

City of Cotati
Basic Financial Statements
June 30, 2011

**CITY OF COTATI, CALIFORNIA
Basic Financial Statements
Fiscal Year Ended June 30, 2011
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Terry E. Krieg, CPA
Certified Public Accountant

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Cotati
Cotati, California

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cotati, California, (the City) as of and for the year ended June 30, 2011 which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Cotati's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cotati, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City, including its blended component unit redevelopment agency, will continue as a going concern. As discussed in Note 5- I to these financial statements, the California Supreme Court announced its ruling upholding Assembly Bill 1X 26 (dissolution of redevelopment agencies), but overturning Assembly Bill 1X 27 (allowing redevelopment agencies to continue with voluntary payments to the State of California). The ruling provides for the dissolution of all redevelopment agencies effective February 1, 2012. Management's understanding in regard to these matters are also discussed in Note 5 -I to these financial statements. The blended component unit redevelopment agency of the City represents about 45 percent of the total assets of all City governmental funds, about 33 percent of the total revenues of all City governmental funds, and about 56 percent of the total fund balances of all City governmental funds. These financial statements do not include any adjustments that will result from the dissolution provisions of the Court's ruling.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information on pages 2 through 11 and pages 39 through 43 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. I 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 my inquiries, the basic financial statements, and other information I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cotati's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated March 1, 2012, on my consideration of the internal control over financial reporting of the City of Cotati's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my 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, and should be considered in assessing the results of my audit.

As discussed in note 5-G to these financial statements, the City in fiscal year 2011, implemented the provisions of Governmental Accounting Standards Board Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Certified Public Accountant
March 1, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Cotati's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased by about \$356,000 over the course of this year's operations. The net assets of our business-type activities decreased about \$383,000 (about a 2 percent decrease over 2010), and there was a \$739,000 increase in the net assets of our governmental type activities (about a 3 percent increase over 2010).
- During the year, the City's expenses for its governmental activities were \$5.5 million more than revenues from user charges, operating and capital grants. This short fall was funded from general tax revenues such as property taxes, sales taxes, incremental property taxes and other taxes.
- The City's expenses for business-type activities were in 2011 about \$400,000 more than related charges for services. The City in 2011 recognized no capital contributions from these activities reflective of a stagnant housing industry.
- The general fund reported a 2011 year end fund balance of \$1.2 million; about a \$370,000 increase compared to fiscal 2010.
- The City's other major and nonmajor governmental funds ended fiscal 2011 with about a \$14.4 million fund balance; most of which is restricted for specific purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts – an *introductory section*, a *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and wastewater system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor funds, each of which are added together and presented in single columns in the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of City of Cotati's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and wastewater systems.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or *position*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities* – Most of the City's basic services are included here, such as police, streets, parks, community development, and general administration. Property taxes, sales taxes, incremental property taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and wastewater system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The more significant governmental funds in fiscal 2011 were:

The city's general fund, inclusionary housing fund, and South Sonoma Business Park debt service fund. Other major funds in fiscal 2011 included the component unit redevelopment agency's capital projects tax increment fund, special revenue low and moderate income housing fund, and tax allocation bond debt service fund. All other governmental type funds are aggregated and are presented in a separate single column in the fund financial statements.

The City's water and wastewater enterprise funds are also presented as major funds in separate columns in the fund financial statements.

The City has two kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term view* that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets. The City's combined net assets increased in 2011 by almost \$400,000 to 40.2 million. (See Table A-1.)

Table A-1
City of Cotati's Net Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$16.2	\$ 15.3	\$9.9	\$10.5	\$26.1	\$ 25.8	1.2%
Long-term receivables	7.4	7.5	-	-	7.4	7.5	-0.1%
Capital assets	16.7	16.9	7.9	7.7	24.6	24.6	0.0%
Total assets	40.3	39.7	17.8	18.2	58.1	57.9	0.3%
Long-term debt outstanding	16.4	16.8	-	-	16.4	16.8	-2.4%
Other liabilities	1.1	0.9	.4	.4	1.5	1.3	15.4%
Total liabilities	17.5	17.7	.4	.4	17.9	18.1	-1.1%
Net assets							
Invested in capital assets net of related debt	5.8	5.8	7.9	7.7	13.7	13.5	1.5%
Restricted	15.8	15.9	7.3	7.4	23.1	23.3	-0.9%
Unrestricted	1.2	.3	2.2	2.7	3.4	3.0	13.3%
Total net assets	\$ 22.8	\$ 22.0	\$ 17.4	\$ 17.8	\$ 40.2	\$ 39.8	1.0%

Net assets of the City's governmental activities increased 3.2 percent to \$22.8 million. About 75% of the net assets relating to governmental activities is represented by cash, investments and receivables. The City has about \$16.4 million in long-term debt being used to finance governmental activities. There is no long-term debt in regard to the City's business-type activities.

Although the net assets of our business-type activities decreased by 2.2 percent to \$17.4 million, these resources cannot be used for governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, and wastewater systems and for capital improvements to those systems.

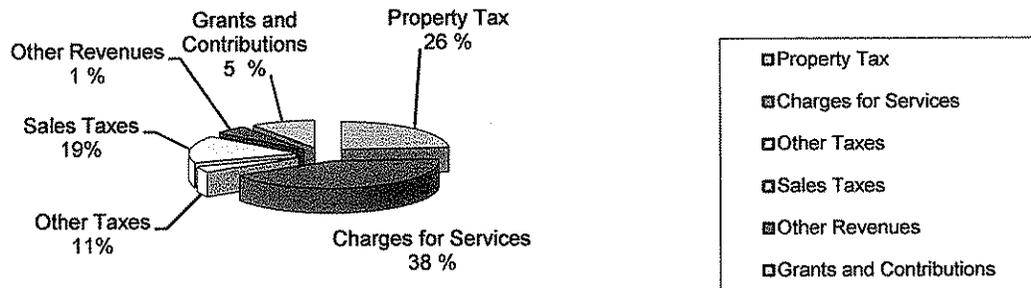
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

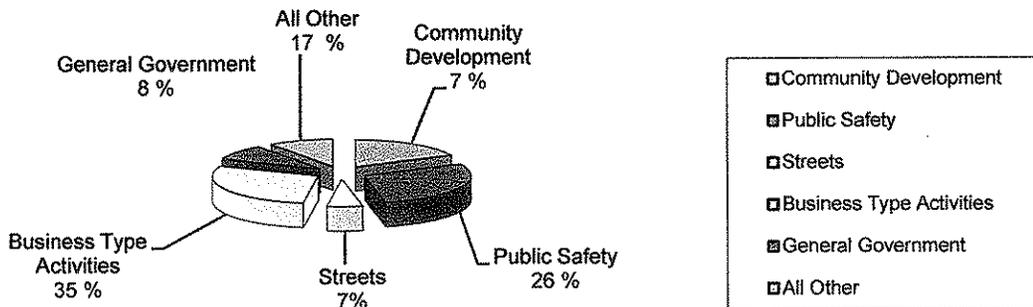
Changes in net assets. The City's total revenues in fiscal 2011 were about \$11 million (See Table A-2.) About 26 percent of the City's revenue comes from property taxes, another 30 percent from sales taxes and other taxes. Another 38 percent come from fees charged for services primarily from water and wastewater services, and most of the rest is state and local aid and development

The total cost of all programs and services was about \$10.7 million. The City's expenses cover a range of services, with about 35 percent related to business type activities, 26 percent for public safety services, and the remaining 39 percent for general government, streets, parks and community development programs.

Sources of Revenue for Fiscal Year 2011



Functional Expenses for Fiscal Year 2011



Governmental Activities

Revenues for the City's governmental activities decreased by about 1 percent, while total expenses decreased 6.6 percent compared to the fiscal year 2010. Expenses of governmental activities decreased about \$500,000. Most of the significant cost decrease was the result of a reduction of about \$1 million in SERAF payments to the County.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table A-2
Changes in City of Cotati's Net Assets
(in millions of dollars)

	Governmental -Activities		Business-Type Activities		Total		Total Percent Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues							
Program revenues							
Charges for services	\$.9	\$1.0	\$3.3	\$3.5	\$4.2	\$4.5	-6.6%
Operating grants and contributions	.4	.4	-	-	.4	.4	0.0%
Capital grants and contributions	.2	.6	-	-	.2	.6	-66.7%
General revenues							
Property taxes	2.9	3.1	-	-	2.9	3.1	-6.5%
Other taxes	3.2	2.5	-	-	3.2	2.5	28.0%
Other	.1	.2	-	-	.1	.2	-50.0%
Total revenues	7.7	7.8	3.3	3.5	11.0	11.3	-2.7%
Expenses							
General government	.9	1.0	-	-	.9	1.0	-10.0%
Planning	.4	.3	-	-	.4	.3	33.3%
Public safety	2.8	2.4	-	-	2.8	2.4	16.7%
Community development	.7	.7	-	-	.7	.7	0.0%
Parks and recreation	.3	.3	-	-	.3	.3	0.0%
Streets	.7	.6	-	-	.7	.6	16.7%
SERAF	.3	1.3	-	-	.3	1.3	-76.9%
Water	-	-	1.4	1.2	1.4	1.2	16.7%
Wastewater	-	-	2.3	2.3	2.3	2.3	0.0%
Interest	.9	.9	-	-	.9	.9	0.0%
Total expenses	7.0	7.5	3.7	3.5	10.7	11.0	-2.7%
Excess (deficiency) before transfers	.7	.3	(.4)	-	.3	.3	0.0%
Transfers	-	.1	-	(.1)	-	-	
Increase (decrease) in net assets	.7	.4	(.4)	(.1)	.3	.3	0.0%
Net assets, beginning of period	22.1	21.7	17.7	17.8	39.8	39.5	
Net assets, end of period	\$22.8	\$22.1	\$17.3	17.7	\$40.1	\$39.8	1.0%

Table A-3 presents the cost of each of the City's largest governmental programs – administration or general government, safety, community development, and streets –

- The cost of all *governmental* activities this year was \$7.0 million, a decrease of about \$500,000 compared to fiscal 2010. The decrease was the result of lower ERAF payments and modest increases in costs of other functional areas.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

- Of the \$7.0 million cost of the City's governmental activities programs, our taxpayers paid for only \$5.5 million of the program costs. Some of the cost was paid by:
 - Those who directly benefited from the programs \$873,000 or
 - Other governments and organizations that subsidized certain programs with grants and contributions; another \$566,000.

