

City Of Cotati
Basic Financial Statements
June 30, 2012

**CITY OF COTATI, CALIFORNIA
Basic Financial Statements
Fiscal Year Ended June 30, 2012
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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, 2012 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.

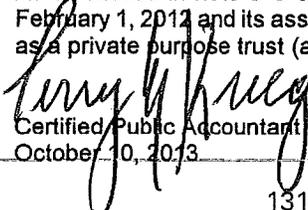
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cotati, California, as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress on pages 2 through 10 and pages 42 through 45 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 October 10, 2013, on my consideration of the 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 of Cotati Redevelopment Agency was dissolved effective February 1, 2012 and its assets and liabilities were transferred to a Successor Agency and reported in these financial statements as a private purpose trust (a fiduciary fund type).


Certified Public Accountant
October 10, 2013

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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, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The State of California's legislative mandate for cities to dissolve all redevelopment agencies and transfer their assets and liabilities to successor agencies, with the anticipation that all cash assets will be turned over to the State in FY1213, resulted in the City's total net assets decreasing by about \$2.9 million over the course of this year's operations. The State's action resulted in the recording of a \$5.0 million extraordinary loss in the current fiscal year.
- The net assets of our business-type activities decreased about \$172,000 (about a 1 percent decrease over 2011), while there was a \$2.7 million decrease in the net assets of our governmental type activities (about a 12 percent decrease over 2011).
- General revenues from property, sales, motor vehicle and other taxes were \$6.876 million in FY1112 compared with \$6.220 million in FY1011. The increase was predominately due to the City receiving a full-year of revenue from the passage of Measure A in FY1112 compared to only six months of revenue from Measure A received in FY1011. With the extraordinary loss of \$4.968 million from the redevelopment agency dissolution, net general revenues were \$1.909 million for FY1112, compared to \$6.220 million in FY1011.
- During the year, the City's expenses for its governmental activities were \$6.110 million compared to \$6.978 million for FY1011. The year-over-year improvement was due largely to decreases in staffing expense as the City continues to reduce overall expenses in light of the continuation of the challenging economic and legislative environment it faces.
- The City received \$777 thousand in charges for direct City services compared to \$873 thousand from the prior year. The decrease was due largely to slowing development activity as the real estate market continues to try to find a bottom. Grant activity was up slightly year-over-year, but remained comparable from the prior fiscal year.
- The City's expenses for business-type activities (water and wastewater) during the year were about \$114 thousand more than related charges for services.
- The general fund reported a year end fund balance of \$1.9 million, about a \$720,000 increase compared to fiscal year 2011. The difference was largely due to \$500 thousand in increased revenue from Measure A and an additional \$200 thousand in property tax revenue coming into the general fund from the redevelopment agency dissolution.
- The City's other major and non-major governmental funds ended fiscal year 2012 with about a \$6.0 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 non-major 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- *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 the City's non-major funds, each of which are added together and presented in single columns in the basic financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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*.

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, 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 2012 were:

The city's general fund, inclusionary housing fund, and South Sonoma Business Park 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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets The City's *combined* net assets decreased in 2012 by almost \$2.9 million to \$37.3 million due to the dissolution of redevelopment agencies . (See Table A-1.)

Net assets of the City's governmental activities decreased 13.4 percent to \$20.1 million. About 53% of the total assets relating to governmental activities are represented by cash, investments and receivables with the remaining 14% consisting of capital assets that are available to fund operations. The City has about \$5.4 million in long-term debt that was used to finance governmental capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The net assets of our business-type activities decreased by 1.2 percent to \$17.2 million. These resources cannot be used for governmental activities. The City can only use these net assets to finance the continuing operations of the water and wastewater systems and for capital improvements to those systems. There is no long-term debt in regard to the City's business-type activities.

Changes in net assets. The City's total revenues in fiscal year 2012 were about \$11.9 million (See Table A-2). About 25 percent of the City's revenue comes from property taxes and another 22 percent is received from sales taxes. Restricted revenues, i.e., grant revenues and fees charged for business services, primarily for water and wastewater utilities, account for over 40% of total revenues.

