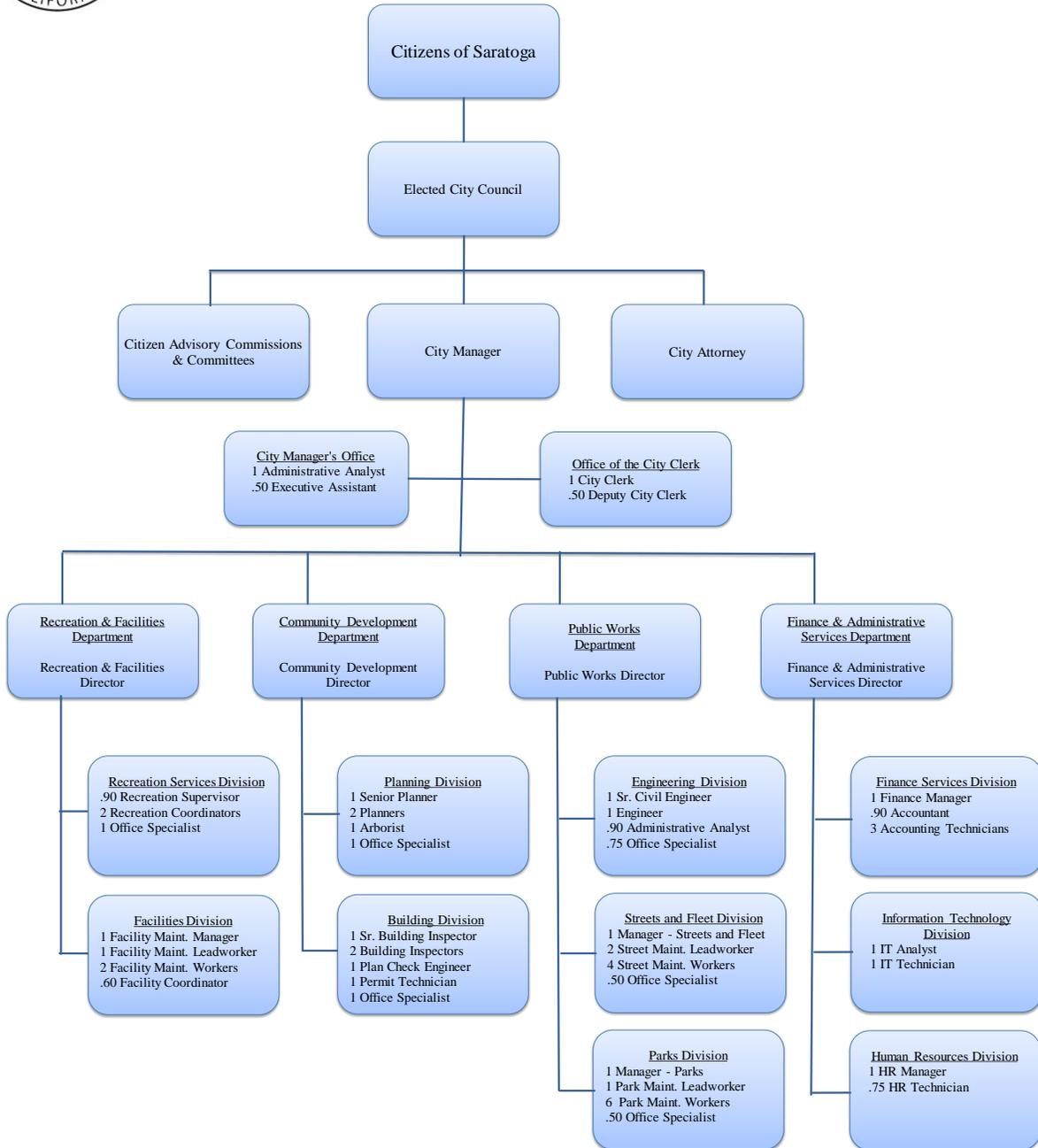
Richard S. Taylor – Shute, Mihaly & Weinberger

**INDEPENDENT AUDITORS**

Chavan & Associates, LLP Certified Public Accountants

# City of Saratoga - Organization Chart

## FY 2014/15



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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, 2015, 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, 2015, 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 other 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.

### *New Accounting Principles*

As discussed in Notes 1 and 7 to the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective June 30, 2015 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2015 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*

September 4, 2015  
San Jose, California

**CITY OF SARATOGA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

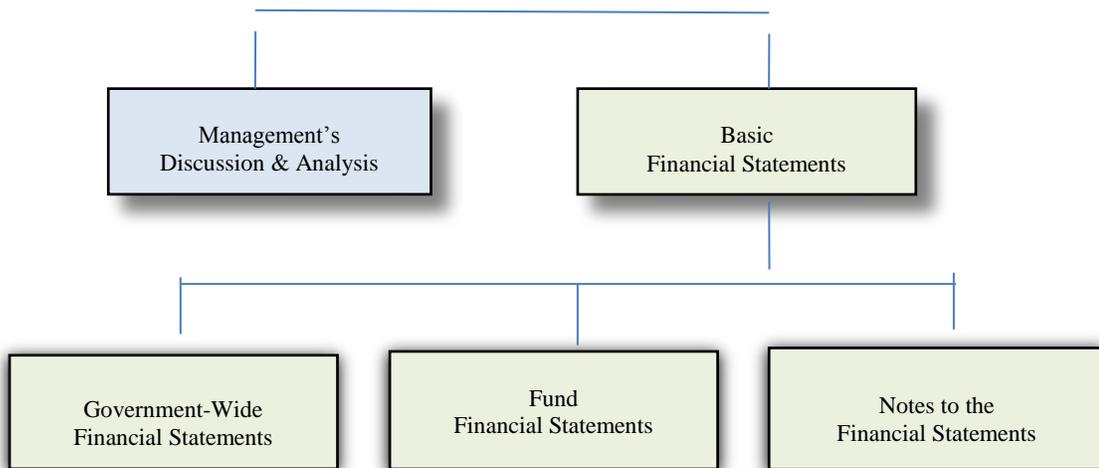
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**INTRODUCTION**

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, 2015. 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 2014/15 FINANCIAL HIGHLIGHTS**

- Total net position decreased by \$8.3 million last fiscal year.
- The City's assets plus deferred outflow of resources exceed its liabilities plus deferred inflow of resources by almost \$ 120.9 million; with total assets plus deferred outflow of resources of \$144 million and liabilities plus deferred inflow of resources of \$ 23.4 million.
- Net Position is comprised of \$112.1 million for investment in capital assets, net of depreciation and related debt; \$2.1 million restricted for specific purposes; and \$6.7 million in unrestricted Net Position (reference pg. #40).
- Total City-wide revenues of \$23.2 million consist of \$16.2 million in general revenue and \$7.0 million in program revenue (reference pg. #41).
- City expenses total \$22.6 million (reference pg. #41).
- The Governmental Fund’s fund balances total \$15.4 million, with \$9.8 million in the General Fund, \$3.9 million in the Capital Improvement Funds, and \$1.8 million in the Other

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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Governmental Funds. This represents a decrease of \$1.15 million from last year (reference pg. #42).

- General Fund revenues total \$19.5 million, while General Fund expenditures total \$19.9 million (reference pg. #43).

**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, 2015.

*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.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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, 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.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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.

**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 decreased \$8,334,786 from \$129,256,133 in fiscal year 2013/14 to \$120,921,347 in fiscal year 2014/15. The primary reason for this decrease in net position is due to the implementation of GASB Statement No. 68. The prior period adjustment related to Net Pension Liability reduced beginning Net Position by approximately \$8.9 million.

The most significant portion of the City's Net Position (\$112,092,371 or 92.7%) 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.

\$2,137,424 or 1.8% of the City's Net Position is subject to external restrictions on how the funding may be used. Within the restricted Net Position total, \$867,642 is for lighting and landscaping assessment districts, \$363,182 is for environmental programs, and \$906,600 is for repayment of long-term debt.

The remaining \$6,691,522 or 5.5% of the City's Net Position are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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		<b>Net Position</b>	
		<b>Governmental Activities</b>	
		<u>2015</u>	<u>2014</u>
<b>Assets</b>			
Current assets		\$ 20,597,864	\$ 20,853,961
Capital assets		123,024,541	123,171,255
	<b>Total Assets</b>	<u>143,622,405</u>	<u>144,025,216</u>
<b>Deferred Outflow of Resources</b>			
Deferred Outflow		703,379	-
	<b>Total Deferred Outflow of Resources</b>	<u>703,379</u>	<u>-</u>
<b>Liabilities</b>			
Current liabilities		4,078,118	3,633,555
Long-term debt		17,575,706	11,135,528
	<b>Total Liabilities</b>	<u>21,653,824</u>	<u>14,769,083</u>
<b>Deferred Inflow of Resources</b>			
Deferred Inflow		1,750,613	-
	<b>Total Deferred Inflow of Resources</b>	<u>1,750,613</u>	<u>-</u>
<b>Net Position</b>			
Net investment in capital assets		112,092,371	112,116,255
Restricted for environmental services		363,182	413,182
Restricted for special assessment funds		867,642	733,832
Restricted for debt service		906,600	897,786
Unrestricted		6,691,552	15,095,078
	<b>Total Net Position</b>	<u>\$ 120,921,347</u>	<u>\$ 129,256,133</u>

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Statement of Changes in Net Position**

Functions/Programs	Governmental Activities		Increase (Decrease)
	2015	2014	
<b>Program Revenues</b>			
Charges for services	\$ 6,135,177	\$ 6,396,864	\$ (261,687)
Operating grants and contributions	107,062	116,667	(9,605)
Capital grants and contributions	785,366	807,481	(22,115)
<b>Total Program Revenues</b>	<u>7,027,605</u>	<u>7,321,012</u>	<u>(293,407)</u>
<b>General Revenues</b>			
Property taxes	10,669,281	9,737,145	932,136
Sales taxes	1,224,427	941,350	283,077
Local taxes	866,272	822,272	44,000
Franchise taxes	2,069,479	1,948,642	120,837
Motor vehicle in-lieu	13,113	13,575	(462)
Intergovernmental revenues	1,022,838	980,938	41,900
Investment earnings	67,121	61,895	5,226
Other revenues	236,988	305,012	(68,024)
<b>Total General Revenues</b>	<u>16,169,519</u>	<u>14,810,829</u>	<u>1,358,690</u>
<b>Expenses</b>			
General and intergovernmental services	7,566,201	4,521,784	3,044,417
Public safety	4,850,289	4,491,384	358,905
Public works	6,272,570	7,378,436	(1,105,866)
Community services	1,588,840	1,586,353	2,487
Community development services	1,961,660	2,178,634	(216,974)
Interest on long-term debt (unallocated)	390,834	400,469	(9,635)
<b>Total Expenses</b>	<u>22,630,394</u>	<u>20,557,060</u>	<u>\$ 2,073,334</u>
Increase / (Decrease) in Net Position	566,730	1,574,781	(1,008,051)
<b>Net Position, Beginning of Year</b>	129,256,133	127,681,352	1,574,781
Prior Period Adjustment - GASB 68	(8,901,517)	-	-
<b>Net Position, Beginning of Year, As Adjusted</b>	<u>120,354,616</u>	<u>127,681,352</u>	<u>1,574,781</u>
<b>Net Position, End of Year</b>	<u>\$ 120,921,347</u>	<u>\$ 129,256,133</u>	<u>\$ (8,334,786)</u>

As shown in the above *Statement of Changes in Net Position* schedule, program revenues decreased by \$293,407 from the prior fiscal year for governmental activities. General revenues increased by \$1,358,690 from the prior year. This resulted in a total increase in revenues of \$1,065,283. Expenses increased by \$2,073,334 from the prior year.

With total program and general revenues for fiscal year 2014/15 at \$23,197,124 and total expenses at \$22,630,394, the net activity resulted in an increase in Net Position of \$566,730. However, due to the implementation of GASB 68, a prior period adjustment of \$8,901,517 decreased the beginning balance of net position from \$129,256,133 to \$120,354,616.

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

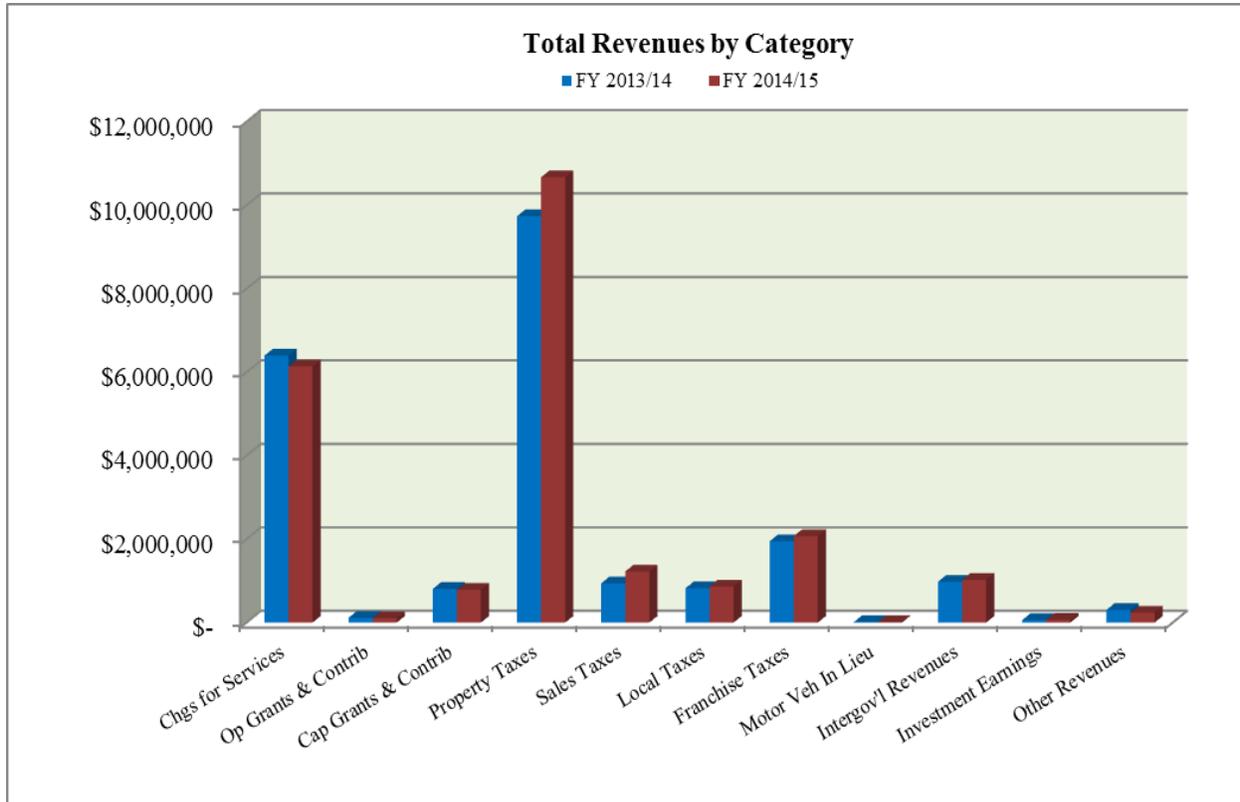
**CITY OF SARATOGA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Revenues**

Increases from Property Tax, Sales Tax and Franchise Taxes were offset by decreases in Charges for Services and Grants during FY 2014/15, resulting in a net increase of \$1,065,283 in total general and program revenues.