The City paid for the \$5.5 million "public benefit" portion with essentially using the City's general tax revenues.

Table A-3
Cost of City Cotati's Governmental Activities
(in millions of dollars)

	<u>Total Cost of Services</u>		<u>Percentage</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
General Government	\$.9	\$ 1.0	-10.0%
Planning	.4	.3	33.3%
Public Safety	2.8	2.4	16.7%
Community development	.7	.7	0.0%
Parks and recreation	.3	.3	0.0%
Streets	.7	.6	16.7%
All other	1.2	2.2	-45.5%
Total	\$7.0	\$ 7.5	-6.7%

The most significant cost changes in fiscal 2011 were the \$1 million decrease in ERAF payments mandated by the State and \$400,000 increase in public safety costs.

Business-Type Activities

Revenues of the City's business-type activities decreased by about 5.7 percent to \$3.3 million as a result of lower capital grants and connection fees. Operating expenses in water and wastewater remained stable compared to fiscal 2010 at 3.7 million; about a \$200,000 or a 6 percent increase. (Refer to Table A-2.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a *combined* fund balance of \$15.6 million, about a \$ 765,000 increase over the last fiscal year.

The City's spending for general fund operations were about equal to general fund revenues with the general fund actually generating about \$8,300 more than its operating expenditures. At year-end, the City's general fund had a \$1.2 million fund balance available to start the 2012 fiscal year.

There was an additional \$1.7 million fund balance at year-end in the Redevelopment Agency's Tax Increment Fund. Following are the other major funds and their associated year end fund balances:

Redevelopment Low and Moderate Housing Fund	\$5,224,029
Inclusionary Housing Fund	3,259,416
South Sonoma Business Park Debt Service Fund	802,858
Redevelopment Debt Service Fund	1,104,015

The City's non-major funds ended the fiscal 2011 year with a combined fund balance of about \$2.3 million; a decrease of \$348,000 over the last fiscal year. Most of these resources can only be used for street projects, community development projects, and other special purposes.

The City's water fund ended 2011 with about \$678,000 set aside for future capital projects and the wastewater fund ended 2011 with about \$6.7 million in its capital improvement accounts. Most of these restricted monies have been generated by capital connection\impact fees related to new development within the City. In addition, these two funds also had about \$2.03 million in cash available for other purposes

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into two categories:

- Changes made at the midyear budget review for unanticipated revenues and costs.
- Increases in appropriations to prevent budget overruns.

Actual expenditures were \$ 141,729 less than final budget amounts as a result of spending reductions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the City had invested \$24.6 million in a broad range of capital assets, including equipment, vehicles, buildings, park facilities, and water and wastewater systems. (See Table A-4.) Because this amount is net of accumulated depreciation, there was almost no net change in the total net investment in capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Management (Continued)

Table A-4
City of Cotati's Capital Assets
(net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$7.7	7.7	\$ -	\$ -	\$ 7.7	\$7.7	0.0%
Buildings	5.4	5.4	-	-	5.4	5.4	0.0%
Equipment	.8	.8	.6	.6	1.4	1.4	0.0%
Improvements	9.4	9.0	.3	.3	9.7	9.3	4.3%
Vehicles	.6	.6			.6	.6	0.0%
Water/wastewater system	-	-	10.2	10.2	10.2	10.2	0.0%
Construction in progress	.9	.7	1.4	.9	2.3	1.6	43.8%
Accumulated depreciation	(8.1)	(7.3)	(4.6)	(4.3)	(12.7)	(11.6)	9.5%
Total	\$16.7	\$ 16.9	\$7.9	\$ 7.7	\$24.6	\$24.6	0.0%

This year's major capital assets additions included:

- About \$400,000 in Cotati street improvements added to Caltrans Central Freeway Project to leverage funding.
- About \$340,000 for water tank and well systems
- About \$196,000 for wastewater system improvements

Additional information about capital assets can be found starting on page 28 and 29 of the notes to the basic financial statements.

Long-term Debt

No new long-term debt was issued in fiscal year 2011. The City did retire \$365,000 in long-term bonded debt during fiscal 2011. All debt service payments were when and as required.

Additional information about the City's long-term obligations can be found starting on page 30 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2012 fiscal year, general fund revenue projections have been conservative compared to higher revenue projections in the past years.

- The budget projects that there will be about a 8 percent decrease in general fund revenues
- The budget will require use of general fund resources available from the 2012 fiscal year
- A water and wastewater fee and connection study is in process and estimated to be completed in fiscal year 2012. No Utility user fee rate increases are anticipated for fiscal year 2012.
- No tax increases are proposed for fiscal 2012. Minimal general fund user fee increases have been approved for fiscal 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

On December 29, 2011, the California Supreme Court issued its ruling to uphold Assembly Bill 1X 26 (AB26). As a result, all redevelopment agencies are required to dissolve and transfer their assets and liabilities to successor agencies and that will wind down redevelopment agencies' affairs.

Because AB 26 established deadlines for certain actions that have already passed, the Court extended the deadlines for performance of those actions required prior to May 1, 2012 by four months. Based on the decision, all redevelopment agencies will be dissolved as of February 1, 2012, absent any emergency legislation delaying or reversing that outcome.

The outcome is a devastating blow to the City of Cotati's customary and usual financial activities and affairs. While legislation may be introduced to mitigate the impact of this ruling, there are several immediate obligations that must be met under AB26 as modified by the ruling.

The most significant actions that the City must deal with are:

- 1) Determine if Cotati is to serve as the Successor Agency in charge of winding down its redevelopment agency's financial affairs. The City has determined it will act as the Successor Agency.
- 2) Conduct a separate accounting of all agency assets, liabilities and obligations as soon as possible. The County of Sonoma will be overseeing this audit.
- 3) Prepare a preliminary draft Enforceable Obligation payment Schedule (EOPS) by January 30, 2012 and as the successor agency, prepare a subsequent draft Recognized Obligation Payment Schedule (ROPS) by March 1, 2012 that includes information on the funds that the City will need to carry out the dissolution process, the preliminary draft EOPS and ROPS have been submitted as required.
- 4) Decide whether or not to retain the redevelopment agency's affordable housing fund assets and functions currently in the Agency's low and moderate income housing fund. The City has determined that it will act as the Housing Successor Agency.

The Legislature may enact additional legislation that may address some of the issues and consequences that may result from the Court's decision to uphold AB26. However, the City of Cotati is proceeding as though these conditions will remain unchanged.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jone Hayes, Director of Administrative Services, City of Cotati, 201 West Sierra Avenue, Cotati, CA 94931.

CITY OF COTATI
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 12,979,102	\$ 2,033,717	\$ 15,012,819
Net receivables	559,956	541,283	1,101,239
Prepayments	8,856	-	8,856
Total current assets	<u>13,547,914</u>	<u>2,575,000</u>	<u>16,122,914</u>
Noncurrent assets:			
Cash and cash equivalents	2,604,081	7,342,283	9,946,364
Long-term notes receivable	2,080,517	-	2,080,517
Other long-term receivables	5,295,000	-	5,295,000
Debt issuance costs	141,361	-	141,361
Net capital assets	16,667,374	7,918,301	24,585,675
Total noncurrent assets	<u>26,788,333</u>	<u>15,260,584</u>	<u>42,048,917</u>
Total assets	<u>\$ 40,336,247</u>	<u>\$ 17,835,584</u>	<u>\$ 58,171,831</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 251,675	\$ 135,719	\$ 387,394
Accrued liabilities	-	14,063	14,063
Compensated absences	60,000	235,834	295,834
Deposits	306,409	67,542	373,951
Deferred revenue	-	-	-
Accrued interest payable	292,607	-	292,607
Bonds due within one year	380,000	-	380,000
Total current liabilities	<u>1,290,691</u>	<u>453,158</u>	<u>1,743,849</u>
Long-term liabilities due in more than one year:			
Tax allocation bonds	10,865,000	-	10,865,000
Special assessment bonds	5,190,000	-	5,190,000
Bond discount	(117,836)	-	(117,836)
Compensated absences	280,634	-	280,634
Net other post employment benefit obligation	20,074	-	20,074
Total long-term liabilities	<u>16,237,872</u>	<u>-</u>	<u>16,237,872</u>
Total liabilities	<u>17,528,563</u>	<u>453,158</u>	<u>17,981,721</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,786,571	7,918,301	13,704,872
Restricted for:			
Redevelopment	3,513,374	-	3,513,374
Capital projects	-	7,342,283	7,342,283
Housing	9,478,031	-	9,478,031
Debt service	1,614,266	-	1,614,266
Public safety	48,631	-	48,631
Parks	613,657	-	613,657
Recycling	87,395	-	87,395
Streets	460,502	-	460,502
Unrestricted	1,205,257	2,121,842	3,327,099
Total net assets	<u>22,807,684</u>	<u>17,382,426</u>	<u>40,190,110</u>
Total liabilities and net assets	<u>\$ 40,336,247</u>	<u>\$ 17,835,584</u>	<u>\$ 58,171,831</u>