Governmental Activities

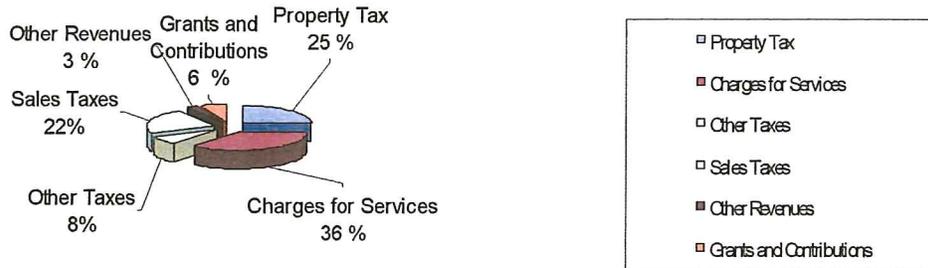
The total cost of all programs and services was about \$9.8 million. The City's expenses cover a range of services, with about 38 percent related to business type activities, 28 percent for public safety services, and the remaining 34 percent for general government, streets, parks and community development programs.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$8.2	\$ 16.2	\$10.0	\$9.9	\$18.2	\$ 26.1	-30.3%
Long-term receivables	5.6	7.4	-	-	5.6	7.4	-24.3%
Capital assets	12.3	16.7	7.7	7.9	20.0	24.6	-18.7%
Total assets	26.1	40.3	17.7	17.8	43.8	58.1	-24.6%
Long-term debt outstanding	5.4	16.4	-	-	5.4	16.4	-67.1%
Other liabilities	0.6	1.1	.5	.4	1.1	1.5	-26.7%
Total liabilities	6.0	17.5	.5	.4	6.5	17.9	-63.7%
Net assets							
Invested in capital assets net of related debt	12.2	5.8	7.7	7.9	19.9	13.7	45.3%
Restricted	6.0	15.8	7.4	7.3	13.4	23.1	-42.0%
Unrestricted	1.9	1.2	2.1	2.2	4.0	3.4	17.6%
Total net assets	\$ 20.1	\$ 22.8	\$ 17.2	\$ 17.4	\$ 37.3	\$ 40.2	-7.2%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sources of Revenue for Fiscal Year 2012



Sources of Revenues

Revenues for the City's governmental activities increased by about \$700,000, or 8.0 percent, while total expenses decreased by about \$900,000, or 12.4 percent, compared to the fiscal year 2011.

**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	2012	2011	2012	2011	2012	
Revenues							
Program revenues							
Charges for services	\$.9	\$.8	\$ 3.3	\$ 3.8	\$ 4.2	\$ 4.4	4.8%
Operating grants and contributions	.4	.5	-	-	.4	.5	25.0%
Capital grants and contributions	.2	.2	-	-	.2	.2	0.0%
General revenues							
Property taxes	2.9	3.0	-	-	2.9	2.9	0.0%
Other taxes	3.2	3.7	-	-	3.2	3.7	15.6%
Other	.1	.1	-	-	.1	.1	0.0%
Total revenues	7.7	8.3	3.3	3.8	11.0	11.9	8.2%
Expenses							
General government	.9	1.1	-	-	.9	1.1	22.2%
Planning	.4	.3	-	-	.4	.3	-25.0%
Public safety	2.8	2.7	-	-	2.8	2.7	-3.6%
Community development	.7	.6	-	-	.7	.6	-14.3%
Parks and recreation	.3	.3	-	-	.3	.3	0.0%
Streets	.7	.5	-	-	.7	.5	-28.6%
SERAF	.3	-	-	-	.3	-	-100.0%
Water	-	-	1.4	1.6	1.4	1.4	0.0%
Wastewater	-	-	2.3	2.4	2.3	2.3	0.0%
Interest	.9	.6	-	-	.9	.6	-33.3%
Total expenses	7.0	6.1	3.7	3.9	10.7	9.8	-8.4%
Excess (deficiency) before transfers and extraordinary item	.7	2.2	(.4)	(.1)	.3	2.1	
Extraordinary item	-	(5.0)	-	-	-	(5.0)	
Transfers	-	.1	-	(.1)	-	-	
Increase (decrease) in net assets	.7	(2.7)	(.4)	(.2)		(2.9)	1066.7%
Net assets, beginning of period	22.1	22.8	17.8	17.4	39.9	40.2	
Net assets, end of period	\$22.8	\$20.1	\$17.4	17.2	\$40.2	\$37.3	-7.2%