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



*Increase in Revenues*

General Revenues increased \$1,358,690 from the prior year. The most significant changes include:

- A \$932,136 increase in Property Tax Revenue due to higher assessed valuations of property within the City.
- A \$283,077 increase in Sales tax due timing differences in accruals and allocation adjustments received from the State Board of Equalization in the City’s favor.
- A \$120,837 increase in Franchise taxes primarily due to an increase in payments received from Water, \$26,063, and Solid Waste, \$93,475, franchises.

Program Revenues decreased overall:

- Charges for services decreased \$261,687 due to a decrease in park development fees of \$310,831.
- Operating and Capital Grants & Contributions decreased in aggregate \$31,720.

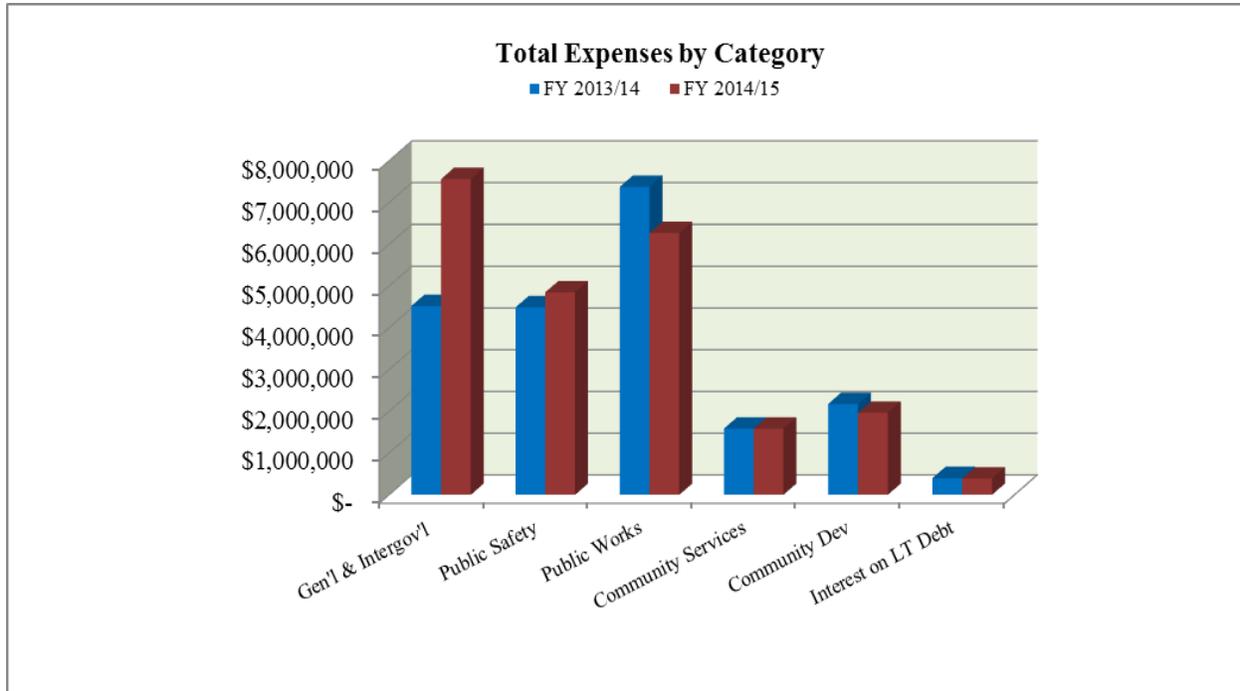
**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Expenses**

The FY 2014/15 net change in expenses for Governmental Activities was an increase of \$2,073,334. Increases in General and Intergovernmental Services and Public Safety were offset by decreases in Public Works, and Community Development 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:

- General and Intergovernmental Service increased by \$3,044,417 due to the payment to CalPERS towards the Unfunded Accrued Liability, as related to pensions, in the amount of \$3,294,619.
- Public Safety increased by \$358,905 as a result of additional costs for Sheriff, (\$386,000), and Animal Control, (\$4,000), contract services.

*Decreases in Expenses*

Notable decreases in expenses from the prior year occurred in two categories:

- Public Works decreased in total by \$1,105,866. This decrease is primarily due to the reclassification of expenses related to capital projects from expenses to capital assets. The amount of expenses reclassified to capital assets increased \$1,019,233 from the prior year as several CIP projects were either completed or Construction in Progress spending increased during the fiscal year.
- Community Development Services decreased \$216,974 due to staffing vacancies of \$99,837, a GASB 68 adjustment reducing pension expense by \$72,718 and other personnel costs being reduced by \$52,302.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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	\$ 19,519,546	\$ 2,284,991	\$ 1,464,257
Total Expenditures	19,882,351	3,217,619	1,322,632
Revenues Over (Under) Expenditures	(362,805)	(932,628)	141,625
Transfers in	-	1,767,108	1,000
Transfers out	(1,666,098)	(102,010)	-
Net change in fund balances	(2,028,903)	732,470	142,625
Beginning of year	11,835,634	3,126,307	1,631,617
End of year	\$ 9,806,731	\$ 3,858,777	\$ 1,774,242

Included in the Major Funds are the General Fund and the Capital Improvement Funds. The Other Governmental Funds include twenty-seven 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 a decrease of \$1,153,808.

**General Fund**

As shown in the preceding *Major Funds* table, the net change in the General Fund's ending fund balance is a decrease of \$2,028,903. A Net Loss is a result of the net operating expenses exceeding net operating revenues.

A number of the General Fund revenue categories increased from the prior year for a net revenue gain of \$1,251,178, 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 other revenue streams resulted in a positive variance from budgeted revenues.

Expenses are budgeted at anticipated program needs at not-to-exceed projected funding levels. However, during the fiscal year, the City opted to commit additional funding towards the Unfunded Accrued Liability, or UAL, related to pensions. Based on a valuation report received from CalPERS and in anticipation of the implementation of GASB 68, the City was informed that the Net Pension Liability, or NPL, was approximately \$6.9 million as of June 30, 2014. The report also included several funding options to pay down this liability available to the City. The City Council chose to partially fund the UAL in the amount of \$3,294,619 during the fiscal year.

**Capital Improvement Project Fund**

As shown in the table above, the net change in the Capital Improvement Fund increased by \$732,470 as funding transfers for new Capital Improvement Projects exceeded expenses for the year.

**CITY OF SARATOGA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Other Governmental Funds**

Of the net \$142,625 increase in Other Governmental Funds, the collective 27 Landscaping & Lighting funds comprise \$133,811 of the total. The Library Bond debt service fund accounts for the remaining \$8,814 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 \$18,212,217 as shown in the first column in the schedule below:

**Adopted to Final Budget  
Fiscal Year Ended June 30, 2015**

	Adopted Budget	+ Budget Adjustments	= Final Budget
Revenues	\$ 18,212,217	460,000	\$ 18,672,217
Transfers in	\$ -	-	\$ -

At mid-year, a budget adjustment was made to increase expected revenues. Impacts from the upturn in the housing market coupled with a rare ERAF payment contributed to an anticipated \$460,000 increase in property taxes.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Expenses and Transfers Out**

The General Fund expense budget was adopted at \$17,527,884 and adopted transfers out at \$1,733,345, as shown in the first column in the schedule below:

<b>Adopted to Final Budget</b>			
<b>Fiscal Year Ended June 30, 2015</b>			
		+	=
	Adopted Budget	Budget Adjustments	Final Budget
Expenses	\$ 17,527,884	3,380,000	\$ 20,907,884
Transfers out	\$ 1,733,345	-	\$ 1,733,345

A budget adjustment was made during the year; the City Council approved \$3,380,000 in additional expense related to the Unfunded Accrued Liability.

The original amount of \$1,733,345 of budgeted transfers from the General Fund to the Capital Improvement funds was allocated as follows; \$730,000 for street, sidewalk, and storm drain repair, \$443,445 for trail improvements, \$479,900 for various facility improvements, and \$80,000 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 has begun the process 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.

As reflected in the following schedule, the City has \$123,024,541 invested in a variety of capital assets as of June 30, 2015. This represents a decrease of \$147,329 or a 0.12% decrease from the prior year.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Land	\$ 14,885,401	\$ 14,585,401
Building and structures	17,252,520	17,738,462
Machinery and equipment	673,182	715,874
Infrastructure	82,857,393	81,607,369
Construction in progress	7,356,045	8,524,764
Total Capital Assets, Net of Depreciation	<u>\$ 123,024,541</u>	<u>\$ 123,171,870</u>

The following reconciliation summarizes the changes in Capital Assets.

**Changes in Capital Assets**

	Balance July 1, 2014	Additions	Retirements	Reclassification	Balance June 30, 2015
Land	\$ 14,585,401	\$ 300,000	\$ -	\$ -	\$ 14,885,401
Building and structures	25,701,330	210,539	-	-	25,911,869
Machinery and equipment	2,589,440	86,538	(95,963)	-	2,580,015
Infrastructure	105,026,791	2,464,219	-	-	107,491,010
Construction in progress	8,524,764	1,806,039	(2,974,758)	-	7,356,045
Depreciation	<u>(33,255,856)</u>	<u>(2,039,906)</u>	<u>95,963</u>	<u>-</u>	<u>(35,199,799)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 123,171,870</u>	<u>\$ 2,827,429</u>	<u>\$ (2,974,758)</u>	<u>\$ -</u>	<u>\$ 123,024,541</u>

Major capital projects in progress during fiscal year 2014/15 included the following expenditures:

- Saratoga Village Sidewalk, Curb & Gutters - \$657,744
- Quito Road Bridge Replacement - \$221,069
- Hakone Gardens Master Plan - \$206,009
- Quarry Park - \$129,420
- Highway 9 Traffic Safety - \$126,540

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, 2015**

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**DEBT AND OTHER LONG-TERM OBLIGATION ADMINISTRATION**

The net change in outstanding obligations for the City of Saratoga is a decrease of \$563,929. Total long term bonded debt, net of premium decreased by \$506,892. Outstanding compensated absences decreased by \$47,037.

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

	Governmental Activities	
	2015	2014
2011 General obligation bond	\$ 10,560,000	\$ 11,055,000
Net original issue premium	372,170	394,062
Compensated absences	624,500	671,537
Total Outstanding long-term obligations	<u>\$ 11,556,670</u>	<u>\$ 12,120,599</u>

The current portion of long-term debt (\$500,000 for the refunded 2001 General Obligation Bonds for fiscal year 2014/15) 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 \$495,000 and interest of \$394,960 were paid during the fiscal year.

**Compensated Absences**

Compensated absences are accrued liabilities for vested and unpaid vacation and sick pay. The compensated absences balance decreased during the fiscal year by \$47,037 due to an increase in use and payouts of unused compensated absences to retiring, separated, and general employees. An estimated current liability of \$404,988 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.

**GASB STATEMENT 68**

With the implementation of GASB Statement 68, a new approach to recording the pension liability will be required and will be a closer measure of the unfunded actuarial liability. The recorded liability is termed the “net pension liability. The net pension liability is calculated as the present value of projected benefit payments less the plan’s fiduciary net position. Under Statement 68, absent any special funding situations, each employer in a cost-sharing plan will record a new liability representing the “proportionate share” of the collective net pension liability. The proportionate share should be determined on a basis consistent with how contributions are determined. This new approach will have a material adverse impact on the City’s Net Position.

CalPERS provided the necessary reports in order to determine the City’s net pension liability. Each report has a valuation date and a measurement date. The valuation date determines the present value of projected benefit payments to current active and inactive employees in the City’s cost-sharing pension plan. The

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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valuation date for the present value of benefit payments is June 30, 2013. The measurement date indicates when the net pension liability is determined. The measurement date of the net pension liability is June 30, 2014. Under GASB 68, the measurement date can be no earlier than the end of the prior fiscal year. Since the valuation date occurs prior to the measurement date, the valuation date needs to be updated to the measurement date as a prior period adjustment.

The prior period adjustment is a decrease to Net Position of \$8,902,130. Net Pension Liability is increased \$6,945,916 to record the City's proportionate share of the plan's net pension liability as of June 30, 2014. Deferred inflow of resources refers to revenue received but not recognized. The deferred inflow of resources balance increased a net \$1,750, 613 to reflect the net difference between projected and actual earnings and the amortization of differences in earnings and proportions. The deferred outflow of resources refers to expenses paid but not recognized. The deferred outflow of resources balance increased a net \$703,379 to reflect the pension contributions made by the City subsequent to the measurement date, adjustments due to differences in proportion and amortization of differences in earnings and proportions. There is also a reduction in the current year pension expense of \$908,980 to reflect contributions made but not recognized and the amortization of the difference between actual contributions made by the City and the City's proportionate share of the plan's total contributions.