See accompanying notes to the basic financial statements

CITY OF COTATI
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	City Government			
				Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
City government							
Governmental activities:							
General government	\$ 933,583	\$ 61,939	\$ 50,000	\$ -	\$ (821,644)	\$ -	\$ (821,644)
Planning	383,135	175,153	-	-	(207,982)	-	(207,982)
Public safety	2,793,397	104,112	119,123	-	(2,570,162)	-	(2,570,162)
Streets	669,009	8,923	235,964	152,622	(271,500)	-	(271,500)
Community development	744,401	508,943	8,638	-	(226,820)	-	(226,820)
Parks and recreation	285,396	13,972	-	-	(271,424)	-	(271,424)
Education (Payment to SERAF)	270,465	-	-	-	(270,465)	-	(270,465)
Interest on long-term debt	899,070	-	-	-	(899,070)	-	(899,070)
Total governmental activities	6,978,456	873,042	413,725	152,622	(5,539,067)	-	(5,539,067)
Business-type activities:							
Water	1,363,463	1,263,439	-	-	-	(100,024)	(100,024)
Wastewater	2,300,601	2,075,923	-	-	-	(224,678)	(224,678)
Total business-type activities	3,664,064	3,339,362	-	-	(324,702)	-	(324,702)
Total City government	\$ 10,642,520	\$ 4,212,404	\$ 413,725	\$ 152,622	(5,539,067)	(324,702)	(5,863,769)

General revenues, transfers and extraordinary items:

Taxes:	
Property taxes	420,738
Sales taxes	2,119,243
Other taxes	500,008
Incremental property taxes	2,459,630
Motor vehicle in lieu fees not restricted to a specific program	525,937
Interest and investment earnings	148,231
Other general revenues	46,032
Transfers	58,547
Total general revenues and transfers	6,278,366
Change in net assets	739,299
Net assets, beginning	22,068,385
Net assets, ending	\$ 22,807,684

Net assets, beginning	39,834,060
Change in net assets	(17,026,376)
Net assets, ending	\$ 22,807,684

See accompanying notes to the basic financial statements

CITY OF COTATI
Balance Sheet
Governmental Funds
June 30, 2011

ASSETS	Redevelopment Agency Tax Increment Fund		Redevelopment Low and Moderate Income Housing Fund		Inclusionary Housing Fund		South Sonoma Business Park Debt Service Fund		Redevelopment Debt Service Fund		Other Governmental Funds		Total Governmental Funds	
	General Fund													
Cash and investments	\$ 1,088,421	\$ 1,804,592	\$ 5,234,394	\$ 3,280,162	\$ 800,389	\$ 1,104,015	\$ 2,291,210	\$ 15,583,183						
Taxes receivable	414,618	-	-	-	-	-	1,089	414,618						
Accounts receivable	61,012	-	-	-	2,469	-	-	64,570						
Interest receivable	334	787	-	-	-	-	-	1,121						
Due from other governments	16,830	-	-	-	-	-	62,817	79,647						
Assessments receivable	-	-	-	-	5,295,000	-	-	5,295,000						
Notes receivable	28,000	1,057,931	624,586	370,000	-	-	-	2,080,517						
Prepayments	8,856	-	-	-	-	-	-	8,856						
Due from other funds	36,279	-	-	-	-	-	-	36,279						
Total assets	\$ 1,654,350	\$ 2,863,310	\$ 5,858,980	\$ 3,630,162	\$ 6,097,858	\$ 1,104,015	\$ 2,355,116	\$ 23,563,791						

LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 165,710
Due to other funds	-
Deposits	306,409
Deferred revenue	1,057,931
Total liabilities	\$ 1,529,059
Fund balances:	
Nonspendable	36,856
Restricted for affordable housing	-
Restricted for community development	-
Restricted for public safety	1,758,288
Restricted for parks	-
Restricted for debt service	-
Restricted for recycling	-
Restricted for capital projects	-
Committed for special projects	45,000
Committed for emergencies	120,000
Unassigned	960,375
Total fund balances	\$ 2,863,310

Accounts payable	\$ 165,710	\$ 47,091	\$ 10,365	\$ 746	\$ -	\$ -	\$ 27,763	\$ 251,675
Due to other funds	-	-	-	-	-	-	36,279	306,409
Deposits	306,409	-	-	370,000	5,295,000	-	-	7,347,517
Deferred revenue	1,057,931	1,057,931	624,586	370,000	-	-	-	-
Total liabilities	\$ 1,529,059	\$ 1,105,022	\$ 634,951	\$ 370,746	\$ 5,295,000	\$ -	\$ 64,042	\$ 7,941,880
Fund balances:								
Nonspendable	36,856	-	-	-	-	-	-	36,856
Restricted for affordable housing	-	-	5,224,029	3,259,416	-	-	-	8,483,445
Restricted for community development	-	1,758,288	-	-	-	-	-	1,758,288
Restricted for public safety	-	-	-	-	-	-	48,631	48,631
Restricted for parks	-	-	-	-	-	-	460,502	460,502
Restricted for debt service	-	-	-	-	802,858	1,104,015	613,657	613,657
Restricted for recycling	-	-	-	-	-	-	87,395	87,395
Restricted for capital projects	-	-	-	-	-	-	698,744	698,744
Committed for special projects	45,000	-	-	-	-	-	390,527	390,527
Committed for emergencies	120,000	-	-	-	-	-	-	120,000
Unassigned	960,375	-	-	-	-	-	(8,382)	971,993
Total fund balances	\$ 1,529,059	\$ 1,758,288	\$ 5,224,029	\$ 3,259,416	\$ 802,858	\$ 1,104,015	\$ 2,291,074	\$ 15,621,911

Total liabilities and fund balances	\$ 1,654,350	\$ 2,863,310	\$ 5,858,980	\$ 3,630,162	\$ 6,097,858	\$ 1,104,015	\$ 2,355,116	\$ 23,563,791
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Total Governmental Fund Balances	\$ 15,621,911
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds

Bond issuance costs and discounts are not current financial resources and are therefore not reported in the funds

Other long-term assets are not available to pay for current-period expenditures and are therefore offset by deferred revenue in the funds

Interest payable is accrued as a liability in the statement of net assets but is reported as a liability in the funds only when due

The net obligation for other post-employment benefits does not require the use of current financial resources and is therefore not reported in the funds

Some liabilities including tax allocation notes, claims and compensated absences are not due and payable in the current period and therefore are not reported in the funds

Net Assets of Governmental Activities	\$ 22,807,684
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See accompanying notes to the basic financial statements

CITY OF COTATI
Statements of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	Redevelopment				South Sonoma Business Park Debt Service Fund	Redevelopment Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	Redevelopment Agency Tax Increment Fund	Low and Moderate Income Housing Fund	Inclusionary Housing Fund					
REVENUES								
Property taxes	\$ 420,738	\$ 777,969	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,880,368
Sales taxes	2,119,243	-	-	-	-	-	-	2,119,243
Other taxes	499,718	-	-	-	-	-	-	499,718
Licenses and permits	14,794	-	-	-	-	-	-	14,794
Fines and forfeits	61,464	-	-	-	-	-	-	61,464
Intergovernmental	538,798	-	-	-	-	486,478	-	1,025,276
Interest and rents	127,190	47,572	10,093	896	2,885	12,398	-	222,075
Charges for services	253,605	-	86,480	446,169	-	25,620	-	811,874
Miscellaneous	98,334	3,068	-	-	-	8,415	-	109,817
Total revenues	4,133,984	828,609	96,573	447,065	2,885	532,911	7,744,629	
EXPENDITURES								
Current:								
General government	751,118	-	-	-	-	-	-	751,118
Planning services	383,135	-	-	-	-	-	-	383,135
Public safety	2,607,700	-	-	-	-	22,207	-	2,629,907
Community development	-	184,275	14,148	-	-	506,683	-	705,106
Parks and recreation	112,031	-	-	-	-	-	-	112,031
Highways and streets	271,588	-	-	-	-	423,212	-	694,800
Education (Payment to SERAF)	-	-	-	-	-	-	-	270,465
Capital outlay	-	3,739	-	-	-	136,437	-	231,121
Debt service:								
Principal	-	-	-	100,000	265,000	-	-	365,000
Interest	-	-	-	351,082	543,874	-	-	894,956
Total expenditures	4,125,572	188,014	14,148	451,082	808,874	1,088,539	7,037,639	
Excess (deficiency) of revenues over expenditures	8,312	1,341,292	82,425	(4,017)	(805,989)	(555,628)	706,990	
OTHER FINANCING SOURCES (USES)								
Transfers in	362,285	-	-	-	808,776	1,574,337	2,745,398	
Transfers out	(921)	(67,224)	-	-	(1,404)	(1,367,346)	(2,686,851)	
Total other financing sources (uses)	361,364	(67,224)	-	-	807,372	206,991	58,547	
Net change in fund balances	369,676	573,371	82,425	(4,017)	1,383	(348,637)	765,537	
Fund balances, July 1	812,555	4,650,658	3,176,991	806,875	1,102,632	2,639,711	14,856,374	
Fund balances, June 30	\$ 1,182,231	\$ 5,224,029	\$ 3,259,416	\$ 802,858	\$ 1,104,015	\$ 2,291,074	\$ 15,621,911	

See accompanying notes to the basic financial statements

CITY OF COTATI
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 765,537</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(261,879)
Governmental funds report debt issuance costs and bond discounts as expenditures. However, in the statement of activities, debt issuance costs and bond discounts are capitalized and amortized to expense over the life of the debt	(11,269)
Governmental funds report long-term receivables but defer revenue from them until collections are actually received. In the statement of activities, principal collections on receivables are not reported as revenues. Disbursements made for long-term loans are recorded as expenditures in the funds, but are not recorded as additions to receivables in the statement of activities	(85,421)
Governmental funds report payments on long-term debt as expenditures, but such payments reduce liabilities in the statement of net assets and therefore are not recorded as expenses in the statement of activities	365,000
The net obligation for other postemployment benefits does not require the use of current financial resources and is therefore not reported in the funds	(10,037)
Governmental funds report interest expenditures when payment is due, but interest expense is accrued in the statement of activities	7,155
Long-term obligations such as claims and compensated are recorded in the governmental funds only when due, but are recorded as liabilities in the statement of net assets when incurred	<u>(29,787)</u>
Net adjustment to reconcile to changes in net assets	<u>(26,238)</u>
Change in Net Assets of Governmental Activities	<u>\$ 739,299</u>