MANAGEMENT'S DISCUSSION AND ANALYSIS

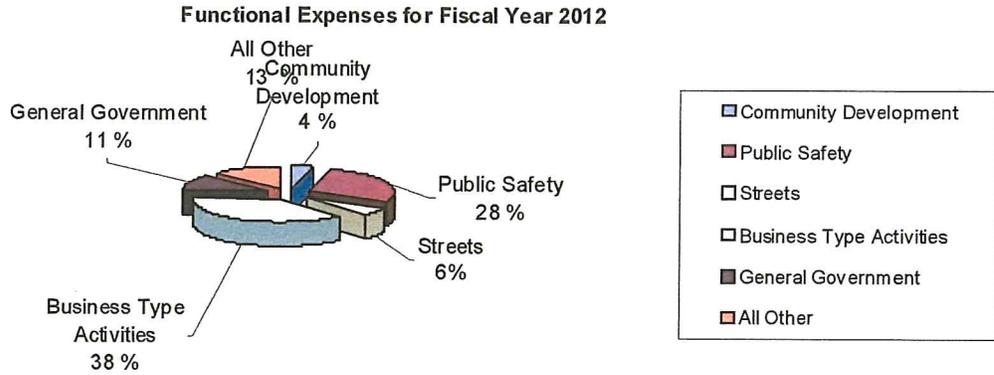


Table A-3 below represents the cost of each of the City's largest governmental programs – administration or general government, safety, community development, and streets –

The cost of all *governmental* activities this year was \$6.1 million, a decrease of about \$900,000 compared to fiscal year 2011. The most significant cost decreases included: \$242,000 in Interest on long-term debt due to the dissolution of the Redevelopment Agency, and \$302,000 in Community Development due to the loss of affordable housing funding upon the dissolution of the Redevelopment Agency.

Of the \$6.1 million cost of the City's governmental activities programs, \$644 thousand was offset by the public payments for service charges and user fees, leaving a net of \$4.7 million in governmental activities costs. The remaining \$4.7 million was paid from the City's general tax revenues.

**Table A-3
Cost of City Cotati's Governmental Activities**

	Total Cost of Services		Percentage Change
	2011	2012	2011-2012
General Government	\$.9	\$1.1	-25.0%
Planning	.4	.3	-25.0%
Public Safety	2.8	2.7	-3.6%
Community development	.7	.4	-42.9%
Parks and recreation	.3	.3	0.0%
Streets	.7	.6	-14.3%
All other	1.2	.7	-41.7%
Total	\$ 7.0	\$6.1	-12.9%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

Revenues of the City's business-type activities increased by about 7.7 percent to \$3.6 million as a result of increases in other operating revenues. Operating expenses in water and wastewater remained stable compared to fiscal 2011 at 3.7 million (Refer to Table A-2)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a *combined* fund balance of \$7.9 million, about a \$7.7 million decrease over the last fiscal year primarily due to the dissolution of the Redevelopment Agency, which resulted in a reclassification of \$10.6 million of fund balance to a private purpose trust fund. The cash assets in the private purpose trust are restricted, as the State of California will be notifying the City when it will need to transfer approximately \$6 million in cash to complete the dissolution of the City's Redevelopment liquid assets.

The City's general fund revenues exceeded spending for general fund operations by about \$311,000. The primary contributors to this surplus were:

- Property taxes increased by about \$200,000 due to the General Fund receiving additional taxes that were previously paid to the redevelopment agency in the form of tax increment.
- Sales taxes increased about \$500,000 primarily due to additional collections from the Measure A sales tax measure approved in the prior year.
- Charges for Services decreased about \$150,000 as compared to the prior year.
- General Government expenditures increased about \$170,000 primarily due to additional maintenance costs for government buildings.
- The City spent about \$90,000 on the purchase of new vehicles.