GASB 68 requires expanded footnote disclosures in order to provide more transparency in the assumptions used and more transparency in the cost of benefits promised. They include the following;

- Effects of changes in benefit provisions
- Changes in actuarial assumptions
- Differences between investment assumptions and actual returns
- Employer and employee contributions
- Pension plan income and expenses
- Multi-year schedules displaying balances of deferred outflows/inflows of resources that will recognized in expense in subsequent years
- The City's proportionate share of the Plan's pension liability
- Assumptions used to determine the Plan's pension liability
- The City's proportionate share information

Additional information on pension disclosures can be found in Note 7 of the Financial Statements.

**USE OF GENERAL FUND RESERVES**

In the most recent Actuarial Valuation Report received from CalPERS in October, 2014, an Unfunded Accrued Liability (UAL) of approximately \$6.9 million was identified. This amount was the result of changes in assumptions and methodology adopted by CalPERS in 2012 and 2013. In 2012, CalPERS reduced the discount rate from 7.75 percent to 7.50 percent. In 2013, CalPERS adopted a new smoothing policy in order to restore funding levels to acceptable amounts. The changes made to the risk pools combined all existing pooled plans into two pools; one for Miscellaneous and the other for Safety. Each Plan is also allocated its proportionate share of the UAL on an annual basis. The changes were made to ensure proper funding and to ensure that all participating agencies were paying their fair share.

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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Under this new smoothing policy the City's UAL is presented in three portions, \$3.2 million for its share of the historical gains and losses from the pre-2013 pool, \$3.8 million in Asset losses in 2013 and a \$36,000 gain in Non-Assets in 2013. Going forward, gains and losses from investment earnings, methodology changes or changes in assumptions will be amortized over a fixed 30 year period starting with a gradual ramp up in the first 5 years, holding steady over the next 20 years, and gradually ramping down in the last 5 years. Agencies can also pay off a portion of the UAL in order to save on interest costs.

Presented with this information, the Council directed the use of General Fund reserves and additional General Fund appropriations in the amount of \$3.38 million to pay off the Pre-2013 Pool portion of the UAL. The reserves identified included, \$1.0 million from the Fiscal Stabilization Reserve, \$.95 million from current year appropriations, \$.93 million from the Working Capital Reserve and \$.50 million from the Capital Improvement Reserve. In February 2015, the City paid \$3,294,619 towards the Pre-2013 Pool UAL amount. This payment will be reflected in the Actuarial Valuation dated June 30, 2015 and will be reflected in the Net Pension Liability adjustment under GASB 68 in next year's financial statements.

**ECONOMIC FACTORS**

The fiscal year 2014/15 budget was developed in early spring of 2014. 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 continue 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 2013/14, the City continues to see stability in revenues.

- General Fund Property Taxes increased in total by 9.6%, with increases of \$366,000 in Secured Property Tax, \$279,000 in ERAF, more than \$56,000 in Unsecured Property Tax, and \$20,000 in Transfer Tax.
- Development fees maintained stability as evidenced by:
  - Construction Tax and Supplemental Business License Tax (based on building permit values) revenues were flat.
  - Planning and Building revenues decreased by 1.9% and Development Review revenues increased by 4.9% - almost \$39,000
- Transient Occupancy Tax, long an indicator of economic temperament, saw a strong uptick with a 20% increase – almost \$53,000.
- Interest rates remain at historic lows; however, a slight tick upward is anticipated in fiscal year 2015/16.

Development engineering income decreased 17.4%, primarily from reduced map check review and inspection revenues. Many other revenues remained flat – however General Fund expenses continued to increase.

- Salary and Benefit costs increased by \$76,000 (1.2%), 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

**CITY OF SARATOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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increases will be mitigated with the turnover of staff over time.

- Consultant and Contract Services grew by more than \$252,711. This is in part attributable to the \$368,000 increase in public safety services provided by the Santa Clara County Sheriff's Office. The Council approved the use of an additional traffic enforcement officer.

Excluding the payment towards the UAL, FY 2014/15 revenues grew at a faster pace than expenditures (net of transfers), both in dollars and percentage. The substantial revenue increase which occurred in FY 2014/15 helped to firm the City's long-term fiscal sustainability at current levels while allowing for the opportunity to start repayment of the reserves used for the UAL payment.

**Outlook**

Although the City's fiscal health continues to improve, General Fund revenues are not expected to continue on this rapid growth trajectory. Fiscal projections anticipate a leveling off in revenues as this growth is tempered by economic hesitation. Fiscal uncertainty remains, 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 implementation of Quarry Park, 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.

**REQUEST FOR FINANCIAL INFORMATION**

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



## **BASIC FINANCIAL STATEMENTS**

**CITY OF SARATOGA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 19,245,652
Restricted cash and investments	-
Receivables:	
Accounts	1,350,913
Interest	92
Prepaid	1,207
Total Current Assets	<u>20,597,864</u>
Noncurrent Assets:	
Capital Assets:	
Non-depreciable	73,861,285
Depreciable, net	49,163,256
Total Capital Assets	<u>123,024,541</u>
Total Noncurrent Assets	<u>123,024,541</u>
<b>Total Assets</b>	<u>143,622,405</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Pension contributions	703,379
<b>Total Deferred Outflow of Resources</b>	<u>703,379</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 764,145
Accrued payroll	186,031
Other payable	15,770
Interest payable	161,806
Deposits payable	1,864,234
Unearned Revenue	24,998
Claims payable	134,254
Long-term obligations - due within one year	926,880
Total Current Liabilities	<u>4,078,118</u>
Noncurrent Liabilities:	
Net Pension Liability	6,945,916
Long-term obligations - due in more than one year	10,629,790
Total Noncurrent Liabilities	<u>17,575,706</u>
<b>Total Liabilities</b>	<u>21,653,824</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Difference between projected and actual earnings	1,750,613
<b>Total Deferred Inflow of Resources</b>	<u>1,750,613</u>
<b>Net Position</b>	
Net investment in capital assets	112,092,371
Restricted for:	
Environmental funds	363,182
Special assessment funds	867,642
Debt service	906,600
Total Restricted	<u>2,137,424</u>
Unrestricted	6,691,552
<b>Total Net Position</b>	<u>\$ 120,921,347</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, 2015**

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
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General and intergovtl services	\$ 7,566,201	\$ 122,151	\$ -	\$ -	\$ 122,151	\$ (7,444,051)
Public safety	4,850,289	353,534	107,062	-	460,596	(4,389,693)
Public works	6,272,570	2,473,934	-	785,366	3,259,301	(3,013,269)
Community services	1,588,840	951,517	-	-	951,517	(637,324)
Community development services	1,961,660	2,234,041	-	-	2,234,041	272,382
Interest on long-term debt (unall.)	390,834	-	-	-	-	(390,834)
<b>Total</b>	<b>\$ 22,630,395</b>	<b>\$ 6,135,177</b>	<b>\$ 107,062</b>	<b>\$ 785,366</b>	<b>\$ 7,027,606</b>	<b>\$ (15,602,789)</b>
<b>General Revenues:</b>						
Taxes						
Property taxes						\$ 10,669,281
Sales taxes						1,224,427
Local taxes						866,272
Franchise taxes						2,069,479
Motor vehicle-in-lieu						13,113
Total taxes						14,842,571
Intergovernmental						1,022,838
Investment earnings						67,121
Other revenues						236,988
Total General Revenues						16,169,519
Change in Net Position						566,730
Net Position - Beginning of Year						129,256,133
Prior Period Adjustment - GASB 68						(8,901,517)
Net Position - Beginning of Year as Adjusted						120,354,616
Net Position - End of Year						\$ 120,921,347

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA  
GOVERNMENTAL FUNDS – BALANCE SHEET  
JUNE 30, 2015**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Improvement		
<b>ASSETS</b>				
Cash and investments	\$ 11,623,739	\$ 3,469,298	\$ 1,786,532	\$ 16,879,569
Receivables:				
Accounts	615,650	726,774	4,792	1,347,216
Interest	92	-	-	92
Prepaid Items	1,207	-	-	1,207
<b>Total assets</b>	<u>\$ 12,240,688</u>	<u>\$ 4,196,072</u>	<u>\$ 1,791,324</u>	<u>\$ 18,228,084</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 391,829	\$ 308,138	\$ 17,082	\$ 717,049
Accrued payroll	163,020	3,257	-	166,277
Deposits payable	1,863,334	900	-	1,864,234
Other payable	15,770	-	-	15,770
Unearned Revenue	4	25,000	-	25,004
<b>Total liabilities</b>	<u>2,433,957</u>	<u>337,295</u>	<u>17,082</u>	<u>2,788,334</u>
<b>Fund Balances:</b>				
Restricted:				
Environmental services	363,182	-	-	363,182
Special assessment funds	-	-	867,642	867,642
Debt service	-	-	906,600	906,600
Committed:				
Capital improvement program	-	3,858,777	-	3,858,777
Hillside stability	1,000,000	-	-	1,000,000
Assigned:				
Future capital & efficiency	1,657,896	-	-	1,657,896
Carryforwards	176,560	-	-	176,560
Facility replacement	900,000	-	-	900,000
Unassigned:				
Working capital	2,007,545	-	-	2,007,545
Fiscal stabilization	1,000,000	-	-	1,000,000
Compensated absences	208,167	-	-	208,167
Development services	713,891	-	-	713,891
Other unassigned	1,779,491	-	-	1,779,491
<b>Total fund balances</b>	<u>9,806,731</u>	<u>3,858,777</u>	<u>1,774,242</u>	<u>15,439,750</u>
<b>Total liabilities and fund balances</b>	<u>\$ 12,240,688</u>	<u>\$ 4,196,072</u>	<u>\$ 1,791,324</u>	<u>\$ 18,228,084</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, 2015**

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<b>Total Fund Balances - Total Governmental Funds</b>	\$ 15,439,750
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	73,861,285
Depreciable capital assets, net	48,967,358
Total Capital Assets	<u>122,828,643</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.	(161,806)
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	2,364,574
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
Deferred outflow of resources are transactions that have already taken place but are not ready to be recognized on the financial statements as expenses	
Reclassify FY 2014/15 pension contribution	609,860
Adjustment due to difference in proportions	145,474
Amortization of difference in proportions	(51,955)
	<u>703,379</u>
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	(10,560,000)
Net Pension Liability	(6,945,916)
Compensated absences	(624,500)
Net original issue premium	(372,170)
Total Long-Term Obligations	<u>(18,502,586)</u>
Deferred inflow of resources are transactions that have already taken place but are not ready to be recognized on the financial statements as revenues	
Net difference between projected and actual earnings on pension plan investments	(2,334,150)
Amortization of difference in projected and actual earnings on investments	583,537
	<u>(1,750,613)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 120,921,347</u>

**CITY OF SARATOGA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Improvement		
<b>REVENUES:</b>				
Property taxes	\$ 10,436,622	\$ -	\$ 232,659	\$ 10,669,281
Special assessments	-	-	1,220,272	1,220,272
Sales taxes	1,224,427	-	-	1,224,427
Other local taxes	866,272	-	-	866,272
Licenses & permits	1,388,443	224,189	-	1,612,632
Fines & forfeiture	172,888	1,750	-	174,638
Intergovernmental - Federal	-	651,093	-	651,093
Intergovernmental - State	523,991	1,014,299	-	1,538,290
Intergovernmental - Other	62,605	34,000	-	96,605
Franchise fees	2,069,479	-	-	2,069,479
Use of money and property	519,979	33,580	3,712	557,271
Other revenue	2,254,840	326,080	7,614	2,588,534
<b>Total revenues</b>	<u>19,519,546</u>	<u>2,284,991</u>	<u>1,464,257</u>	<u>23,268,794</u>
<b>EXPENDITURES:</b>				
Current:				
General and intergovernmental services	6,624,327	-	-	6,624,327
Public safety	4,859,379	-	-	4,859,379
Public works	4,948,539	-	432,672	5,381,211
Community services	1,328,083	-	-	1,328,083
Community development services	2,086,680	-	-	2,086,680
Capital outlay	35,343	3,217,619	-	3,252,962
Debt service:				
Principal	-	-	495,000	495,000
Interest and fiscal charges	-	-	394,960	394,960
<b>Total expenditures</b>	<u>19,882,351</u>	<u>3,217,619</u>	<u>1,322,632</u>	<u>24,422,602</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(362,805)</u>	<u>(932,628)</u>	<u>141,625</u>	<u>(1,153,808)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	1,767,108	1,000	1,768,108
Transfers out	(1,666,098)	(102,010)	-	(1,768,108)
<b>Total other financing sources (uses)</b>	<u>(1,666,098)</u>	<u>1,665,098</u>	<u>1,000</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(2,028,903)</u>	<u>732,470</u>	<u>142,625</u>	<u>(1,153,808)</u>
<b>FUND BALANCES:</b>				
Beginning of year	<u>11,835,634</u>	<u>3,126,307</u>	<u>1,631,617</u>	<u>16,593,558</u>
End of year	<u>\$ 9,806,731</u>	<u>\$ 3,858,777</u>	<u>\$ 1,774,242</u>	<u>\$ 15,439,750</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, 2015**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (1,153,808)
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.	1,745,419
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.	(1,888,809)
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.	386,893
GASB 68 Adjustments to pension expense	
Reclassify 2015 pension contribution	609,860
Change in net pension liability - current year	(232,462)
Amortization of changes in deferred outflows/inflows	531,582
Adjustments to pension expense as a result of GASB 68	<u>908,980</u>
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	47,037
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	495,000
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.	4,126
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 566,730</u>

**CITY OF SARATOGA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

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	Governmental Activities - Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 2,366,083
Accounts receivable	3,697
Total current assets	<u>2,369,780</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	992,560
Less: accumulated depreciation	<u>(796,662)</u>
Total capital assets (net of accumulated depreciation)	<u>195,898</u>
Total assets	<u>2,565,678</u>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 47,096
Accrued payroll	19,754
Other payables	<u>134,254</u>
Total current liabilities	<u>201,104</u>
<b>NET POSITION</b>	
Net investment in capital assets	195,898
Unrestricted	<u>2,168,676</u>
Total net position	<u>\$ 2,364,574</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, 2015**

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	Governmental Activities - Internal Service Funds
<b>Operating revenues:</b>	
Charges for services	\$ 2,495,000
Other operating revenues	74,727
Total operating revenues	<u>2,569,727</u>
<b>Operating expenses:</b>	
Cost of services	1,072,893
Administration	1,054,807
Depreciation	55,134
Total operating expenses	<u>2,182,834</u>
Operating income (loss)	<u>386,893</u>
Transfers out	<u>-</u>
Change in net position	386,893
Total net position - beginning	1,977,681
Total net position - ending	<u>\$ 2,364,574</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SARATOGA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
JUNE 30, 2015**

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	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 2,576,556
Payments to suppliers	(1,145,719)
Payments to employees	(890,924)
Net cash provided (used) by operating activities	<u>539,913</u>
<b>Cash flows from capital activities:</b>	
Acquisition of capital assets	(51,196)
Net cash provided for the acquisition of capital assets	<u>(51,196)</u>
Net increase in cash and cash equivalents	488,717
Cash and cash equivalents, beginning of year	<u>1,877,366</u>
Cash and cash equivalents, ending of year	<u>\$ 2,366,083</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 386,893
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>	
Depreciation	55,134
<b>Change in operating assets and liabilities:</b>	
Accounts receivables	6,829
Accounts payable	(5,404)
Claims payable	94,754
Accrued payroll	<u>1,707</u>
Net cash provided (used) by operating activities	<u>\$ 539,913</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, 2015**

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

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

***A. Financial Reporting Entity***

The City was incorporated as a municipal corporation in 1956 under the general laws of the State of California, and had a population of 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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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maintenance. The District is reported as a blended component unit of the City because it has the same Governing Board as the City. The activity for the District has been included in the accompanying basic financial statements and no separate financial statements are issued.