See accompanying notes to the basic financial statements

CITY OF COTATI
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 877,602	\$ 1,156,115	\$ 2,033,717
Accounts receivable	235,675	305,608	541,283
Total current assets	<u>1,113,277</u>	<u>1,461,723</u>	<u>2,575,000</u>
Noncurrent assets:			
Other assets:			
Cash and cash equivalents	<u>678,268</u>	<u>6,664,015</u>	<u>7,342,283</u>
Net other assets	<u>678,268</u>	<u>6,664,015</u>	<u>7,342,283</u>
Capital assets:			
Reservoirs	1,160,215	-	1,160,215
Pipelines and meters	3,064,683	4,642,034	7,706,717
Water wells	1,278,585	-	1,278,585
Improvements	187,018	144,154	331,172
Equipment	278,324	324,603	602,927
Less accumulated depreciation	<u>(2,490,584)</u>	<u>(2,131,663)</u>	<u>(4,622,247)</u>
	3,478,241	2,979,128	6,457,369
Construction in progress	<u>1,239,360</u>	<u>221,572</u>	<u>1,460,932</u>
Net capital assets	<u>4,717,601</u>	<u>3,200,700</u>	<u>7,918,301</u>
Total noncurrent assets	<u>5,395,869</u>	<u>9,864,715</u>	<u>15,260,584</u>
Total assets	<u>\$ 6,509,146</u>	<u>\$ 11,326,438</u>	<u>\$ 17,835,584</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 60,792	\$ 74,927	\$ 135,719
Accrued liabilities	14,063	-	14,063
Compensated absences	151,519	84,315	235,834
Deposits	<u>67,542</u>	<u>-</u>	<u>67,542</u>
Total current liabilities	<u>293,916</u>	<u>159,242</u>	<u>453,158</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,717,601	3,200,700	7,918,301
Restricted	678,268	6,664,015	7,342,283
Unrestricted	<u>819,361</u>	<u>1,302,481</u>	<u>2,121,842</u>
Total net assets	<u>\$ 6,215,230</u>	<u>\$ 11,167,196</u>	<u>\$ 17,382,426</u>

See accompanying notes to the basic financial statements

CITY OF COTATI

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011**

	Enterprise Funds		
	Water	Wastewater	Totals
OPERATING REVENUES			
Charges for services	\$ 1,173,747	\$ 1,987,239	\$ 3,160,986
Other operating revenues	83,533	62,000	145,533
Total operating revenues	1,257,280	2,049,239	3,306,519
OPERATING EXPENSES			
Personnel services	453,330	331,812	785,142
Contractual services	89,156	23,265	112,421
Intergovernmental treatment costs	-	1,683,770	1,683,770
Utilities	40,084	2,950	43,034
Purchased water	360,779	-	360,779
Supplies and materials	226,072	88,604	314,676
Insurance, claims, and expenses	34,212	32,412	66,624
Depreciation	159,830	137,788	297,618
Total operating expenses	1,363,463	2,300,601	3,664,064
Operating income (loss)	(106,183)	(251,362)	(357,545)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	6,159	26,684	32,843
Net non-operating revenues (expenses)	6,159	26,684	32,843
Income before contributions and transfers	(100,024)	(224,678)	(324,702)
Contributions and transfers			
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	(14,580)	(43,967)	(58,547)
Total contributions and transfers	(14,580)	(43,967)	(58,547)
Change in net assets	(114,604)	(268,645)	(383,249)
Total net assets, July 1	6,329,834	11,435,841	17,765,675
Total net assets, June 30	\$ 6,215,230	\$ 11,167,196	\$ 17,382,426

See accompanying notes to the basic financial statements

CITY OF COTATI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,237,781	\$ 2,083,622	\$ 3,321,403
Payments to suppliers	(764,408)	(1,785,902)	(2,550,310)
Payments to employees	(440,915)	(323,902)	(764,817)
Net cash provided by (used for) operating activities	<u>32,458</u>	<u>(26,182)</u>	<u>6,276</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	-	-
Transfers to other funds	(14,580)	(43,967)	(58,547)
Net cash provided by noncapital financing activities	<u>(14,580)</u>	<u>(43,967)</u>	<u>(58,547)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	-	-
Purchases of capital assets	(340,504)	(196,157)	(536,661)
Net cash provided by (used for) capital and related financing activities	<u>(340,504)</u>	<u>(196,157)</u>	<u>(536,661)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest receipts	6,159	26,684	32,843
Net cash provided by investing activities	<u>6,159</u>	<u>26,684</u>	<u>32,843</u>
Net increase (decrease) in cash and cash equivalents	(316,467)	(239,622)	(556,089)
Cash and cash equivalents-beginning of the year	1,872,337	8,059,752	9,932,089
Cash and cash equivalents-end of the year	<u>\$ 1,555,870</u>	<u>\$ 7,820,130</u>	<u>\$ 9,376,000</u>

See accompanying notes to the basic financial statements

CITY OF COTATI
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (106,183)	\$ (251,362)	\$ (357,545)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	159,830	137,788	297,618
Change in assets and liabilities:			
Receivables, net	(20,191)	34,383	14,192
Prepayments	7,887	998	8,885
Accounts payable	(26,860)	44,127	17,267
Other liabilities	17,975	7,884	25,859
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) operating activities	<u>\$ 32,458</u>	<u>\$ (26,182)</u>	<u>\$ 6,276</u>
Noncash capital financing activities:			
None.			

See accompanying notes to the basic financial statements

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Cotati is a municipal corporation governed by an elected five member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

The Redevelopment Agency of the City of Cotati and the Cotati Facilities Financing Authority are legally separate entities for which the City is financially accountable and it is governed by the elected City Council. The financial activities of the Agency and Authority are blended with those of the City and are reported in the City's governmental funds, and as capital assets of the City and debt obligations of the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the *proprietary fund financial statements*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Property taxes, sales taxes, other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Redevelopment Agency's Tax Increment Fund* (a Capital Projects Type Fund) is maintained to account for the tax increment revenues used to fund debt service and other redevelopment activities. The *Redevelopment Agency's Debt Service Fund* is used to account for payments of principal and interest on tax allocation bonds.

The *Redevelopment Agency's Low and Moderate Income Housing Fund* is maintained to account for the 20% of tax increment revenues required to be used for affordable housing.

The *City's Inclusionary Housing Fund* used to account for in lieu impact fees restricted in use to inclusionary housing purposes.

The *South Sonoma Business Park* special assessment debt service fund used to charge landowners for the financing provided to develop the business park.

The City reports the following major proprietary funds:

The *water fund* accounts for the operations of the City's water treatment and distribution system. The *wastewater fund* accounts for the operation of the City's wastewater collection activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, administration costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City is authorized by its most recent investment policy to invest in the State of California Local Agency Investment Fund, U.S. Treasury bonds, bills, and notes, obligations issued by US Government agencies, bankers acceptances, repurchase agreements, and time deposits and savings and demand accounts.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade and property tax receivables are not shown net of an allowance for uncollectibles.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Sonoma collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues in the fiscal year in which they are due to the City.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 1,000 (\$50,000 for infrastructure type assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Under the GASB 34 Implementation Rules, the City is a Phase 3 entity and was not required to record infrastructure assets existing or acquired prior to July 1, 2002 at the date these new financial reporting standards were implemented; and the City has not recorded such assets. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30
Public domain infrastructure	50
System infrastructure	10-40
Vehicles and equipment	7 - 10

5. Compensated Absences and Other Post Employment Benefits

It is the government's policy to permit employees to accumulate earned but unused leave bank (vacation and sick pay benefits). There is a liability for a portion of unpaid accumulated sick leave since the City does have a policy to pay certain amounts when employees separate from service with the City. All leave bank pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City's obligation for post-employment benefits other than pensions (OPEB) are reported as a liability in the government-wide financial statements.

6. Long-term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Fund Balances – Governmental Funds

Fund balances for governmental funds are reported in classifications based primarily on the extent to which the City is bound to honor constraints about the specific purposes for which amounts in those funds can be spent. These classifications include (1) nonspendable, (2) restricted, (3) committed, (4) assigned and (5) unassigned amounts.

Nonspendable amounts generally are items not expected to be converted into cash such as inventories, prepaid items and long-term receivables not offset by deferred revenue accounts. Restricted amounts include those where constraints placed on the uses of the resources are externally imposed by grantors, contributors, other governments or by laws or regulations. Committed amounts are those that can only be used for a specific purpose as determined by the City Council. Such committed amounts may be redeployed for other uses only by the direction of the City Council. Assigned amounts are fund balance amounts constrained by the City's intent to be used for specific purposes as determined by the City manager or Director of Administrative Services. Unassigned amounts are the residual amounts reported only in the general fund or amounts in funds reporting deficit fund balances.

When expenditures are incurred for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, the City considers restricted amounts to have been spent first. When expenditures are incurred for which any class of unrestricted fund balance could be used, the City considers committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

8. Comparative Data

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in net assets. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current years' presentation.

2. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "capital assets are not financial resources and are not reported in the funds." The details of this \$ 16,667,374 difference are as follows:

Capital assets	\$ 24,775,643
Less: Accumulated depreciation	<u>(8,108,269)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 16,667,374</u>

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)

Another element of the reconciliation explains that "long-term liabilities" are not due and payable in the current period and are therefore not reported in the funds. The details of this \$16,775,634 difference are as follows:

Long-Term Debt Obligations		
Tax allocation bonds	\$	11,140,000
Special assessment bonds		5,295,000
Compensated absences		<u>340,634</u>
Net adjustment to decrease fund balance total governmental		
Funds to arrive at net assets - governmental activities	\$	<u>(16,775,634)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$ (26,238) difference and other significant components of the difference are as follows:

Capital outlay		\$ 585,562
Depreciation expense		(847,441)
Other post employment benefits		(10,037)
Repayment of long-term debt principal		365,000
Other items		<u>(119,322)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	<u>(26,238)</u>

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis of consistent with generally accepted accounting principles for all governmental funds. Appropriations lapse at fiscal year end. The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made supplemental appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds. Expenditure budgets were exceeded by the grant fund (\$71,788), Gas Tax fund (\$71,495), Transportation Development fund (\$400,000), Inclusionary Housing fund (\$9,149), Tax Allocation project fund (\$13,780), Asset Forfeiture fund (\$6,955), Landscaping and Lighting fund (\$7,915), and K-9 fund (\$8,905). The expenditures were funded by available resources.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

4. Detailed Notes on All Funds

A. Deposits and Investments

Deposits and investments at June 30, 2011 consisted of the following:

Pooled demand deposits	\$ 241,053
Pooled investments	23,559,021
Investments with trustees	<u>1,159,109</u>
 Total deposits and investments	 <u>\$ 24,959,183</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is that they will be made only in institutions in California, they shall be insured or collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than three years. At June 30, 2011, \$164,882 of the City's bank balances of \$ 414,882 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 164,882</u>
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Investments - At June 30, 2011 the City had the following investments.

Investment	Maturities	Fair Value
State Investment Pool(LAIF)	Average 237 days	\$ 22,309,864
Sonoma County Investment Pool	Average 394 days	379,587
BlackRock Provident T-Fund Shares	Average 120 days	1,159,111
Prime Money Market Fund RBC Investor	Average 120 days	2,719
Negotiable Certificates of Deposit	Average 270 days	<u>866,849</u>
 Totals		 <u>\$ 24,718,130</u>

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities prescribed in Sections 53600 through 53609 of the California Government Code which for the City is securities with a maturity of five years or less at the time of purchase.

Credit Risk - State law limits investments in various securities to certain level of risk ratings issued by nationally recognized statistical rating organizations. It is the City's policy to comply with State law as regards securities ratings. The City's investment in mutual funds was rated Aaa by Moody's Investor Service. The State and County Investment Pools are unrated.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

4. Detailed Notes on All Funds (Continued)

2. The composition of interfund balances was:

<u>Receivable Fund</u>	<u>Nonmajor Payable Fund</u>	<u>Amount</u>
General:		
	State grant fund	\$ 10,970
	K9	3,332
	South Sonoma Business Park fund	3,131
	CDBG Fund	17,101
	Public safety	1,745
	Total	<u>\$ 36,279</u>

The advances were made for temporary cash flow purposes.

D. Capital Assets

Capital asset activity relating to governmental activities for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 7,692,380	\$ -	\$ -	\$ 7,692,380
Construction in progress	1,269,009	175,538	(572,365)	872,182
Total capital assets, not being depreciated	<u>8,961,389</u>	<u>175,538</u>	<u>(572,365)</u>	<u>8,564,562</u>
Capital assets, being depreciated:				
Buildings	5,440,189	-	-	5,440,189
Machinery and equipment	765,021	-	-	765,021
Vehicles	550,188	-	-	550,188
Improvements	8,473,294	982,389	-	9,455,683
Total capital assets being depreciated	<u>15,228,692</u>	<u>982,389</u>	<u>-</u>	<u>16,211,081</u>
Less accumulated depreciation for:				
Buildings	(1,260,127)	(136,005)	-	(1,396,132)
Machinery and equipment	(708,098)	(21,554)	-	(729,652)
Vehicles	(410,344)	(30,705)	-	(441,049)
Improvements	(4,882,259)	(659,177)	-	(5,541,436)
Total accumulated depreciation	<u>(7,260,828)</u>	<u>(847,441)</u>	<u>-</u>	<u>(8,108,269)</u>
Total capital assets, being depreciated, net	<u>7,967,864</u>	<u>134,948</u>	<u>-</u>	<u>8,102,812</u>
Governmental activities capital assets, net	<u>\$ 16,929,253</u>	<u>\$ 310,486</u>	<u>\$ (572,365)</u>	<u>\$ 16,667,374</u>

Construction in progress, at June 30, 2011, represents primarily cost incurred related to construction improvements to the city's street system.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

4. Detailed Notes on All Funds (Continued)

A. Deposits and Investments(Continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a 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. Of the City's \$866,849 investment other than the Pools and mutual funds, the entire \$866,849 in underlying securities are held by the investment's counterparty in the name of the City. The City's investment policy specifies that securities are to be held by a third party, other than the counterparty, in the City's name, whenever possible. The investment in the State and County Pool and mutual funds are not subject to custodial credit risk because the investments are not evidenced by specific securities.

Noncurrent Cash and Cash Equivalents – The \$2,604,081 restricted in the governmental activities statement of net assets represents resources in the City's debt service funds and the tax allocation bond proceeds fund. The \$7,342,283 in the business-type activities statement of net assets represents capital improvement funds to be used for funding major capital assets and facilities.

B. Receivables

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Major Funds	Nonmajor Funds	Total Governmental	Water	Wastewater
Accounts	\$ 61,012	\$ 2,469	\$ 1,089	\$ 64,570	\$235,675	\$ 305,608
Taxes	414,618	-	-	414,618	-	-
Governments	16,830	-	62,817	79,647	-	-
Interest	334	787	-	1,121	-	-
Notes and loans	28,000	2,052,517	-	2,080,517	-	-
Assessments	-	5,295,000	-	5,295,000	-	-
Totals	\$ 520,794	\$ 7,350,773	\$ 63,906	\$ 7,935,473	\$235,675	\$ 305,608

C. Interfund Transfers, receivables and payables

1. The composition of interfund transfers of June 30, 2010, is as follows:

	General Fund	Redevelopment Debt Service Fund	Other Governmental Funds	Total Transfers
Transfers In:				
Transfers Out:				
General fund	\$ -	\$ -	\$ 921	\$ 921
Tax Increment fund	-	808,776	441,180	1,249,956
Low Moderate fund	-	-	67,224	67,224
Other funds	303,738	-	1,065,012	1,368,750
Water/wastewater	58,547	-	-	58,547
Totals	\$ 362,285	\$ 808,776	\$ 1,574,337	\$ 2,745,398

The primary transfers out of the nonmajor funds were made to fund redevelopment projects, debt service on the tax allocation bonds, to provide funds to the City's general fund for projects carried out by the general fund, and to transfer grant funds into the City's capital projects fund. These are recurring types of transfers.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

4. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity relating to business-type activities for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	936,527	524,405	-	1,460,932
Total capital assets, not being depreciated	936,527	524,405	-	1,460,932
Capital assets, being depreciated:				
Water wells	1,278,585	-	-	1,278,585
Reservoirs	1,160,215	-	-	1,160,215
Improvements	321,411	9,761	-	331,172
Pipelines and collection system	7,706,717	-	-	7,706,717
Equipment	600,431	2,496	-	602,927
Total capital assets being depreciated	11,067,359	12,257	-	11,079,616
Less accumulated depreciation for:				
Water wells	(739,049)	(28,631)	-	(767,680)
Reservoirs	(362,566)	(29,005)	-	(391,571)
Improvements	(227,828)	(15,893)	-	(243,721)
Pipelines and collection system	(2,524,996)	(185,891)	-	(2,710,887)
Equipment	(470,190)	(38,198)	-	(508,388)
Total accumulated depreciation	(4,324,629)	(297,618)	-	(4,622,247)
Total capital assets, being depreciated, net	6,742,730	(285,361)	-	6,457,369
Business-type activities capital assets, net	\$ 7,679,257	\$ 239,044	\$ -	\$ 7,918,301

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

4. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:			
General government	\$	172,428	
Public safety		133,703	
Infrastructure-Streets		374,209	
Parks and recreation		<u>167,101</u>	
Total depreciation expense-governmental activities	\$	<u>847,441</u>	
 Business-type activities:			
Water	\$	159,830	
Wastewater		<u>137,788</u>	
Total depreciation expense-governmental activities	\$	<u>297,618</u>	

E. Long-Term Debt

Tax Allocation Refunding Bonds 2004-Series A

In June, 2004, the Cotati Facilities Financing Authority issued \$5,610,000 in its 2004 Series A tax allocation refunding bonds. The Authority is authorized to issue up to \$20 million in tax allocation bonds. The Authority entered into a loan agreement with the City's Redevelopment Agency wherein the Agency in substance is to pay the principal and interest on the bonds. Because of this special financing arrangement between two component units of the City, the transactions between the Agency and the Authority as well as related receivables and payables have been eliminated from these basic financial statements.

Future debt service requirements are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 205,000	\$ 210,768	\$ 415,768
2013	215,000	202,362	417,362
2014	225,000	193,230	418,230
2015	230,000	183,445	413,445
2016	245,000	172,873	417,873
2017-2021	1,360,000	681,148	2,041,148
2022-2026	830,000	370,250	1,200,250
2027-2031	-	307,500	307,500
2032-2036	<u>1,200,000</u>	<u>184,500</u>	<u>1,384,500</u>
Totals	<u>\$ 4,510,000</u>	<u>\$ 2,506,076</u>	<u>\$ 7,016,076</u>

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

4. Detailed Notes on All Funds (Continued)

E. Long-Term Debt(Continued)

Tax Allocation refunding Bonds 2004-Series A-(Continued)

Payment of bond debt service on the 2004 tax allocation bonds is secured by a first pledge and lien on all of the Agency's revenues. Such revenues are the tax increment allocated to the project area less statutory housing obligations and the County, Library, and Fire District's share of such tax increment. Payment of interest and principal on the bonds is also insured by a financial guaranty policy. Interest and principal on the bonds is payable each March 1 and September 1 through 2036. The bonds bear interest at rates from 1.60 to 5.125 percent.