At year-end, the City's general fund had a \$1.9 million fund balance available to fund operations in the 2013 fiscal year.

Following are the other major funds and their associated year end fund balances:

Inclusionary Housing Fund	\$ 3,385,764
South Sonoma Business Park Debt Service Fund	824,793

The City's non-major funds ended fiscal year 2012 with a combined fund balance of about \$1.8 million. Most of these resources are restricted for use on street projects, community development projects, and other special purposes.

The City's Water enterprise ended fiscal year 2012 with about \$744,000 of unrestricted net assets that are available to fund operations or future capital projects. The Wastewater enterprise ended fiscal year 2012 with about \$1.4 million of unrestricted net assets that are also available to fund operations or future capital projects. In addition, these enterprises held restricted net assets of about \$770,000 and \$6.6 million, in the Water and Wastewater enterprises, respectively. Most of these restricted monies have been generated by capital connection\impact fees related to new development within the City.

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 \$282,979 less than final budget amounts as a result of spending reductions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the City had invested \$20.0 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.

**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	2012	2011	2012	2011	2012	2011-2012
Land	7.7	\$4.7	\$ -	\$ -	\$7.7	\$ 4.7	(39.0)%
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	9.4	.3	.4	9.7	9.8	1.0%
Vehicles	.6	.7	-	-	.6	.7	16.7%
Water/wastewater system	-	-	10.2	10.6	10.2	10.6	3.9%
Construction in progress	.9	.3	1.4	1.0	2.3	1.3	(43.5)%
Accumulated depreciation	(8.1)	(9.0)	(4.6)	(4.9)	(12.7)	(13.9)	9.4%
Total	\$ 16.7	\$12.3	\$ 7.9	\$7.7	\$24.6	\$20.0	(18.7)%

During this fiscal year the City was required to transfer \$3.6 million in capital assets that were previously owned by the Redevelopment Agency to a private purpose trust fund for eventual distribution by the Successor Agency.

This year's major capital assets additions included:

- About \$120,000 to capital lease 3 police vehicles and 1 city vehicle;
- About \$490,000 for water reservoir improvements;
- About \$450,000 for ADA improvements to sidewalks and city facilities;
- About \$150,000 for drainage improvements.

Additional information about capital assets can be found in Note D of the notes to the basic financial statements.

Long-term Debt

No new bonded long-term debt was issued in fiscal year 2012, although the City did enter into two 3-year capital leases in the amount of \$120,000 to acquire police and city vehicles. The City did retire \$105,000 in long-term special assessment bonded debt and transferred \$11.1 million of redevelopment bonded debt to the Successor Agency during fiscal 2012. All debt service payments were made when and as required.

Additional information about the City's long-term obligations can be found in Note E of the notes to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2013 fiscal year, general fund revenue projections have been conservative compared to higher revenue projections in the past years.

- The general fund budget projects an overall increase in revenues of about 8 percent.
- Property tax revenues are anticipated to increase due to the dissolution of the redevelopment agency, which will result in a portion of those tax increment revenues being passed through to the City. Offsetting the property tax revenue increase, the dissolution will increase general fund expenses by about \$600 thousand, yielding a net increase in net costs to the general fund of about \$350 thousand next fiscal year.
- During the prior year the State restored funding for the Citizens Option for Public Safety (COPS) Supplemental Law Enforcement Service Fund (SLESF) in the amount of \$100,000 that can be used to pay for certain Police safety activities. This additional revenue was unfortunately offset by the loss of about \$20,000 in Motor Vehicle In-Lieu previously received from the State.
- A water and wastewater fee and connection study has been completed in fiscal year 2013. The City will be changing to a tiered rate structure for its Water enterprise in FY1314. Therefore no impact on revenues is anticipated in the next fiscal year.

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 Marcia L. Schnapp, Finance Director, City of Cotati, 201 W. Sierra Ave, Cotati, CA 94931.