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

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

Government-Wide Financial Statements

The City's government-wide financial statements include a *Statement of Net 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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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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-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.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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Proprietary Funds

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the "economic resources measurement focus". This means all assets and liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net 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 non-exchange 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 2014/15 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.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

***D. Inter-fund Transactions***

Inter-fund 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 inter-fund transactions, except for inter-fund services provided and used and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as transfers.

***E. Capital Assets***

Capital assets, including 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 assets 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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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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.

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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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liability for workers' compensation claims and general liability claims includes "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

***H. Compensated Absences***

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

In the fund financial statements, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, 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

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

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.
- 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. During fiscal year 2014/15, Council directed the use of \$500,000 of the Future Capital & Efficiency Reserve balance toward the \$3,294,619 partial payment of the Unfunded Accrued Liability.
- 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.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

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, 2015 the Working Capital Reserve balance is \$2,000,007. During fiscal year 2014/15, Council directed the use of \$930,184 of Working Capital Reserve toward the \$3,294,619 partial payment of the Unfunded Accrued Liability.
- Fiscal Stabilization Reserve – Council policy is to maintain \$1,500,000 for use by Council direction in case of disasters, emergencies, and economic downturns. As of June 30, 2015, the Fiscal Stabilization Reserve balance is \$1,000,000. During fiscal year 2014/15, Council directed the use of \$500,000 of Fiscal Stabilization Reserve toward the \$3,294,619 partial payment of the Unfunded Accrued Liability.
- 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.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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- 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.

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***

**A. Implemented New Accounting Pronouncements**

**GASB Statement No. 68 - Accounting and Financial Reporting for Pensions** - an amendment of GASB Statement No. 27 (Issued 06/12). The primary objective of this Statement is to improve

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement has been implemented as of June 30, 2015.

See Note 7 for information related to the financial statement impact of this Statement.

**GASB 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* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

There is no financial statement effect related to this Statement.

**GASB Statement No. 70** – In April, 2013, GASB issued Statement No 70, *Accounting and Financial Reporting for Non-exchange 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 City does not participate in non-exchange transactions. Therefore, this Statement has no financial statement effect.

**GASB 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 application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of Statement 68 and have been implemented as of June 30, 2015.

See Note 7 for information related to the financial statement impact of this Statement.

**B. Upcoming Accounting and Reporting Changes**

**GASB Statement No. 72** – In February, 2015, GASB issued Statement No 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 (fiscal year ending June 30, 2016).

The City is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

**GASB Statement No. 73** – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Effective date: the provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

- Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of non-employer contributing entities *not* in a special funding situation.

Management is in the process of determining the effect this Statement will have on the financial statements, but does not anticipate a material impact.

**GASB Statement No. 74** – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective date: the provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

The City does not offer OPEB plans to its employees. Therefore, this statement will have no financial statement effect.

**GASB Statement No. 75** – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective date: the provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The City does not offer OPEB plans to its employees. Therefore, this statement will have no financial statement effect.

**GASB Statement No. 76** – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective date: the provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

Management anticipates that this statement will not have a material impact on the City’s financial statements.

**GASB Statement No. 77** – *Tax Abatement Disclosures*. Effective date: the requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Management anticipates that this statement will not have a material impact on the City’s financial statements.

***Q. Pensions***

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government of Example’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

**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, 2015:

	Statement of Net Position
	<u>Governmental</u>
	<u>Activities</u>
Cash and investments	<u>\$ 19,245,651</u>

The City's Cash and Investments at June 30, 2015, in more detail:

Cash and cash equivalents:	
Petty cash	\$ 1,450
Demand deposits	<u>528,498</u>
Total Cash and Cash Equivalents	<u>529,948</u>
Investments:	
Local Agency Investment Fund (LAIF)	<u>18,715,703</u>
Total Cash and Investments	<u>\$ 19,245,651</u>

***A. Cash Deposits***

The carrying amounts of the City's cash deposits were \$451,909 at June 30, 2015. Bank balances before reconciling items were \$995,530 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.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

***B. Investments***

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

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

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

***C. External Investment Pool***

The City's investments with LAIF at June 30, 2015, 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, 2015, the City had \$18,715,703 invested in LAIF. The LAIF fair value factor of 1.00037573 was used to calculate the fair value of the investments in LAIF.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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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, 2015, these investments had a weighted average maturity of 239 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>\$ 18,715,703</u>	<u>\$ 18,715,703</u>

Credit Risk

As of June 30, 2015, 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, 2015.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 3 - FUND FINANCIAL STATEMENTS INTERFUND TRANSACTIONS**

*Transfers In/Out*

Transfers for the year ended June 30, 2015 were as follows:

<u>Transfer in</u>	<u>Transfer out</u>	<u>Amount</u>
Special Revenue	Capital Improvement Fund	\$ 1,000
		<u>1,000</u>
Capital Improvement Fund	Capital Improvement Fund	101,010
	General Fund	1,666,098
		<u>1,767,108</u>
Total		<u>\$ 1,768,108</u>

The Capital Improvement Fund received monies from the General Fund adopted in the Budget in the amount of \$1,767,108. \$730,000 was allocated for street, sidewalk, and storm drain repair, \$443,445 for trail improvements, \$479,900 for various facility improvements, and \$80,000 for various administrative projects. \$101,000 was transferred from projects that were closed during the fiscal year.

The Special Revenue Fund received monies of \$1,000 from the Capital Improvement Fund to offset costs associated with the creation of a new Landscape and Lighting District.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 is illustrated in the following table:

	Primary Government				Balance June 30, 2015
	Balance July 1, 2014	Additions	Retirements	Reclassifications	
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land and land improvements	\$ 14,585,401	\$ 300,000	\$ -	\$ -	\$ 14,885,401
Construction in progress	8,524,764	1,806,039	(2,974,758)	-	7,356,045
Infrastructure:					
Street pavement system	49,155,619	2,464,219	-	-	51,619,838
Total capital assets, not being depreciated	<u>72,265,784</u>	<u>4,570,258</u>	<u>(2,974,758)</u>	<u>-</u>	<u>73,861,284</u>
Capital assets, being depreciated:					
Buildings and structures	25,701,330	210,539	-	-	25,911,869
Machinery and equipment					
Governmental funds	1,648,074	35,343	(95,963)	-	1,587,454
Internal service funds	941,366	51,195	-	-	992,561
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>84,161,942</u>	<u>297,077</u>	<u>(95,963)</u>	<u>-</u>	<u>84,363,056</u>
Accumulated depreciation:					
Buildings and structures	(7,962,868)	(696,481)	-	-	(8,659,349)
Machinery and equipment					
Governmental funds	(1,132,039)	(74,096)	95,963	-	(1,110,172)
Internal service funds	(741,528)	(55,134)	-	-	(796,662)
Infrastructure:					
Bridges	(1,076,417)	(22,347)	-	-	(1,098,763)
Signs and lights	(1,057,525)	(63,690)	-	-	(1,121,215)
Drainage system	(15,533,372)	(802,001)	-	-	(16,335,373)
Sidewalks	(5,752,109)	(326,157)	-	-	(6,078,266)
Total accumulated depreciation	<u>(33,255,857)</u>	<u>(2,039,906)</u>	<u>95,963</u>	<u>-</u>	<u>(35,199,800)</u>
Total capital assets, being depreciated, net	<u>50,906,085</u>	<u>(1,742,828)</u>	<u>-</u>	<u>-</u>	<u>49,163,257</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 123,171,869</u>	<u>\$ 2,827,430</u>	<u>\$ (2,974,758)</u>	<u>\$ -</u>	<u>\$ 123,024,541</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**  
**JUNE 30, 2015**

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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, 2015, is presented below:

Description	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Classification	
					Due Within One Year	Due In More Than One Year
General Obligation Bonds:						
2011 Library bonds	11,055,000	-	(495,000)	10,560,000	500,000	10,060,000
Net original issue premium	394,062	-	(21,892)	372,170	21,892	350,278
Compensated absences	671,537	-	(47,037)	624,500	404,988	219,512
Total	<u>\$ 12,120,599</u>	<u>\$ -</u>	<u>\$ (563,929)</u>	<u>\$ 11,556,670</u>	<u>\$ 926,880</u>	<u>\$ 10,629,790</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
2016	\$ 500,000	\$ 383,335	\$ 883,335
2017	475,000	371,210	846,210
2018	485,000	356,810	841,810
2019	500,000	339,535	839,535
2020	525,000	319,035	844,035
2021-2025	2,930,000	1,278,050	4,208,050
2026-2030	3,535,000	673,638	4,208,638
2031-2032	1,610,000	65,000	1,675,000
Total	<u>\$ 10,560,000</u>	<u>\$ 3,786,613</u>	<u>\$ 14,346,613</u>

**Compensated Absences**

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) has been accrued and amounts to \$624,500 at June 30, 2015. The compensated absences liability will generally be liquidated through the General Fund.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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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, 2015, the City contributed \$139,776 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 \$134,254 reported at June 30, 2015, 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 June 30, 2015	Year Ended June 30, 2014
Claims payable, beginning of year	\$ 39,500	\$ 24,800
Fiscal year claims and changes in estimates	134,254	14,700
Claims payments	(39,500)	-
Claims payable, end of year	<u>\$ 134,254</u>	<u>\$ 39,500</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.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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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, 2014 (most recent available):

	Plan Corporation	Comp Shared Risk Pool
Total Assets	\$ 43,297,653	\$ 4,392,425
Total Liabilities	30,226,598	877,821
Net Position	<u>\$ 13,071,055</u>	<u>\$ 3,514,604</u>
Total Revenues	\$ 7,805,136	\$ 844,159
Total Expenses	1,177,087	511,694
Net Increase in Net Position	<u>\$ 6,628,049</u>	<u>\$ 332,465</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**

**Defined Benefit Pension Plan**

*Plan Description* – All CalPERS qualified employees are eligible to participate in the City's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). 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. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or copies of these reports may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95811.

*Benefits Provided* – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55. All members are eligible for non-duty disability death benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employee's Retirement Law. The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

	Classic Employees		New Employees
	Tier 1	Tier 2	PEPRA
Hire date	Before May 12, 2012	Hired on or after May 12, 2012	Hired on or after January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.0%	2.0%
Required employee contribution rates	8%	7%	6.50%
Required employer contribution rates	15.58%	8.77%	6.70%

The amounts reported in the Classic-Tier 2 and PEPRA accounting valuation reports were immaterial to the City's financial statements. Therefore, that information has not been included in this disclosure and the components related to the net pension liability and pension expense from these tiers have not been included in the financial statements.

*Employees Covered* – At June 30, 2015, the following employees were covered by the benefit terms for the Plan:

	<u>Miscellaneous</u>
Inactive employees receiving benefits	92
Inactive employees entitled to but not receiving benefits	96
Active members	<u>55</u>
Total	<u><u>243</u></u>

*Contributions* – Section 20814(c) of California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by an actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$ 918,919
Contributions - employee	416,529



**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Recognized to Pension Expense
2016	\$ 531,582
2017	531,582
2018	531,582
2019	531,582
Total	<u>\$ 2,126,328</u>

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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*Discount Rate* – The discount rate used to measure the total pension liability was 7.50 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plan in the Public Employees’ Retirement Fund (PERF). The stress test results are presented in the detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stake holder outreach. For these reason, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least fiscal year 2017/2018. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –*

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.50%
Net Pension Liability	\$ 12,375,475
Current Discount Rate	7.50%
Net Pension Liability	\$ 6,945,916
1% Increase	8.50%
Net Pension Liability	\$ 2,439,898

*Pension Plan Fiduciary Net Position –* Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 8 - NET POSITION**

***A. Net Investment in Capital Assets***

As of June 30, 2015, the net investment in capital assets consisted of the following:

Capital assets, net	\$ 123,024,541
2011 general obligation library bonds	(10,560,000)
Net original issue premium	<u>(372,170)</u>
Net investment in capital assets	<u><u>\$ 112,092,371</u></u>

***B. Restricted Net Position***

As of June 30, 2015, the restricted net position consisted of the following:

	Restricted For			Total
	Environmental Services	Special Assessments	Debt Service	
Restricted Net Position	\$ 363,182	\$ 867,642	\$ 906,600	\$ 2,137,424

**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.

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.

**CITY OF SARATOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 10 - EXCESS EXPENDITURES OVER APPROPRIATIONS**

There were no excess of expenditures over appropriations in individual funds during fiscal year 2014/15.