Tax Allocation Bonds 2001 Series A

On November 14, 2001, The City's Redevelopment Agency issued \$ 6,960,000 in subordinate tax allocation bonds, series 2001A, to advance refund and retire two capital leases and provide additional project funds. The tax allocation bonds consisted of \$1,510,000 in serial bonds bearing interest at rates from 2 percent to 4.5 percent maturing each September 1 through 2021, \$2,050,000 in term bonds bearing interest at 5 percent and maturing September 1, 2026, and \$3,400,000 in 5 percent term bonds maturing September 1, 2031. The term bonds are subject to mandatory sinking fund early redemption. Future debt service requirements are:

Fiscal Year	Principal	Interest	Total
2012	\$ 70,000	\$ 322,878	\$ 392,878
2013	80,000	319,983	399,983
2014	80,000	316,783	396,783
2015	85,000	313,398	398,398
2016	90,000	309,633	399,633
2017-2021	605,000	1,477,729	2,082,729
2022-2026	1,635,000	1,254,806	2,889,806
2027-2031	3,235,000	607,625	3,842,625
2032	750,000	18,750	768,750
Totals	<u>\$ 6,630,000</u>	<u>\$ 4,941,585</u>	<u>\$11,571,585</u>

Special Assessment Bonds With Governmental Commitment

The special assessment bonds were issued in an original amount of \$5,875,000 for the purpose of facilitating a wetlands mitigation project. The bonds are secured solely by assessments levied against property owners within the assessment district and from monies on deposit in a reserve fund. The City has no obligation to advance funds for payment of bond debt service. The City has indicated, however, that it may at its own option and in its sole discretion elect to advance funds to pay bond debt service to the extent of delinquencies. The bonds consist of 6.50 percent term bonds due September 2, 2033. The term bonds are subject to mandatory redemption prior to maturity commencing September 2, 2004. Future debt service is:

Fiscal Year	Principal	Interest	Total
2012	\$ 105,000	\$ 340,763	\$ 445,763
2013	115,000	333,613	448,613
2014	120,000	325,975	445,975
2015	130,000	317,850	447,850
2016	135,000	309,238	444,238
2017-2021	825,000	1,396,686	2,221,686
2022-2026	1,130,000	1,081,602	2,211,602
2027-2031	1,550,000	650,000	2,200,000
2032-2034	1,185,000	118,789	1,303,789
Totals	<u>\$ 5,295,000</u>	<u>\$ 4,874,516</u>	<u>\$ 10,169,516</u>

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

4. Detailed Notes on All Funds (Continued)

Long-Term Debt (Continued)

Tax Allocation Bonds Pledged Revenues

The City's component unit redevelopment agency has pledged future tax increment revenues to pay debt service on the 2001 and 2004 tax allocation bonds. Total principal and interest remaining on the Agency's bonds are \$18,587,661. Debt service on the bonds is expected to require less than 44 percent of tax increment revenues excluding the 20 percent set aside amounts. For the current fiscal year, principal and interest paid by the Agency and the tax increment revenues (excluding the 20 percent set aside) was \$808,874 and \$1,181,661, respectively.

Changes in Long-term liabilities

Long-term debt activity for the 2011 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental					
Activities:					
2001 tax allocation bonds, series A	\$ 6,695,000	\$ -	\$ 65,000	\$ 6,630,000	\$ 70,000
2004 tax allocation bonds, series A	4,710,000	-	200,000	4,510,000	205,000
Special assessment bonds	5,395,000	-	100,000	5,295,000	105,000
Compensated absences	310,847	60,000	30,213	340,634	60,000
Total	\$ 17,110,847	\$ 60,000	\$ 395,213	\$ 16,775,634	\$ 440,000

5. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City, due to the costs of available coverage, participates as a member of the Redwood Empire Municipal Insurance Fund (REMIF). REMIF provides joint protection programs for public entities covering automobile, general liability, errors and omissions, property and workers compensation claims. Under the program, the City has a \$5,000 retention limit similar to a deductible with the REMIF being responsible for losses above that amount up to \$500,000 for liability losses, \$1,000,000 for workers compensation claims, and \$25,000 for property damage. The Fund carries purchased excess commercial liability insurance of \$39.5 million in excess of its \$500,000 limit, and a commercial property policy for \$300 million. Financial information pertaining to REMIF can be obtained from its administrative offices at 414 W.Napa Street, Sonoma, California 95476.

Liabilities of the City are reported in the statement of net assets for the when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The City's only exposure to claim liabilities would be for losses, if any, not covered by REMIF. There have been no significant changes in insurance coverages in fiscal 2009. Settlements have not exceeded coverage for each of the past three fiscal years. The City has no claim liabilities at June 30, 2011.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

5. Other Information (Continued)

B. Contingencies and Commitments

Litigation. The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and allocations. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Landfill Remediation. The City has been notified by the County that a leachate problem has been identified at a central solid waste landfill site. Under a proposed remediation plan, the City would be required to share in and fund a portion of such environmental remediation costs. Preliminary estimates are that the City's share of such costs could exceed \$ 2 million. This matter has not yet been resolved, and no liability has been recorded in these financial statements pending resolution and determination of the actual remediation costs and how and by whom those costs are to be funded.

Surplus Housing Funds. The component unit Redevelopment Agency had excess funds (as defined in the regulations) of \$34,039 at June 30, 2007, \$566,302 at June 30, 2008 and \$1,236,548 at June 30, 2009, \$3,414,111 at June 30, 2010 and \$3,374,913 at June 30, 2011 in its low and moderate income housing fund. The Agency is required under regulations to expend or encumber surplus funds, as defined, within a statutory 3 year period, pay the excess over to another housing agency, or be subject to sanctions imposed under related regulations.

C. Jointly Governed Organizations and Operating Agreements

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. The City is a participant in the following organizations other than the insurance authority described in the preceding notes. The City is a party to the following agreement agreements:

Santa Rosa Subregional Wastewater System. The City has an agreement with System for the treatment of wastewater as the City does not own or operate its own wastewater treatment plant. The City's obligations under the agreement are to pay to the System its share of the costs of operating the system and treatment of wastewater. The City records these payments as operating expenses in its wastewater enterprise fund

D. Public Employees Retirement System

Plan Description. The City of Cotati contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer, public employee, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by the State statute and City ordinance. The PERS issues publicly available financial report that includes the financial statements and required supplementary information for the PERS Copies of PERS annual financial report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

5. Other Information (Continued)

D. Public Employees Retirement System

Funding Policy and Annual Pension Cost. Non-safety plan members are required to contribute 7 percent of their annual covered salary and safety members are required to contribute 9 percent. The City has voluntarily agreed to fund all of the plan members required contributions. In addition, non-safety members are required to fund a portion of the employer's required contribution that is attributable to an enhancement of the plan benefits for non-safety members. The City is required to contribute at actuarially determined rates. The current rate is 19.158 percent for regular employees and 39.246 percent for safety employees. Contribution requirements of plan members and the City are established by and may be amended by PERS. The City's annual pension cost for the most recent three year period was as follows:

Plan	Year Ending	Annual Pension Cost	Percentage of APC Contributed
<i>Regular employees</i>	6/30/09	\$ 168,474	100%
	6/30/10	\$ 319,047	100%
	6/30/11	\$ 295,962	100%
<i>Safety employees</i>	6/30/09	\$ 408,220	100%
	6/30/10	\$ 354,183	100%
	6/30/10	\$ 302,105	100%

E. Restricted Net Assets and Nonspendable Fund Balances

The \$ 15,815,856 restricted amount in the governmental activities and the \$7,342,283 in the business-type activities statement net assets represent amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments.

Nonspendable fund balances consisted of the following:

Purpose	General Fund	Other Funds
Prepayments	\$ 8,836	\$ -
Long-term notes receivable	28,000	-
	<u>\$ 36,836</u>	<u>\$ -</u>

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

5 Other Information (Continued)

F. Post Employment Benefits Other Than Pensions

Plan Description. The City administers the city's retired employees health care plan, a single employer defined benefit health care plan. The plan provides medical benefits to a limited number of eligible retired employees. The plan is closed to current and future City employees. City resolutions and agreements assign the authority to establish and amend benefit provisions to the City. A separate OPEB trust account has not been established by the City for the OPEB Plan.

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the City. The required contribution is based on a projected pay as you go financing requirement, with additional amounts to prefund benefits determined annually by the City Council. For the fiscal year ended June 30, 2011, the City contributed \$28,856 of current premiums (100% of total premiums) and zero to prefund benefits. Plan members receiving benefits contributed no amounts of total premiums.