CITY OF COTATI
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 6,388,749	\$ 2,067,089	\$ 8,455,838
Net receivables	1,024,411	608,806	1,633,217
Prepayments	7,549	235	7,784
	<u>7,420,709</u>	<u>2,676,130</u>	<u>10,096,839</u>
Total current assets			
Noncurrent assets:			
Cash and cash equivalents	738,500	7,380,087	8,118,587
Long-term notes receivable	398,000	-	398,000
Other long-term receivables	5,190,000	-	5,190,000
Net capital assets	12,310,388	7,664,543	19,974,931
	<u>18,636,888</u>	<u>15,044,630</u>	<u>33,681,518</u>
Total noncurrent assets			
	<u>\$ 26,057,597</u>	<u>\$ 17,720,760</u>	<u>\$ 43,778,357</u>
Total assets			
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 93,733	\$ 217,782	\$ 311,515
Accrued liabilities	-	664	664
Compensated absences	60,000	226,640	286,640
Deposits	197,857	65,400	263,257
Accrued interest payable	112,450	-	112,450
Capital lease obligation due within one year	36,334	-	36,334
Bonds due within one year	115,000	-	115,000
	<u>615,374</u>	<u>510,486</u>	<u>1,125,860</u>
Total current liabilities			
Long-term liabilities due in more than one year:			
Special assessment bonds	5,075,000	-	5,075,000
Capital lease obligation	38,505	-	38,505
Compensated absences	198,196	-	198,196
Net other post employment benefit obligation	35,392	-	35,392
	<u>5,347,093</u>	<u>-</u>	<u>5,347,093</u>
Total long-term liabilities			
	<u>5,962,467</u>	<u>510,486</u>	<u>6,472,953</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	12,235,549	7,664,543	19,900,092
Restricted for:			
Capital projects	-	7,380,087	7,380,087
Housing	3,755,764	-	3,755,764
Debt service	824,793	-	824,793
Public safety	86,460	-	86,460
Parks	610,625	-	610,625
Recycling	97,676	-	97,676
Streets	583,976	-	583,976
Unrestricted	1,900,287	2,165,644	4,065,931
	<u>20,095,130</u>	<u>17,210,274</u>	<u>37,305,404</u>
Total net assets			
	<u>\$ 26,057,597</u>	<u>\$ 17,720,760</u>	<u>\$ 43,778,357</u>
Total liabilities and net assets			

See accompanying notes to the basic financial statements

CITY OF COTATI
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City Government			
					Governmental Activities	Business-type Activities	Total	
City government								
Governmental activities:								
General government	\$ 1,097,181	\$ 49,887	\$ 50,000	\$ 142,617	\$ (854,677)	\$ -	\$ (854,677)	
Planning	328,490	87,651	-	-	(240,839)	-	(240,839)	
Public safety	2,722,133	96,196	171,293	-	(2,454,644)	-	(2,454,644)	
Streets	562,394	51,375	273,384	4,963	(232,672)	-	(232,672)	
Community development	441,860	477,481	1,796	-	37,417	-	37,417	
Parks and recreation	290,998	14,405	-	-	(276,593)	-	(276,593)	
Interest on long-term debt	657,695	-	-	-	(657,695)	-	(657,695)	
Total governmental activities	6,100,751	776,995	496,473	147,580	(4,679,703)	-	(4,679,703)	
Business-type activities:								
Water	1,466,013	1,282,834	-	6,556	-	(176,623)	(176,623)	
Wastewater	2,285,533	2,313,416	-	35,127	-	63,010	63,010	
Total business-type activities	3,751,546	3,596,250	-	41,683	-	(113,613)	(113,613)	
Total City government	\$ 9,852,297	\$ 4,373,245	\$ 496,473	\$ 189,263	(4,679,703)	(113,613)	(4,793,316)	
General revenues, transfers, special items, and extraordinary items:								
General revenues:								
Taxes:								
Property taxes					618,537	-	618,537	
Sales taxes					2,629,442	-	2,629,442	
Other taxes					480,642	-	480,642	
Incremental property taxes					2,328,360	-	2,328,360	
Motor vehicle in lieu fees not restricted to a specific program					511,998	-	511,998	
Interest and investment earnings					121,390	-	121,390	
Other general revenues					39,118	-	39,118	
Transfers					58,539	(58,539)	-	
Special item: Gain on sale of land					147,071	-	147,071	
Extraordinary item: Loss from dissolution of the redevelopment agency of the City of Cotati					(4,967,948)	-	(4,967,948)	
Total general revenues, transfers, special items and extraordinary items					1,967,149	(58,539)	1,908,610	
Change in net assets					(2,712,554)	(172,152)	(2,884,706)	
Net assets, beginning					22,807,684	17,382,426	40,190,110	
Net assets, ending					\$ 20,095,130	\$ 17,210,274	\$ 37,305,404	