**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, 2015**

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***C. Commitments***

The City had several outstanding contracts or planned construction projects as of June 30, 2015. These projects are evidenced by contractual commitments with contractors and include:

<u>Vendor</u>	<u>Original Commitment</u>	<u>Commitment Remaining</u>
Guerra Construction Group	\$ 1,203,867	\$ 418,964
Mark Thomas & Company	397,462	97,023
Amland Corporation	315,200	24,400
Portico, Inc.	300,000	95,512
Peele Technologies	252,160	57,894
George Bianchi Construction	230,500	181,880
Sanchez Electric, Inc.	139,857	28,136
CXT, Inc.	115,500	115,500
Placeworks, Inc.	102,415	9,926
Dino Turchet Construction	44,480	44,480
BKF Engineers	35,395	9,018
Mike Brown Electric Co.	32,159	32,159
Bartos Architecture, Inc	25,000	25,000
Joson Fence	23,547	23,547
Alta Planning + Design	22,156	22,156
David L. Gates & Associates	20,263	2,931
Peterson Tractor, Inc	18,973	15,002
Our City Forest	17,160	12,350
Tripepi, Smith & Associates	15,500	6,141
Budget Flooring, Inc.	14,000	7,246
Heid, W. Jeffrey	9,570	1,715
Fehr Engineering	5,000	2,825
Labor Consultants	3,907	2,375
TJKM	3,845	3,845
Vista Landscaping	3,174	3,174
	<u>\$ 3,351,090</u>	<u>\$ 1,243,199</u>

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 as of June 30, 2015.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SARATOGA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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		
<b>REVENUES:</b>				
Property taxes	\$ 9,763,750	\$ 10,223,750	\$ 10,436,622	\$ 212,872
Special assessments	-	-	-	-
Sales taxes	1,085,000	1,085,000	1,224,427	139,427
Other local taxes	785,000	785,000	866,272	81,272
Licenses & permits	1,346,650	1,346,650	1,388,443	41,793
Fines & forfeitures	165,525	165,525	172,888	7,363
Intergovernmental - state	389,000	389,000	523,991	134,991
Intergovernmental - other	44,500	44,500	62,605	18,105
Franchise fees	1,942,000	1,942,000	2,069,479	127,479
Use of money & property	490,508	490,508	519,979	29,471
Other revenue	2,200,284	2,200,284	2,254,840	54,556
<b>Total revenues</b>	<u>18,212,217</u>	<u>18,672,217</u>	<u>19,519,546</u>	<u>847,329</u>
<b>EXPENDITURES:</b>				
Current:				
General and intergovernmental services	3,841,900	7,124,900	6,624,327	500,573
Public safety	4,886,102	4,886,602	4,859,379	27,223
Public works	5,060,067	5,102,067	4,948,539	153,528
Community services	1,500,778	1,506,278	1,328,083	178,195
Community development services	2,239,037	2,288,037	2,086,680	201,357
Capital outlay	-	-	35,343	(35,343)
<b>Total expenditures</b>	<u>17,527,884</u>	<u>20,907,884</u>	<u>19,882,351</u>	<u>1,025,533</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>684,333</u>	<u>(2,235,667)</u>	<u>(362,805)</u>	<u>1,872,862</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(1,733,345)	(1,733,345)	(1,666,098)	67,247
<b>Total other financing sources (uses)</b>	<u>(1,733,345)</u>	<u>(1,733,345)</u>	<u>(1,666,098)</u>	<u>67,247</u>
<b>Net change in fund balances</b>	<u>\$ (1,049,012)</u>	<u>\$ (3,969,012)</u>	<u>(2,028,903)</u>	<u>\$ 1,940,109</u>
<b>FUND BALANCES:</b>				
Beginning of year			11,835,634	
End of year			<u>\$ 9,806,731</u>	

**CITY OF SARATOGA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

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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, 2015**

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

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

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

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

The City commissioned a physical assessment of the streets conditions 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, 2015**

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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, 2015, 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 \$2,261,620 on street maintenance for the year ended June 30, 2015. 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. \$10,801,888 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		
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
2014/15	10,799,852	2,261,620	1,275,681	985,939	2,261,620	69

**CITY OF SARATOGA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2015**

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As of June 2015, 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.

**NOTE 3 – PENSION INFORMATION**

	2015
Contractually Required Contributions (Actuarially Determined)	\$ 548,895
Contributions in Relation to Actuarially Determined Contributions	548,895
Contribution Deficiency (Excess)	-
 Covered Employee Payroll	 4,856,304
 Contributions as a Percentage of Covered Payroll	 11.30%

Notes to Schedule:

Valuation Date: June 30, 2013  
 Assumptions Used: Entry Age Method used for Actuarial Cost Method  
 Level Percentage of Payroll (Closed) Used Amortization Method  
 3.8 Years Remaining Amortization Period  
 Inflation Assumed at 2.75%  
 Investment Rate of Returns set at 7.5%  
 CalPERS mortality table using 20 years of membership data for all funds

\*\* Fiscal year 2015 was the first year of implementation, therefore only one year is shown

	2015
City's Proportion of Net Pension Liability	0.112%
City's Proportionate Share of Net Pension Liability	6,945,916
City's Covered Employee Payroll	4,856,304
 City's Proportionate Share of NPL as a % of Covered Employee Payroll	 143.03%
 Plan Fiduciary's Net Position as a % of the TPL	 83.03%

\*\* Fiscal year 2015 was the first year of implementation, therefore only one year is shown



## **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, 2015**

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	Special Revenue	Debt Service	
	Lighting and Landscaping Assessment District	Library Bond	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 882,830	\$ 903,702	\$ 1,786,532
Receivables:			
Accounts	1,894	2,898	4,792
Interest	-	-	-
<b>Total assets</b>	<u>\$ 884,724</u>	<u>\$ 906,600</u>	<u>\$ 1,791,324</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 17,082	\$ -	\$ 17,082
<b>Total liabilities</b>	<u>17,082</u>	<u>-</u>	<u>17,082</u>
<b>Fund Balances:</b>			
Restricted:			
Special revenue funds	867,642	-	867,642
Debt service	-	906,600	906,600
<b>Total fund balances</b>	<u>867,642</u>	<u>906,600</u>	<u>1,774,242</u>
<b>Total liabilities and fund balances</b>	<u>\$ 884,724</u>	<u>\$ 906,600</u>	<u>\$ 1,791,324</u>

**CITY OF SARATOGA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	Special Revenue	Debt Service	Total Other Governmental Funds
	Lighting and Landscaping Assessment District	Library Bond	
<b>REVENUES:</b>			
Property taxes	\$ 232,659	\$ -	\$ 232,659
Special assessment	323,031	897,241	1,220,272
Use of money and property	2,179	1,533	3,712
Other revenue	7,614	-	7,614
<b>Total revenues</b>	<u>565,483</u>	<u>898,774</u>	<u>1,464,257</u>
<b>EXPENDITURES:</b>			
Current:			
General and ingov't services			
Public works	432,672	-	432,672
Debt service:			
Principal	-	495,000	495,000
Interest and fiscal charges	-	394,960	394,960
<b>Total expenditures</b>	<u>432,672</u>	<u>889,960</u>	<u>1,322,632</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>132,811</u>	<u>8,814</u>	<u>141,625</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	1,000	-	1,000
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Net change in fund balances</b>	133,811	8,814	142,625
<b>FUND BALANCES:</b>			
Beginning of year	733,831	897,786	1,631,617
End of year	<u>\$ 867,642</u>	<u>\$ 906,600</u>	<u>\$ 1,774,242</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, 2015**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses & permits	\$ 165,000	\$ 165,000	\$ 224,189	\$ 59,189
Fines & forfeitures	-	-	1,750	1,750
Intergovernmental - federal	6,849,553	6,849,553	651,093	(6,198,460)
Intergovernmental - state	864,140	930,263	1,014,299	84,036
Intergovernmental - other	831,857	901,957	34,000	(867,957)
Use of money and property	35,000	35,000	33,580	(1,420)
Other revenue	333,617	485,138	326,080	(159,058)
<b>Total revenues</b>	<u>9,079,167</u>	<u>9,366,911</u>	<u>2,284,991</u>	<u>(7,081,920)</u>
<b>EXPENDITURES:</b>				
Capital outlay	13,882,518	14,150,162	3,217,619	10,932,543
<b>Total expenditures</b>	<u>13,882,518</u>	<u>14,150,162</u>	<u>3,217,619</u>	<u>10,932,543</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,803,351)</u>	<u>(4,783,251)</u>	<u>(932,628)</u>	<u>3,850,623</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,843,445	1,831,741	1,767,108	(64,633)
Transfers out	(90,000)	(98,396)	(102,010)	(3,614)
<b>Total other financing sources (uses)</b>	<u>1,753,445</u>	<u>1,733,345</u>	<u>1,665,098</u>	<u>(68,247)</u>
<b>Net change in fund balances</b>	<u>\$ (3,049,906)</u>	<u>\$ (3,049,906)</u>	<u>732,470</u>	<u>\$ 3,782,376</u>
<b>FUND BALANCES:</b>				
Beginning of year			3,126,307	
End of year			<u>\$ 3,858,777</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, 2015**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 199,565	\$ 199,565	\$ 232,659	\$ 33,094
Special assessments	322,468	326,077	323,031	(3,046)
Use of money and property	1,734	1,734	2,179	445
Other revenue	-	-	7,614	7,614
<b>Total revenues</b>	<u>523,767</u>	<u>527,376</u>	<u>565,483</u>	<u>38,107</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	<u>606,905</u>	<u>611,514</u>	<u>432,672</u>	<u>178,842</u>
<b>Total expenditures</b>	<u>606,905</u>	<u>611,514</u>	<u>432,672</u>	<u>178,842</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(83,138)</u>	<u>(84,138)</u>	<u>132,811</u>	<u>216,949</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	1,000	1,000
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<b>Net change in fund balances</b>	<u>\$ (83,138)</u>	<u>\$ (84,138)</u>	<u>133,811</u>	<u>\$ 217,949</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>733,831</u>	
End of year			<u>\$ 867,642</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, 2015**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Special assessments	\$ 850,000	\$ 850,000	\$ 897,241	\$ 47,241
Use of money and property	1,300	1,300	1,533	233
<b>Total revenues</b>	<u>851,300</u>	<u>851,300</u>	<u>898,774</u>	<u>47,474</u>
<b>EXPENDITURES:</b>				
Debt service:				
General and ingov't services	-	-	-	-
Principal	495,000	495,000	495,000	-
Interest and fiscal charges	394,985	394,985	394,960	25
<b>Total expenditures</b>	<u>889,985</u>	<u>889,985</u>	<u>889,960</u>	<u>25</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(38,685)</u>	<u>(38,685)</u>	<u>8,814</u>	<u>47,499</u>
<b>Net change in fund balances</b>	<u>\$ (38,685)</u>	<u>\$ (38,685)</u>	<u>8,814</u>	<u>\$ 47,499</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>897,786</u>	
End of year			<u>\$ 906,600</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, 2015**

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	Liability / Risk Management	Workers' Compensation	Office Stores
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 427,358	\$ 314,142	\$ 75,420
Accounts receivable	-	1,146	405
Total current assets	<u>427,358</u>	<u>315,288</u>	<u>75,825</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>427,358</u>	<u>315,288</u>	<u>75,825</u>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 12	\$ -	\$ 750
Accrued payroll	1,829	762	-
Claims payable	<u>134,254</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>136,095</u>	<u>762</u>	<u>750</u>
<b>NET POSITION</b>			
Investment in capital assets	-	-	-
Unrestricted	<u>291,263</u>	<u>314,526</u>	<u>75,075</u>
Total net position	<u>\$ 291,263</u>	<u>\$ 314,526</u>	<u>\$ 75,075</u>

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Information Technology Services	Vehicle and Equipment Maintenance	Building Maintenance	Vehicle and Equipment Replacement	Information Technology Equipment Replacement	Total
\$ 270,427	\$ 120,242	\$ 304,964	\$ 649,498	\$ 204,032	\$ 2,366,083
596	49	1,501	-	-	3,697
<u>271,023</u>	<u>120,291</u>	<u>306,465</u>	<u>649,498</u>	<u>204,032</u>	<u>2,369,780</u>
-	-	-	882,095	110,465	992,560
-	-	-	(700,354)	(96,308)	(796,662)
-	-	-	181,741	14,157	195,898
<u>271,023</u>	<u>120,291</u>	<u>306,465</u>	<u>831,239</u>	<u>218,189</u>	<u>2,565,678</u>
\$ 4,444	\$ 2,865	\$ 29,094	\$ -	\$ 9,931	\$ 47,096
6,257	1,861	9,045	-	-	19,754
-	-	-	-	-	134,254
<u>10,701</u>	<u>4,726</u>	<u>38,139</u>	<u>-</u>	<u>9,931</u>	<u>201,104</u>
-	-	-	181,741	14,157	195,898
<u>260,322</u>	<u>115,565</u>	<u>268,326</u>	<u>649,498</u>	<u>194,101</u>	<u>2,168,676</u>
<u>\$ 260,322</u>	<u>\$ 115,565</u>	<u>\$ 268,326</u>	<u>\$ 831,239</u>	<u>\$ 208,258</u>	<u>\$ 2,364,574</u>

**CITY OF SARATOGA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

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	Liability / Risk Management	Workers' Compensation	Office Stores
<b>Operating revenues:</b>			
Charges for services	\$ 375,000	\$ 200,000	\$ 55,000
Other operating revenues	24,482	17,567	13,183
Total operating revenues	<u>399,482</u>	<u>217,567</u>	<u>68,183</u>
<b>Operating expenses:</b>			
Cost of services	-	-	-
Administration	391,345	184,683	46,228
Depreciation	-	-	-
Total operating expenses	<u>391,345</u>	<u>184,683</u>	<u>46,228</u>
Operating income	<u>8,137</u>	<u>32,884</u>	<u>21,955</u>
Transfers out	-	-	-
Change in net position	8,137	32,884	21,955
Total net position - beginning	<u>283,126</u>	<u>281,642</u>	<u>53,120</u>
Total net position - ending	<u>\$ 291,263</u>	<u>\$ 314,526</u>	<u>\$ 75,075</u>