Annual OPEB Costs and Net OPEB Obligation. The city's annual other post employment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement Number 45. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB costs for the year, the amounts actually contributed to the Plan, and changes in the City's net OPEB obligation to the Plan:

Annual required contribution (ARC)	\$ 38,492
Interest on net OPEB obligation	401
Adjustments to the ARC	-
Annual OPEB expense	38,893
Contributions made	(28,856)
Change in net OPEB obligation	10,037
Net OPEB Obligation , beginning of year	10,037
Net, OPEB obligation, end of year	\$ 20,074

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2011	\$38,893	74.2%	\$ 20,074

Funding status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the plan was zero funded. The actuarial accrued liability for benefits was \$659,654 and the actuarial value of plan assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$659,654. The covered payroll (the annual payroll of active employees covered by the plan) was \$2,190,328 and the UAAL as a percentage of covered payroll was 30.1 percent.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

5 . Other Information (Continued)

F. Post Employment Benefits Other Than Pensions (Continued)

Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and health care trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information, following the notes to these financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to actuarial liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) includes the types of benefits provided at the time of each valuation and the historical pattern of sharing costs between the employer and the plan members to that point in time. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 valuation, the projected unit credit actuarial cost method was used under the Alternate Measurement Method. The actuarial assumptions include a 4 percent rate of return based on assumed long-term returns on employer assets. An annual health care trend rate of 10 percent initially decreasing to 5 percent in year number eleven. There were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of payrolls over 29 years, the remaining amortization period at June 30, 2011.

G. Change in Accounting Principle

The City as required by Governmental Accounting Standards Board Statement Number 54, titled, Fund Balance Reporting and Governmental Fund Type Definitions, implemented in fiscal 2011 the provisions of the standard that requires that fund balances in governmental funds be categorized into different categories depending upon the nature of the constraints placed on the use of the resources in the funds. The implementation of the standard had no effect on the beginning net assets of the governmental activities or governmental funds.

H. Supplemental Educational Revenue Augmentation Funds (SERAF)

Chapter 21, Statutes of 2009, requires redevelopment agencies to collectively shift \$350 million in property tax revenues to K-12 schools during the 2010-2011 fiscal year via the SERAF that the Chapter created in each County. The amount required to be paid by the City's redevelopment agency in fiscal 2011 was \$270,465 reported as an education expense in the statement of activities.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2011

5. Other Information (Continued)

I. Dissolution of the City's Redevelopment Agency as a Financial Reporting Entity and Assembly Bills AB 1X 26 and AB 1X 27.

AB 1X 26 terminates redevelopment agencies effective October 1, 2011, and replaces them with successor agencies that are to be tasked with retiring existing redevelopment agencies debt and winding down existing redevelopment projects. AB 1X 27 provided that redevelopment agencies may be exempted from the termination provisions of AB 26 provided that the agencies choose to participate in the Voluntary Redevelopment Program that AB 27 creates. In order to participate in the Voluntary Program, and continue to exist as a redevelopment agency and blended component unit of the City of Cotati, the Agency was to enter into an agreement whereby the Agency would agree to transfer a portion of its tax increment revenues to the County starting in fiscal 2012. In order for the agency to continue to participate in the program in future years, the Agency would be required to submit additional remittances to the County for deposit into the ERAF in future years.

In connection with this legislation, the California Supreme Court issued an order to show cause why relief in a petition of mandate should not be granted. This case involved the validity of recent legislation; Assembly Bills 26 and 27 pertaining to dissolving and reenacting with changes the statutory framework of redevelopment agencies throughout the State of California. The court allowed the first statute to remain in effect insofar as it precluded redevelopment agencies from incurring new indebtedness, transferring assets, acquiring real property, entering into contracts, and other matters, but is stayed enforcement of both statutes in all other respects. The Court established an expedited briefing schedule to facilitate a decision before January 15, 2012, and in late December 2011, the Court issued its ruling.

The Court's ruling upheld AB 1X 26 (dissolution of redevelopment agencies), but overturned and invalidated AB 1X 27 (allowing redevelopment agencies to continue with voluntary payments to the State of California). As a result, redevelopment agencies are dissolved effective February 1, 2012.

The Agency's assets are to be transferred to a Successor Agency. The Successor Agency is to be the City or county that originally created the former agency unless an election is made to not be the Successor Agency. The Successor Agency is to take control of all redevelopment assets, properties, contracts, leases, records, buildings, and equipment and is to dispose of all assets and properties of the former redevelopment agency.

The Successor Agency is to establish a Redevelopment Obligation Retirement Fund, review the Agency's enforceable obligation payment schedule (which schedule includes agency obligations and for that matter excludes certain defined obligations), modify the schedule and readopt it is necessary. The Successor Agency may only make payments for those obligations identified in the Enforceable Obligation Payment Schedule (EOPS) until a Recognized Obligation Payment Schedule (ROPS) is approved by regulatory bodies.

The respective County Auditor-Controller, is required, among other matters, to (1) establish a redevelopment obligation retirement fund, (2) establish a property tax trust fund, (3) and periodically distribute property taxes to the Successor Agency in an amount equal to the cost of obligations specified in the recognized Obligation Payment schedule, and (4) perform other specified actions.

These financial statements do not contain any adjustments that will ultimately be required to be made to the City's component unit redevelopment agency as part of the redevelopment dissolution process.

Required Supplementary Information
CITY OF COTATI
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Fund Balance, July 1	\$ 812,555	\$ 812,555	\$ 812,555	\$ -
Resources (inflows):				
Property taxes	440,500	440,500	420,738	(19,762)
Sales taxes	1,904,094	1,904,094	2,119,243	215,149
Transfer taxes	75,000	75,000	61,210	(13,790)
Other taxes	424,250	424,250	438,508	14,258
License permits	-	-	14,794	14,794
Fines and forfeits	115,000	115,000	61,464	(53,536)
Interest and rents	128,263	128,263	127,190	(1,073)
Intergovernmental	573,000	573,000	538,798	(34,202)
Charges for services	40,750	40,750	253,605	212,855
Miscellaneous	50,000	50,000	98,334	48,334
Transfers in	292,709	292,709	362,285	69,576
Amounts available for charges to appropriations	<u>4,856,121</u>	<u>4,856,121</u>	<u>5,308,724</u>	<u>452,603</u>
Charges to appropriations:				
General government:				
Legislative	57,863	57,863	54,954	2,909
Clerk	200,702	200,702	170,888	29,814
Finance	75,617	75,617	84,062	(8,445)
Legal	128,000	128,000	163,796	(35,796)
Nondepartmental	375,523	375,523	215,885	159,638
Public info	500	500	200	300
Government buildings	221,585	221,585	61,333	160,252
Community development and planning	422,503	422,503	383,135	39,368
Public safety:				
Police	2,422,154	2,422,154	2,607,700	(185,546)
Highways and streets				
Streets	243,323	243,323	241,571	1,752
Engineering	16,433	16,433	30,017	(13,584)
Parks and recreation				
Park maintenance	102,519	102,519	112,031	(9,512)
Capital outlay	-	-	-	-
Transfers out	<u>1,500</u>	<u>1,500</u>	<u>921</u>	<u>579</u>
Total charges to appropriations	<u>4,268,222</u>	<u>4,268,222</u>	<u>4,126,493</u>	<u>141,729</u>
Fund Balance, June 30	<u>\$ 587,899</u>	<u>\$ 587,899</u>	<u>\$ 1,182,231</u>	<u>\$ 594,332</u>

Required Supplementary Information
CITY OF COTATI
Budgetary Comparison Schedule - General Fund
Note to RSI
For the Fiscal Year Ended June 30, 2011

Note A. Explanation of Difference Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows resources:

Actual amounts "available for appropriation" from budgetary comparison schedule:	\$ 5,308,724
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Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(812,555)

Transfers in are a budgetary resource but are not a current year revenue for financial reporting purposes	<u>(362,285)</u>
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Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 4,133,884</u></u>
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Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 4,126,493
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Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(921)</u>

Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 4,125,572</u></u>
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Required Supplementary Information
CITY OF COTATI
Budgetary Comparison Schedule - Inclusionary Housing Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Fund Balance, July 1	\$ 3,176,991	\$ 3,176,991	\$ 3,176,991	\$ -
Resources (inflows):				
Interest and rents	14,500	14,500	10,093	(4,407)
Charges for services:				
Inclusionary housing fees	-	-	86,480	86,480
Amounts available for charges to appropriations	<u>3,191,491</u>	<u>3,191,491</u>	<u>3,273,564</u>	<u>82,073</u>
Charges to appropriations:				
Community development:				
Legal	<u>5,000</u>	<u>5,000</u>	<u>14,148</u>	<u>(9,148)</u>
Total charges to appropriations	<u>5,000</u>	<u>5,000</u>	<u>14,148</u>	<u>(9,148)</u>
Fund Balance, June 30	<u>\$ 3,186,491</u>	<u>\$ 3,186,491</u>	<u>\$ 3,259,416</u>	<u>\$ 72,925</u>

Note A.

**Explanation of Difference Between Budgetary
Inflows and Outflows and GAAP Revenues and Expenditures:**

Sources/inflows resources:

Actual amounts available for appropriation from
budgetary comparison schedule above: \$ 3,273,564

Difference - budget to GAAP

The fund balance at the beginning of the year is a
budgetary resource but is not a current year revenue
for financial reporting purposes (3,176,991)

Total revenues as reported in the statement of
revenues, expenditures and changes in fund
balances - governmental funds \$ 96,573

Required Supplementary Information
CITY OF COTATI
Budgetary Comparison Schedule - Redevelopment Low and Moderate Income Housing Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 4,650,658	\$ 4,650,658	\$ 5,650,658	\$ 1,000,000
Resources (inflows):				
Property taxes	841,812	841,812	777,969	(63,843)
Interest and rents	35,000	35,000	47,572	12,572
Miscellaneous	4,500	4,500	3,068	(1,432)
Transfers in	-	-	-	-
 Amounts available for charges to appropriations	 <u>5,531,970</u>	 <u>5,531,970</u>	 <u>6,479,267</u>	 <u>947,297</u>
Charges to appropriations:				
Community Development:				
Administration:				
Salaries and benefits	86,654	86,654	85,592	1,062
Legal	25,000	25,000	38,639	(13,639)
Property tax admin fees	12,350	12,350	-	12,350
Other administrative costs	4,534	4,534	6,503	(1,969)
Housing Loans	-	-	-	-
Contract servives	77,000	77,000	53,541	23,459
Capital outlays	1,780,000	1,780,000	3,739	1,776,261
Transfers out	<u>67,219</u>	<u>67,219</u>	<u>67,224</u>	<u>(5)</u>
 Total charges to appropriations	 <u>2,052,757</u>	 <u>2,052,757</u>	 <u>255,238</u>	 <u>1,797,519</u>
 Fund Balance, June 30	 <u>\$ 3,479,213</u>	 <u>\$ 3,479,213</u>	 <u>\$ 6,224,029</u>	 <u>\$ 3,744,816</u>

Note A.