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Information Technology Services	Vehicle and Equipment Maintenance	Building Maintenance	Vehicle and Equipment Replacement	Information Technology Equipment Replacement	Total
\$ 425,000	\$ 300,000	\$ 875,000	\$ 200,000	\$ 65,000	\$ 2,495,000
5,803	-	7,299	6,393	-	74,727
<u>430,803</u>	<u>300,000</u>	<u>882,299</u>	<u>206,393</u>	<u>65,000</u>	<u>2,569,727</u>
-	220,785	813,842	14,579	23,687	1,072,893
432,551	-	-	-	-	1,054,807
-	-	-	51,089	4,045	55,134
<u>432,551</u>	<u>220,785</u>	<u>813,842</u>	<u>65,668</u>	<u>27,732</u>	<u>2,182,834</u>
<u>(1,748)</u>	<u>79,215</u>	<u>68,457</u>	<u>140,725</u>	<u>37,268</u>	<u>386,893</u>
-	-	-	-	-	-
(1,748)	79,215	68,457	140,725	37,268	386,893
262,070	36,350	199,869	690,515	170,989	1,977,681
<u>\$ 260,322</u>	<u>\$ 115,565</u>	<u>\$ 268,326</u>	<u>\$ 831,240</u>	<u>\$ 208,257</u>	<u>\$ 2,364,574</u>

**CITY OF SARATOGA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	Liability / Risk Management	Workers' Compensation	Office Stores
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 390,734	\$ 213,095	\$ 65,054
Payments to suppliers	(260,096)	(204,472)	(39,260)
Payments to employees	(60,996)	(25,477)	-
Net cash provided by operating activities	<u>69,642</u>	<u>(16,854)</u>	<u>25,794</u>
<b>Cash flows from capital activities:</b>			
Acquisition of capital assets	-	-	-
Net cash used for acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	69,642	(16,854)	25,794
Cash and cash equivalents, beginning of year	250,245	296,293	29,227
Cash and cash equivalents, ending of year	<u>\$ 319,887</u>	<u>\$ 279,439</u>	<u>\$ 55,021</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 53,067	\$ (12,078)	\$ 29,099
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>			
Depreciation	-	-	-
<b>Change in operating assets and liabilities:</b>			
Accounts receivables	924	(4,337)	28
Accounts payable	434	(715)	(3,333)
Claims payable	14,700	-	-
Accrued payroll	517	276	-
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, 2015 AND 2014**

---

	<u>2015</u>	<u>2014</u>
<b>Governmental Funds Capital Assets:</b>		
Land and land improvements	\$ 14,885,401	\$ 14,585,401
Buildings and structures	25,911,869	25,701,330
Machinery and equipment	1,587,454	1,648,075
Infrastructure	107,491,010	105,026,791
Construction in progress	<u>7,356,045</u>	<u>8,524,764</u>
<b>Total Governmental Funds Capital Assets</b>	157,231,779	155,486,361
Accumulated depreciation	<u>(34,403,138)</u>	<u>(32,514,261)</u>
<b>Total Governmental Funds Capital Assets, Net</b>	<u><u>\$ 122,828,641</u></u>	<u><u>\$ 122,972,100</u></u>
<b>Investments in Governmental Funds</b>		
<b>Capital Assets by Source:</b>		
General Fund	\$ 115,212,479	\$ 115,273,099
Special revenue funds	960,970	960,972
Capital projects funds	40,210,981	38,404,942
Donations	847,348	847,348
Accumulated depreciation	<u>(34,403,138)</u>	<u>(32,514,261)</u>
<b>Total Governmental Funds Capital Assets</b>	<u><u>\$ 122,828,641</u></u>	<u><u>\$ 122,972,100</u></u>

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

**CITY OF SARATOGA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY<sup>1</sup>**  
**JUNE 30, 2015**

---

<b>Function and Activity</b>	<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>4,012,061</u>	<u>2,971,928</u>
Total Public Works:	<u>4,847,215</u>	<u>3,034,849</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	14,885,401	25,911,869
Accumulated depreciation	<u>-</u>	<u>(8,659,349)</u>
<b>Total Governmental Funds Capital Assets, Net</b>	<u><u>\$ 14,885,401</u></u>	<u><u>\$ 17,252,520</u></u>

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

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Machinery and Equipment	Infrastructure	Construction in Progress	Total
\$ 553,507	\$ -	\$ 422,615	\$ 1,540,754
140,332	-	-	661,405
22,225	-	-	3,279,050
<u>716,064</u>	<u>-</u>	<u>422,615</u>	<u>5,481,209</u>
15,434	-	-	15,434
7,548	-	-	7,548
<u>22,982</u>	<u>-</u>	<u>-</u>	<u>22,982</u>
315,275	107,363,772	3,954,822	112,531,944
151,110	-	129,420	7,264,519
<u>466,385</u>	<u>107,363,772</u>	<u>4,084,243</u>	<u>119,796,464</u>
365,392	127,237	2,776,277	15,784,220
16,632	-	72,909	16,146,904
1,587,455	107,491,010	7,356,044	157,231,779
<u>(1,110,172)</u>	<u>(24,633,617)</u>	<u>-</u>	<u>(34,403,138)</u>
<u>\$ 477,283</u>	<u>\$ 82,857,393</u>	<u>\$ 7,356,044</u>	<u>\$ 122,828,641</u>

**CITY OF SARATOGA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGE BY FUNCTION AND ACTIVITY**  
**JUNE 30, 2015**

<b>Function and Activity</b>	Governmental			Governmental
	Funds Capital Assets July 1, 2014	Additions	Deletions	Funds Capital Assets June 30, 2015
<b>General and intergovernmental services:</b>				
Management services	\$ 1,490,888	\$ 49,867	\$ -	\$ 1,540,754
Administrative services	661,405	-	-	661,405
Intergovernmental services	3,279,050	-	-	3,279,050
Total General and Intergovernmental Services:	5,431,343	49,867	-	5,481,209
<b>Public safety:</b>				
Police services	15,435	-	-	15,435
Code enforcement	7,548	-	-	7,548
Total Public Safety:	22,983	-	-	22,983
<b>Public works:</b>				
Streets and sidewalks	111,470,443	1,122,530	(61,029)	112,531,944
Parks/open space	6,755,897	543,556	(34,934)	7,264,519
Total Public Works:	118,226,340	1,666,086	(95,963)	119,796,463
Community services	15,658,790	125,429	-	15,784,219
Community development services	16,146,905	-	-	16,146,905
Total Governmental Funds Capital Assets	155,486,361	1,841,382	(95,963)	157,231,779
Accumulated depreciation	(32,514,329)	(1,984,772)	95,963	(34,403,138)
<b>Total Governmental Funds Capital Assets, Net</b>	<b>\$ 122,972,032</b>	<b>\$ (143,390)</b>	<b>\$ -</b>	<b>\$ 122,828,641</b>

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.	112-117
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the government's most significant local revenue source; property tax.	118-127
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	128-134
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	135-136
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	138-143

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.

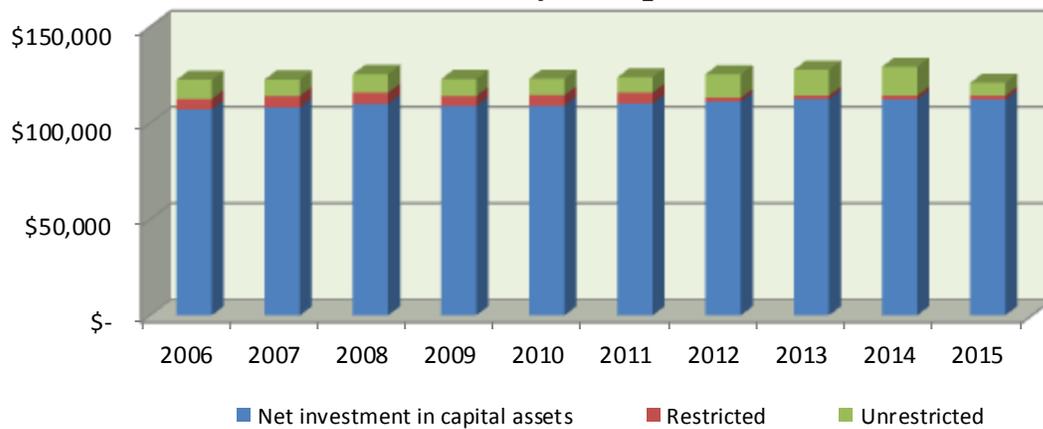
**CITY OF SARATOGA  
NET POSITION BY COMPONENT  
LAST TEN YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

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(amounts expressed in thousands)

	Fiscal Year			
	2006	2007	2008	2009
Primary government				
Governmental activities				
Net investment in capital assets	\$ 107,100	\$ 108,102	\$ 109,818	\$ 108,818
Restricted	5,370	5,928	5,940	5,281
Unrestricted	9,955	8,593	9,710	8,759
Total primary government	<u>\$ 122,425</u>	<u>\$ 122,623</u>	<u>\$ 125,468</u>	<u>\$ 122,858</u>

**Net Position by Component**



Source: CAFR

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<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 108,966	\$ 110,016	\$ 111,201	\$ 112,353	\$ 112,116	\$ 112,092
5,519	5,830	1,938	1,971	2,045	2,138
8,533	7,964	12,248	13,357	15,095	6,691
<u>\$ 123,018</u>	<u>\$ 123,810</u>	<u>\$ 125,387</u>	<u>\$ 127,681</u>	<u>\$ 129,256</u>	<u>\$ 120,921</u>

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

(amounts expressed in thousands)

	Fiscal Year			
	2006	2007	2008	2009
<b>Expenses:</b>				
Governmental activities:				
General and intergovernmental services	\$ 3,473	\$ 4,532	\$ 6,293	\$ 5,595
Public safety	3,427	3,844	4,166	4,211
Public works	4,752	6,425	5,325	7,643
Community services	1,395	1,437	1,286	1,634
Community development services	2,226	1,993	2,032	2,000
Interest on long-term debt (unallocated)	754	768	714	697
Total governmental activities expenses	<u>16,027</u>	<u>18,999</u>	<u>19,816</u>	<u>21,780</u>
<b>Program revenues:</b>				
Charges for services:				
General and intergovernmental services	31	452	1,787	133
Public safety	122	-	411	520
Public works	1,890	528	1,705	2,379
Community services	1,008	604	911	935
Community development services	2,665	1,328	2,110	1,802
Operating grants and contributions	1,549	2,155	151	228
Capital grants and contributions	1,568	1,282	1,715	339
Total governmental activities program revenue	<u>8,833</u>	<u>6,349</u>	<u>8,790</u>	<u>6,336</u>
Net (expense) revenue and change in net assets	<u>(7,194)</u>	<u>(12,650)</u>	<u>(11,026)</u>	<u>(15,444)</u>
<b>General revenue and other changes in net assets</b>				
Taxes:				
Property taxes	5,652	5,772	8,099	8,336
Sales taxes	988	995	1,058	1,043
Local taxes	1,288	1,099	694	663
Franchise taxes	1,040	1,187	1,625	1,657
Motor vehicle in-lieu	718	177	149	116
Total Taxes	<u>9,686</u>	<u>9,230</u>	<u>11,625</u>	<u>11,815</u>
Intergovernmental	-	673	841	474
Investment earnings	709	2,813	1,057	397
Other revenues	323	132	348	148
Total general revenues	<u>10,718</u>	<u>12,848</u>	<u>13,871</u>	<u>12,834</u>
Change in net position	3,524	198	2,845	(2,610)
Net position - beginning of year	118,901	122,425	122,623	125,468
GASB 68 adjustment	-	-	-	-
Net position - beginning of year, as adjusted	118,901	122,425	122,623	125,468
Net position - end of year	<u>\$ 122,425</u>	<u>\$ 122,623</u>	<u>\$ 125,468</u>	<u>\$ 122,858</u>

Source: CAFR

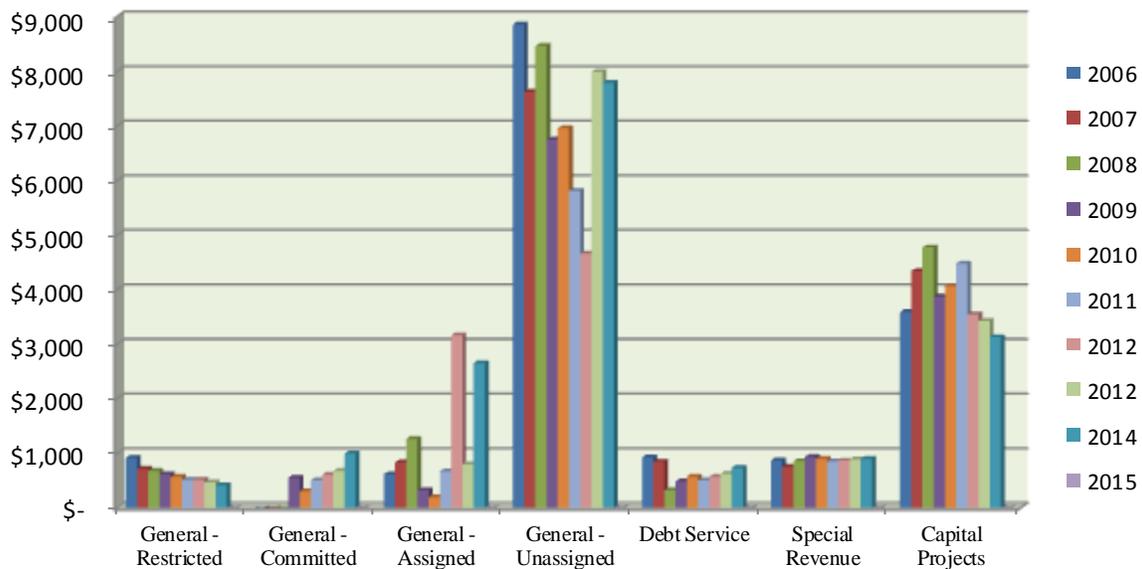
	2010	2011	2012	2013	2014	2015
\$	3,729	\$ 4,368	\$ 3,486	\$ 4,143	\$ 4,522	\$ 7,566
	4,339	4,457	4,300	4,382	4,491	4,850
	6,535	6,645	9,121	6,922	7,379	6,273
	1,711	1,846	1,996	1,804	1,586	1,589
	1,751	1,839	1,553	1,713	2,179	1,962
	677	656	453	410	400	391
	<u>18,742</u>	<u>19,811</u>	<u>20,909</u>	<u>19,374</u>	<u>20,557</u>	<u>22,631</u>
	125	171	140	102	120	122
	425	561	594	607	330	354
	2,535	2,771	2,079	3,316	2,768	2,474
	917	1,020	890	946	958	952
	1,586	1,734	1,923	2,184	2,220	2,234
	275	401	1,319	75	117	107
	674	1,221	2,337	599	808	785
	<u>6,537</u>	<u>7,879</u>	<u>9,282</u>	<u>7,829</u>	<u>7,321</u>	<u>7,028</u>
	<u>(12,205)</u>	<u>(11,932)</u>	<u>(11,627)</u>	<u>(11,545)</u>	<u>(13,236)</u>	<u>(15,603)</u>
	8,371	8,199	8,457	9,153	9,737	10,669
	955	991	1,101	1,051	941	1,224
	560	632	683	769	822	866
	1,664	1,821	1,852	1,920	1,949	2,070
	101	146	16	16	14	13
	<u>11,651</u>	<u>11,789</u>	<u>12,109</u>	<u>12,909</u>	<u>13,463</u>	<u>14,842</u>
	522	773	910	766	981	1,023
	101	65	67	51	62	67
	91	97	118	113	305	237
	<u>12,365</u>	<u>12,724</u>	<u>13,204</u>	<u>13,839</u>	<u>14,811</u>	<u>16,169</u>
	160	792	1,577	2,294	1,575	566
	122,858	123,018	123,810	125,387	127,681	129,256
	-	-	-	-	-	(8,901)
	<u>122,858</u>	<u>123,018</u>	<u>123,810</u>	<u>125,387</u>	<u>127,681</u>	<u>120,355</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>	<u><u>120,921</u></u>