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows resources:

Actual amounts available for appropriation from budgetary comparison schedule above: \$ 6,479,267

Difference - budget to GAAP

The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes (5,650,658)

Transfers in are budgetary resources but also are not a current year revenue for financial reporting purposes -

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances \$ 828,609

Total charges to appropriations in budgetary comparison schedule above \$ 255,238

Transfers out are a use of budgetary resources but are not reported as expenditures of resources for financial reporting purposes (67,224)

Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances \$ 188,014

Required Supplementary Information
CITY OF COTATI
Other Post Employment Benefits Other Than Pensions
Schedule of Funding Progress
June 30, 2011
 (Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded (overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess) as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 659,654	\$ 659,654	0.0%	\$ 2,190,328	30.1%

City of Cotati
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

Special Revenue Funds

	Landscape and Lighting	Gas Tax	Parks and Recreation	Park In Lieu	Community Service	MTC Street Mitigation	Traffic Mitigation	Recycling	Grants Fund	CDBG
Assets										
Cash and investments	\$ 48,545	\$ 138,696	\$ -	\$ 613,657	\$ 21	\$ 122,822	\$ 134,293	\$ 86,306	\$ -	\$ -
Receivables:										
Receivables from other governments	-	16,715	-	-	-	-	-	-	11,027	20,088
Accounts	-	-	-	-	-	-	-	1,089	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-	-	-	-	-
Assessments receivable	647	-	-	-	-	-	-	-	-	-
Total assets	\$ 49,192	\$ 155,411	\$ -	\$ 613,657	\$ 21	\$ 122,822	\$ 134,293	\$ 87,395	\$ 11,027	\$ 20,088
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ 1,216	\$ -	\$ -	\$ -	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ 2,956
Due to other funds	-	-	-	-	-	-	-	-	10,970	17,101
Total liabilities	1,216	-	-	-	21	-	-	-	10,970	20,057
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted for streets	47,976	155,411	-	-	-	122,822	134,293	-	-	-
Restricted for parks	-	-	-	613,657	-	-	-	-	-	-
Restricted for recycling	-	-	-	-	-	-	-	87,395	-	-
Restricted for public safety	-	-	-	-	-	-	-	-	-	-
Restricted for capital projects	-	-	-	-	-	-	-	-	-	-
Committed for capital projects	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	57	31
Total fund balances	47,976	155,411	-	613,657	-	122,822	134,293	87,395	57	31
Total liabilities and fund balances	\$ 49,192	\$ 155,411	\$ -	\$ 613,657	\$ 21	\$ 122,822	\$ 134,293	\$ 87,395	\$ 11,027	\$ 20,088

City of Cotati
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue					Capital Projects					Total Nonmajor Governmental Funds
	Police Volunteer	Public Safety	Asset Forfeiture	K-9 Program	Police Explorer	Redevelopment Projects	City Capital Projects	South Sonoma Business Park	Redevelopment 2001 Tax Allocation Bonds Project		
Assets											
Cash and investments	\$ -	\$ -	\$ 35,068	\$ -	\$ 968	\$ 20,630	\$ 390,527	\$ -	\$ 699,677	\$ 2,291,210	
Receivables:											
Receivables from other governments	-	14,340	-	-	-	-	-	-	-	62,170	
Accounts	-	-	-	-	-	-	-	-	-	1,089	
Due from other funds	-	-	-	-	-	-	-	-	-	-	
Prepayments	-	-	-	-	-	-	-	-	-	-	
Assessments receivable	-	-	-	-	-	-	-	-	-	647	
Total assets	\$ -	\$ 14,340	\$ 35,068	\$ -	\$ 968	\$ 20,630	\$ 390,527	\$ -	\$ 699,677	\$ 2,355,116	
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ 418	\$ -	\$ 22,219	\$ -	\$ -	\$ 933	\$ 27,763	
Due to other funds	-	1,745	-	3,332	-	-	-	3,131	-	36,279	
Total liabilities	-	1,745	-	3,750	-	22,219	-	3,131	933	64,042	
Fund balances:											
Nonspendable	-	-	-	-	-	-	-	-	-	-	
Restricted for streets	-	-	-	-	-	-	-	-	-	460,502	
Restricted for parks	-	-	-	-	-	-	-	-	-	913,657	
Restricted for recycling	-	-	-	-	-	-	-	-	-	87,395	
Restricted for public safety	-	12,595	35,068	-	968	-	-	-	-	48,631	
Restricted for capital projects	-	-	-	-	-	-	-	-	696,744	696,744	
Committed for capital projects	-	-	-	-	-	-	390,527	-	-	390,527	
Unassigned	-	-	-	(3,750)	-	(1,589)	-	(3,131)	-	(8,382)	
Total fund balances	-	12,595	35,068	(3,750)	968	(1,589)	390,527	(3,131)	696,744	2,291,074	
Total liabilities and fund balances	\$ -	\$ 14,340	\$ 35,068	\$ -	\$ 968	\$ 20,630	\$ 390,527	\$ -	\$ 699,677	\$ 2,355,116	

CITY OF COTATI
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011

Special Revenue Funds

	Landscape and Lighting	Gas Tax	Parks and Recreation	Park in Lieu	Community Service	MTC Street	Traffic Mitigation	Recycling	Grants Fund	CDBG
Revenues:										
Intergovernmental	\$ -	\$ 194,569	\$ -	\$ -	\$ -	\$ 39,318	\$ -	\$ -	\$ 70,856	\$ 81,735
Charges for services	6,914	-	-	-	1,528	-	-	17,178	-	-
Interest	-	495	-	2,050	-	1,582	1,233	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	31
Total revenues	6,914	195,064	-	2,050	1,528	40,900	1,233	17,178	70,856	81,766
Expenditures:										
Current:										
Public safety	-	-	-	-	-	-	-	6,000	-	-
Highways and streets	17,236	5,976	-	-	-	400,000	-	-	-	-
Community development	-	-	-	-	3,264	-	-	-	-	-
Capital outlay	-	-	-	6,264	-	-	-	-	-	102,649
Total expenditures	17,236	5,976	-	6,264	3,264	400,000	-	6,000	-	102,649
Excess (deficiency) of revenues over (under) expenditures	(10,322)	189,088	-	(4,214)	(1,736)	(359,100)	1,233	11,178	70,856	(20,883)
Other financing sources (uses):										
Transfers in	-	-	-	-	1,130	-	-	-	-	20,914
Transfers out	(1,104)	(194,569)	-	-	-	-	-	(300)	(70,856)	-
Total other financing sources (uses)	(1,104)	(194,569)	-	-	1,130	-	-	(300)	(70,856)	20,914
Net change in fund balances	(11,426)	(5,481)	-	(4,214)	(606)	(359,100)	1,233	10,878	-	31
Fund balances, July 1	59,402	160,892	-	617,871	606	481,922	133,060	76,517	57	-
Fund balances, June 30	\$ 47,976	\$ 155,411	\$ -	\$ 613,657	\$ -	\$ 122,822	\$ 134,293	\$ 87,395	\$ 57	\$ 31

CITY OF COTATI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011

	Special Revenue						Capital Projects				Total Nonmajor Governmental Funds
	Police Volunteer	Public Safety	Asset Forfeiture	K-9 Program	Police Explorer	Redevelopment Projects	City Capital Projects	South Sonoma Business Park	Redevelopment 2001 Tax Allocation Bonds Project		
Revenues:											
Intergovernmental		\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 486,478
Charges for services		-	-	-	-	-	-	-	-	-	25,620
Interest		-	1,295	-	-	-	-	-	5,743	-	12,398
Miscellaneous	50	-	2,015	6,213	-	86	10	-	10	-	8,415
Total revenues	50	100,000	3,310	6,213	-	86	10	-	5,753	-	532,911
Expenditures:											
Current:											
Public safety	141	-	-	15,724	342	-	-	-	-	-	22,207
Highways and streets	-	-	-	-	-	-	-	-	-	-	423,212
Community development	-	-	-	-	-	503,419	-	-	-	-	506,663
Capital outlay	-	-	-	-	-	-	3,744	-	23,780	-	136,437
Total expenditures	141	-	-	15,724	342	503,419	3,744	-	23,780	-	1,088,539
Excess (deficiency) of revenues over (under) expenditures	(91)	100,000	3,310	(9,511)	(342)	(503,333)	(3,734)	-	(18,027)	-	(555,628)
Other financing sources (uses):											
Transfers in	91	-	-	6,955	-	1,474,392	-	-	70,855	-	1,574,337
Transfers out	-	(100,000)	(6,955)	-	-	(972,648)	(20,914)	-	-	-	(1,367,346)
Total other financing sources (uses)	91	(100,000)	(6,955)	6,955	-	501,744	(20,914)	-	70,855	-	206,991
Net change in fund balances	-	-	(3,645)	(2,556)	(342)	(1,589)	(24,640)	-	52,828	-	(348,637)
Fund balances, July 1	-	12,595	98,713	(1,194)	1,310	-	415,175	(3,131)	645,916	-	2,639,711
Fund balances, June 30	-	\$ 12,595	\$ 95,068	\$ (3,750)	\$ 968	\$ (1,589)	\$ 390,527	\$ (3,131)	\$ 698,744	\$	2,291,074