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

(amounts expressed in thousands)

	Fiscal Year			
	2006	2007	2008	2009
General fund:				
Restricted	\$ 910	\$ 711	\$ 679	\$ 613
Committed	-	-	-	550
Assigned	615	831	1,258	322
Unassigned	8,854	7,619	8,459	6,744
Total general fund	<u>\$ 10,379</u>	<u>\$ 9,161</u>	<u>\$ 10,396</u>	<u>\$ 8,229</u>
All other governmental funds:				
Restricted				
Special revenue funds	\$ 919	\$ 844	\$ 318	\$ 484
Debt service	865	746	854	931
Committed				
Capital project funds	3,586	4,338	4,768	3,866
Total all other governmental funds	<u>\$ 5,370</u>	<u>\$ 5,928</u>	<u>\$ 5,940</u>	<u>\$ 5,281</u>

**Fund Balances of Governmental Funds**



Source: CAFR

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

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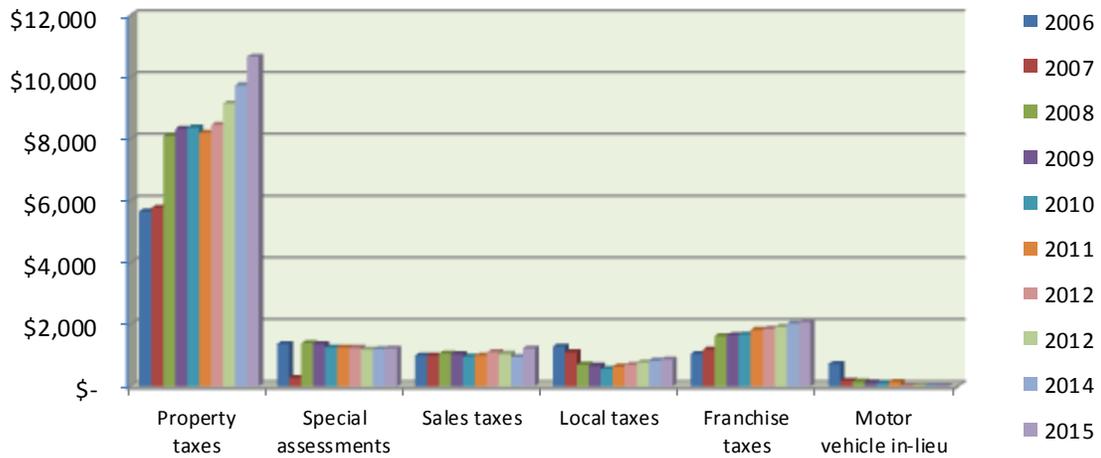
2010	2011	2012	2013	2014	2015
\$ 563	\$ 513	\$ 513	\$ 463	\$ 413	\$ 363
300	500	600	675	993	1,000
196	667	3,161	792	2,648	2,854
6,952	5,804	4,655	7,989	7,782	5,589
<u>\$ 8,011</u>	<u>\$ 7,484</u>	<u>\$ 8,929</u>	<u>\$ 9,919</u>	<u>\$ 11,836</u>	<u>\$ 9,806</u>
\$ 569	\$ 504	\$ 563	\$ 622	\$ 734	\$ 868
893	851	862	886	898	907
4,057	4,475	3,544	3,420	3,126	3,859
<u>\$ 5,519</u>	<u>\$ 5,830</u>	<u>\$ 4,969</u>	<u>\$ 4,928</u>	<u>\$ 4,758</u>	<u>\$ 5,634</u>

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

(amounts expressed in thousands)

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

**Tax Revenues by Source**



Source: CAFR

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2010	2011	2012	2013	2014	2015
\$ 8,371	\$ 8,199	\$ 8,457	\$ 9,153	\$ 9,737	\$ 10,669
1,247	1,255	1,243	1,185	1,207	1,220
955	991	1,101	1,051	941	1,224
560	632	683	769	822	866
1,664	1,821	1,852	1,920	2,024	2,069
101	146	16	16	14	13
<u>\$ 12,898</u>	<u>\$ 13,044</u>	<u>\$ 13,352</u>	<u>\$ 14,094</u>	<u>\$ 14,745</u>	<u>\$ 16,061</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			
	2006	2007	2008	2009
<b>Revenues:</b>				
Property taxes	\$ 5,652	\$ 4,758	\$ 7,877	\$ 8,335
Special assessments	1,370	1,285	1,566	1,368
Sales taxes	987	995	1,058	1,043
Other local taxes	1,288	1,126	773	663
Licenses and permits	79	1,340	1,671	1,460
Fines and forfeitures	259	396	344	360
Intergovernmental - federal	-	-	-	-
Intergovernmental - state	2,660	3,631	1,641	1,283
Intergovernmental - other	976	629	777	290
Franchise fees	1,041	1,187	1,622	1,657
Use of money any property	752	2,813	924	794
Other revenues	1,719	151	326	1,966
Total tax revenues	<u>19,498</u>	<u>19,211</u>	<u>22,763</u>	<u>19,219</u>
<b>Expenditures:</b>				
Current:				
General and intergovernmental services	3,346	3,806	4,083	3,330
Public safety	3,423	3,824	4,166	4,206
Public works	3,501	5,714	4,717	4,700
Community services	1,210	1,381	1,262	1,424
Community development services	1,847	1,962	2,026	2,450
Capital outlay	2,908	2,130	4,246	4,060
Debt service:				
Principal	270	280	295	310
Interest and fiscal charges	760	774	721	705
Total expenditures	<u>17,265</u>	<u>19,871</u>	<u>21,515</u>	<u>21,185</u>
Excess of revenues	2,233	(660)	1,247	(1,966)
<b>Other financing sources (uses):</b>				
Transfers in	499	3,422	2,241	2,043
Transfers out	<u>(499)</u>	<u>(3,422)</u>	<u>(2,241)</u>	<u>(2,043)</u>
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	<u>\$ 2,233</u>	<u>\$ (660)</u>	<u>\$ 1,247</u>	<u>\$ (1,966)</u>
Debt as a percentage of noncapital expenditures	7.06%	7.17%	5.94%	5.62%

Source: CAFR

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

	2010	2011	2012	2013	2014	2015
\$	8,371	\$ 8,199	\$ 8,457	\$ 9,153	\$ 9,737	\$ 10,669
	1,247	1,255	1,243	1,185	1,207	1,220
	954	991	1,101	1,051	941	1,224
	560	632	683	769	823	866
	1,489	1,950	1,728	2,177	2,023	1,613
	359	285	234	199	196	175
	430	1,033	1,915	975	796	651
	1,258	1,480	1,728	1,142	1,410	1,538
	258	337	73	269	129	97
	1,664	1,821	1,852	1,920	1,949	2,070
	595	550	589	527	521	557
	1,794	2,169	2,199	2,421	2,547	2,589
	<u>18,979</u>	<u>20,702</u>	<u>21,802</u>	<u>21,788</u>	<u>22,279</u>	<u>23,269</u>
	3,102	3,524	3,145	3,269	3,247	6,624
	4,349	4,467	4,310	4,392	4,491	4,860
	4,730	4,717	4,751	4,966	5,243	5,381
	1,223	1,322	1,269	1,318	1,383	1,328
	2,111	2,193	1,888	2,047	2,182	2,087
	2,584	3,704	5,179	3,979	3,096	3,253
	330	350	370	455	485	495
	685	665	551	414	405	395
	<u>19,114</u>	<u>20,942</u>	<u>21,463</u>	<u>20,840</u>	<u>20,532</u>	<u>24,423</u>
	(135)	(240)	339	948	1,747	(1,154)
	1,172	1,725	510	1,291	785	1,768
	<u>(1,017)</u>	<u>(1,700)</u>	<u>(485)</u>	<u>(1,291)</u>	<u>(785)</u>	<u>(1,768)</u>
	155	25	245	-	-	-
\$	<u>20</u>	<u>(215)</u>	<u>584</u>	<u>948</u>	<u>1,747</u>	<u>(1,154)</u>
	4.89%	5.80%	4.91%	4.56%	4.96%	3.64%

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

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

	Fiscal Year			
	2006	2007	2008	2009
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	0.0117	0.0096	0.0113	0.0104
	<u>1.0529</u>	<u>1.0508</u>	<u>1.0525</u>	<u>1.0516</u>
Campbell School District	0.0512	0.0508	0.0475	0.0524
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	0.0224	0.0198	0.0285	0.0299
Campbell Union High 2006	0.0000	0.0000	0.0000	0.0000
Cupertino Elementary School District	0.0350	0.0289	0.0337	0.0306
Moreland Elementary School District	0.0561	0.0556	0.0569	0.0565
Saratoga School District	0.0356	0.0351	0.0363	0.0363
Campbell Union High School District	0.0224	0.0198	0.0285	0.0299
Fremont Union High School District	0.0260	0.0243	0.0241	0.0339
Los Gatos-Saratoga Joint Union High School District	0.0371	0.0651	0.0345	0.0330
Foothill-DeAnza Community College District	0.0119	0.0346	0.0113	0.0123
West Valley Community College District 2004	0.0140	0.0126	0.0118	0.0032
West Valley Community College District 2012	0.0000	0.0000	0.0000	0.0000
Mid Peninsula Open Space 2014	0.0000	0.0000	0.0000	0.0000
Saratoga Fire District	0.0052	0.0049	0.0053	0.0053
Santa Clara Valley Water District - State Water Project	0.0069	0.0070	0.0067	0.0059
Santa Clara Valley Water District - Zone W-1	0.0009	0.0002	0.0040	0.0002
	<u>0.3247</u>	<u>0.3587</u>	<u>0.3291</u>	<u>0.3294</u>
Total Tax Rate	<u>1.3776</u>	<u>1.4095</u>	<u>1.3816</u>	<u>1.3810</u>

Source: Muniservices, LLC

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2010	2011	2012	2013	2014	2015
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
0.0094	0.0094	0.0088	0.0080	0.0074	0.0065
1.0506	1.0506	1.0500	1.0492	1.0486	1.0477
0.0285	0.0249	0.0283	0.0246	0.0264	0.0220
0.0122	0.0095	0.0047	0.0051	0.0035	0.0088
0.0267	0.0298	0.0266	0.0220	0.0288	0.0196
0.0000	0.0005	0.0003	0.0086	0.0000	0.0136
0.0183	0.0196	0.0186	0.0165	0.0134	0.0119
0.0131	0.0131	0.0156	0.0160	0.0156	0.0138
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0008
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0071	0.0070	0.0063	0.0069	0.0070	0.0057
0.0003	0.0002	0.0001	0.0000	0.0000	0.0000
0.1202	0.1185	0.1142	0.1286	0.1202	0.1194
1.1708	1.1691	1.1642	1.1778	1.1688	1.1671

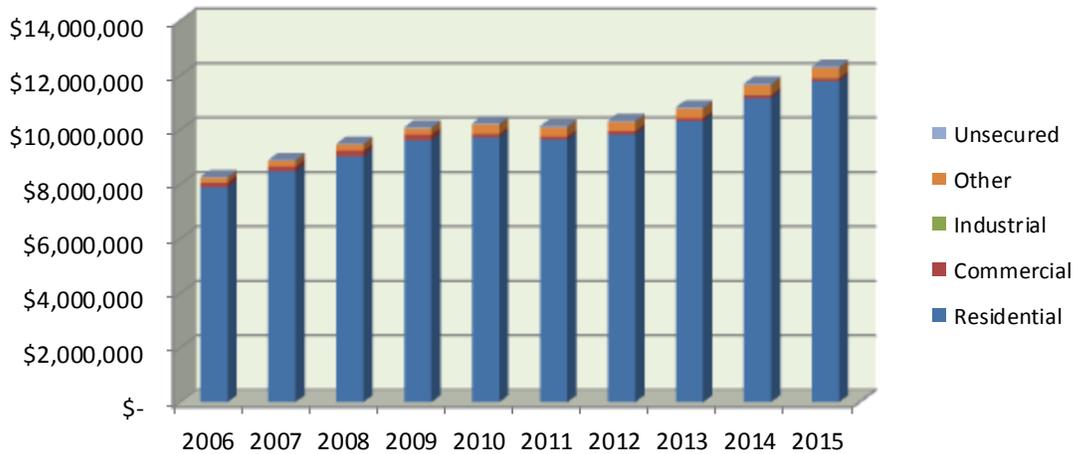
**CITY OF SARATOGA  
 ASSESSED VALUE OF TAXABLE PROPERTY  
 LAST TEN YEARS**

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(amounts expressed in thousands)

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Total Assessed Property
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
2015	11,775,973	117,466	11,737	361,202	56,354	12,322,732

**Total Assessed Property**



Source: Santa Clara County Assessor data, MuniServices, LLC

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Less:	Total Taxable	Total
Tax Exempt	Assessed	Direct
Real Property	Value	Tax
		Rate
(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
(242,724)	12,080,008	1.0477

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

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(amounts expressed in thousands)

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
SHP Saratoga II LLC	\$ 57,554	1	0.48%			0.00%
San Jose Water Works	20,573	2	0.17%	10,778	5	0.13%
Keller Trustee	14,541	3	0.12%			0.00%
Stormin Norman LLC	12,657	4	0.10%			
HJJ LLC	13,267	5	0.11%			0.00%
Argonaut Associates, LLV	11,041	6	0.09%	9,710	7	0.12%
Public Storage Inc	9,893	7	0.08%	8,700	10	
Krishnamurthi Trustee	9,454	8	0.08%	9,644	8	
David J. & Terri E. Morrison	9,184	9	0.08%	6,810		
Jain Trustee	8,223	10	0.07%	7,231		0.09%
Saratoga Office Center Partnres				19,850	1	0.25%
Quito Village Group LLC				16,973	2	0.21%
Gregpenn Properties				14,280	3	0.18%
Sobrato Trustee				14,172	4	0.18%
Coyote Properties LLC				10,198	6	0.13%
Top Ten Total Assessed Value	<u>\$ 166,387</u>			<u>\$ 128,346</u>		
City Total Assessed Value	<u>\$ 12,080,008</u>			<u>\$ 8,087,313</u>		

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

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Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage		Amount	Percentage
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%
2015	10,669,281	10,669,281	100.0%	-	10,669,281	100.0%

Source: City of Saratoga

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

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(amounts expressed in thousands, except per capita amounts)

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
General obligation bonds	\$ 14,170	\$ 13,890	\$ 13,595	\$ 13,285
Net original issue premium	-	-	-	-
Total primary government	<u>\$ 14,170</u>	<u>\$ 13,890</u>	<u>\$ 13,595</u>	<u>\$ 13,285</u>
Percentage of Personal Income <sup>1</sup>	0.82%	0.75%	0.74%	0.76%
Per capita <sup>2</sup>	460	443	430	419

Source: CAFR

<sup>1</sup>US Census Bureau, adjusted for inflation, MuniServices LLC

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

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2010	2011	2012	2013	2014	2015
\$ 12,955	\$ 12,605	\$ 11,995	\$ 11,540	\$ 11,055	\$ 10,560
-	-	438	416	394	372
<u>\$ 12,955</u>	<u>\$ 12,605</u>	<u>\$ 12,433</u>	<u>\$ 11,956</u>	<u>\$ 11,449</u>	<u>\$ 10,932</u>
0.54%	0.57%	0.57%	0.53%	0.49%	0.47%
405	417	409	389	371	355

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

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(amounts expressed in thousands, except per capita amounts)

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

Source: CAFR

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

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2010	2011	2012	2013	2014	2015
\$ 12,955	\$ 12,605	\$ 11,995	\$ 11,540	\$ 11,055	\$ 10,560
-	-	438	416	394	372
(890)	(848)	(860)	(885)	(898)	(906)
<u>\$ 12,065</u>	<u>\$ 11,757</u>	<u>\$ 11,135</u>	<u>\$ 10,655</u>	<u>\$ 10,157</u>	<u>\$ 9,654</u>

0.12%	0.12%	0.11%	0.10%	0.09%	0.08%
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377	389	367	347	329	313
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**CITY OF SARATOGA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN YEARS**

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(amounts expressed in thousands)

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

Source: CAFR

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2010	2011	2012	2013	2014	2015
\$ 1,536,183	\$ 1,520,660	\$ 1,550,118	\$ 1,625,261	\$ 1,754,233	\$ 1,848,410
12,065	11,757	11,135	10,655	10,157	9,654
\$ 1,524,118	\$ 1,508,903	\$ 1,538,983	\$ 1,614,606	\$ 1,744,076	\$ 1,838,756
0.79%	0.77%	0.72%	0.66%	0.58%	0.52%
\$ 10,011,093	\$ 9,907,259	\$ 10,103,250	\$ 10,601,175	\$ 11,458,205	\$ 12,080,008
230,127	230,477	230,868	233,895	236,683	242,724
\$ 10,241,220	\$ 10,137,736	\$ 10,334,118	\$ 10,835,070	\$ 11,694,888	\$ 12,322,732
\$ 1,536,183	\$ 1,520,660	\$ 1,550,118	\$ 1,625,261	\$ 1,754,233	\$ 1,848,410
\$ 12,955	\$ 12,605	\$ 11,995	\$ 11,540	\$ 11,055	\$ 10,560
-	-	438	416	394	372
(890)	(848)	(860)	(885)	(898)	(906)
\$ 12,065	\$ 11,757	\$ 11,135	\$ 10,655	\$ 10,157	\$ 9,654
\$ 1,524,118	\$ 1,508,903	\$ 1,538,983	\$ 1,614,606	\$ 1,744,076	\$ 1,838,756

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

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(amount expressed in thousands)

	Debt <u>Outstanding</u>	Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
<b>Direct Debt:</b>			
City of Saratoga	\$ 10,560	100.000%	\$ 10,560
Total Direct Debt			<u>10,560</u>
<b>Overlapping Tax and Assessment Debt:</b>			
Santa Clara County	799,180	3.398%	27,156
Foothill-De Anza Community College District	596,734	1.622%	9,679
West Valley Community College District	424,754	10.085%	42,836
Campbell Union High School District	146,910	5.576%	8,192
Fremont Union High School District	378,045	3.587%	13,560
Los Gatos-Saratoga Joint Union High School District	79,245	39.176%	31,045
Campbell Union School District	170,131	6.779%	11,533
Cupertino Union School District	249,418	5.984%	14,925
Moreland School District	108,809	13.027%	14,175
Saratoga Union School District	37,170	86.195%	32,039
Saratoga Fire Protection District	3,519	97.443%	3,429
Santa Clara Valley Water District Benefit Assessment	106,690	3.398%	3,625
Total Overlapping Tax and Assessment Debt			<u>212,194</u>
<b>Overlapping General Fund Debt:</b>			
Santa Clara County General Fund Obligations	\$ 707,614	3.398%	\$ 24,045
Santa Clara County Pension Obligations	371,444	3.398%	12,622
Santa Clara County Board of Education Certificates of Participation	9,030	3.398%	307
Santa Clara County Vector Control District Certificates of Participation	3,085	3.398%	105
Foothill-De Anza Community College District Certificates of Participation	11,617	1.622%	188
West Valley-Mission College District General Fund Obligations	64,660	10.085%	6,521
Campbell Union High School District Certificates of Participation	8,953	5.576%	499
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	6,995	39.176%	2,740
Campbell Union High School District Certificates of Participation	3,425	6.779%	232
Saratoga Union School District Certificates of Participation	4,925	86.195%	4,245
Midpeninsula Open Space Park District General Fund Obligations	127,087	5.909%	7,510
Total Overlapping General Fund Debt			<u>59,014</u>
Total Overlapping Tax & Assessment and General Fund Debt			<u>271,208</u>
Combined Total Debt <sup>2</sup>			<u>\$ 281,768</u>

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

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

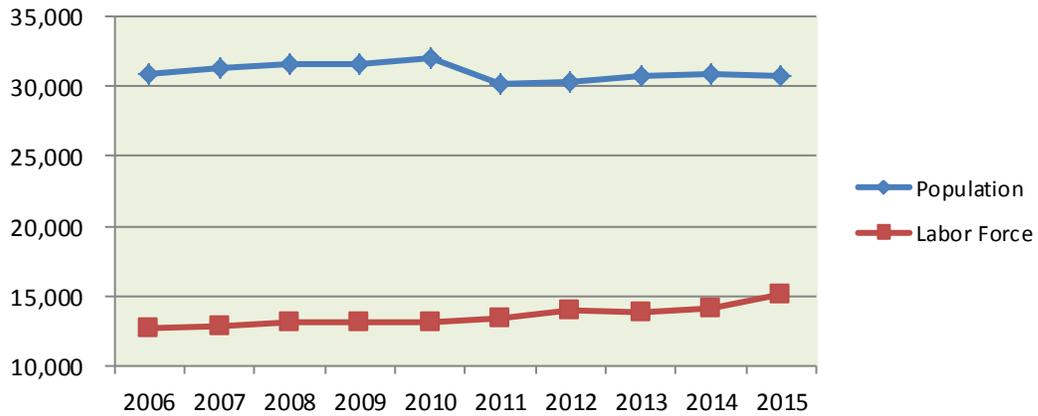
Source: Muniservices, LLC

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

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Fiscal Year	City Population <sup>1</sup>	Personal Income (in thousands) <sup>2</sup>	Per Capita Personal Income <sup>2</sup>	Labor Force <sup>3</sup>	Unemployment Rate <sup>3</sup>
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%
2015	30,799	2,248,481	73,005	15,100	0.0%

**Labor Force vs. Population**



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

<sup>2</sup>US Census Data, adjusted for inflation, MuniServices LLC

<sup>3</sup>EDD Labor Market Information Division, MuniServices LLC

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

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Employer	2015			2006 <sup>1</sup>		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
West Valley Community College	408	1	2.70%	-		
Saratoga Retirement Community	275	2	1.82%	-		
Saratoga Union School District	240	3	1.59%	-		
Mountain Winery	214	4	1.42%	-		
Sub-Acute Saratoga Hospital	140	5	0.93%	-		
YMCA	133	6	0.88%	-		
Saratoga High School	124	7	0.82%	-		
Our Lady Fatima Villa	108	8	0.72%	-		
Prospect High School	101	9	0.67%	-		
Safeway	83	10	0.55%	65	2	0.51%
Gene's Fine Foods				85	1	0.67%
Saratoga Country Club				65	3	0.51%
24 Hour Fitness				30	4	0.24%
Windermere				27	5	0.21%
Longs Drugs				20	6	0.16%
Classic Car Wash				20	7	0.16%
Harmonie European Day Spa				20	8	0.16%
Hinshaw, Draa & Marsh				20	9	0.16%
Bella Saratoga				20	10	0.16%
Total City Employment <sup>1</sup>	15,100			12,700		

<sup>1</sup>EDD Labor Market Information Division, MuniServices LLC

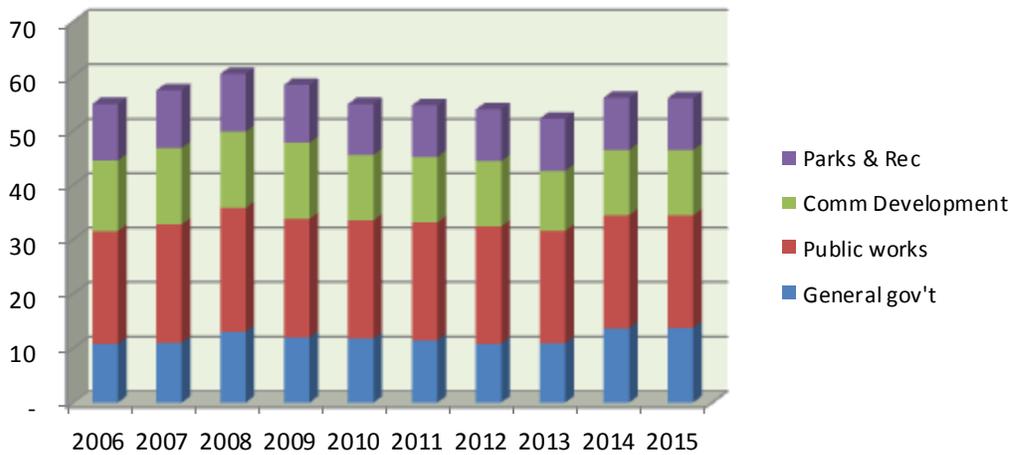
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**CITY OF SARATOGA  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST NINE FISCAL YEARS**

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

**Full-Time Equivalents**



Source: City of Saratoga Budget Document

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2010	2011	2012	2013	2014	2015
11.75	11.45	10.80	10.90	13.65	13.70
21.75	21.65	21.55	20.65	20.75	20.65
12.00	12.00	12.00	11.00	12.00	12.00
9.35	9.50	9.50	9.60	9.60	9.55
<u>54.85</u>	<u>54.60</u>	<u>53.85</u>	<u>52.15</u>	<u>56.00</u>	<u>55.90</u>

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

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

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

Source: City of Saratoga various records

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2010	2011	2012	2013	2014	2015
173	373	287	277	408	315
39,942	41,642	35,664	40,141	41,228	40,695
1,273	1,549	1,329	1,106	978	917
3	-	6	6.2	4.3	2.5
24	25	41	29	34	39
10,000	11,000	10,000	12,060	11,000	10,500
44,658	50,936	59,675	79,896	79,702	89,929
4,366	6,135	5,479	5,365	6,235	8,390
545	661	647	1,663	2,173	1,650
423	-	-	-	-	-
161	142	132	188	274	186
331	326	-	45	160	90
2,110	1,323	787	605	673	747
16,533	14,640	15,221	12,269	12,941	10,786

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

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<b>Function</b>	Fiscal Year			
	2006	2007	2008	2009
Public safety				
Police Station	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	14
Street Miles - Public	137	137	137	140
West Valley Sanitation District				
Number of Connections	8,621	8,651	8,651	8,683
Length of Sewer Lines	120	127	127	127
Cupertino Valley Sanitation District				
Number of Connections	2,118	2,915	2,927	2,938
Length of Sewer Lines	36	36	36	37
Parks and Recreation				
Parks Acreage	81	81	81	84
Parks	15	15	15	15

Source: City of Saratoga various records

2010	2011	2012	2013	2014	2015
-	-	-	-	-	-
1	1	1	1	1	1
1	1	1	1	1	1
14	14	14	14	14.5	14.5
140	140	140	141	142	142
8,687	8,664	8,679	8,821	8,919	8,402
127	127	127	127	127	128
2,949	2,954	2,959	2,961	2,963	2,963
37	37	37	37	37	37
84	84	84	84	84	84
15	15	15	15	15	15