See accompanying notes to the basic financial statements

CITY OF COTATI
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Inclusionary Housing Fund</u>	<u>South Sonoma Business Park Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 1,262,422	\$ 3,385,764	\$ 738,500	\$ 1,740,563	\$ 7,127,249
Taxes receivable	802,404	-	-	-	802,404
Accounts receivable	64,379	-	86,293	1,033	151,705
Due from other governments	11,115	-	-	58,899	70,014
Assessments receivable	-	-	5,190,000	288	5,190,288
Notes receivable	28,000	370,000	-	-	398,000
Prepayments	7,549	-	-	-	7,549
Due from other funds	17,449	-	-	-	17,449
	<u>\$ 2,193,318</u>	<u>\$ 3,755,764</u>	<u>\$ 6,014,793</u>	<u>\$ 1,800,783</u>	<u>\$ 13,764,658</u>
Total assets					
	<u>\$ 2,193,318</u>	<u>\$ 3,755,764</u>	<u>\$ 6,014,793</u>	<u>\$ 1,800,783</u>	<u>\$ 13,764,658</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 90,648	\$ -	\$ -	\$ 3,085	\$ 93,733
Due to other funds	-	-	-	17,449	17,449
Deposits	197,857	-	-	-	197,857
Deferred revenue	-	370,000	5,190,000	-	5,560,000
	<u>288,505</u>	<u>370,000</u>	<u>5,190,000</u>	<u>20,534</u>	<u>5,869,039</u>
Total liabilities					
	<u>288,505</u>	<u>370,000</u>	<u>5,190,000</u>	<u>20,534</u>	<u>5,869,039</u>
Fund balances:					
Nonspendable	35,549	-	-	-	35,549
Restricted for affordable housing	-	3,385,764	-	-	3,385,764
Restricted for public safety	-	-	-	86,484	86,484
Restricted for streets	-	-	-	572,409	572,409
Restricted for parks	-	-	-	610,625	610,625
Restricted for debt service	-	-	824,793	-	824,793
Restricted for recycling	-	-	-	97,676	97,676
Committed for capital projects	-	-	-	414,515	414,515
Committed for special projects	45,000	-	-	-	45,000
Committed for emergencies	120,000	-	-	-	120,000
Unassigned	1,704,264	-	-	(1,460)	1,702,804
	<u>1,904,813</u>	<u>3,385,764</u>	<u>824,793</u>	<u>1,780,249</u>	<u>7,895,619</u>
Total fund balances					
	<u>1,904,813</u>	<u>3,385,764</u>	<u>824,793</u>	<u>1,780,249</u>	<u>7,895,619</u>
Total liabilities and fund balances					
	<u>\$ 2,193,318</u>	<u>\$ 3,755,764</u>	<u>\$ 6,014,793</u>	<u>\$ 1,800,783</u>	<u>\$ 13,764,658</u>
Total Governmental Fund Balances					\$ 7,895,619
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					12,310,388
Other long-term assets are not available to pay for current-period expenditures and are therefore offset by deferred revenue in the funds					5,560,000
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					(112,450)
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					(35,392)
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					(5,523,035)
Net Assets of Governmental Activities					\$ 20,095,130

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, 2012

	General Fund	Redevelopment Agency Tax Increment Fund	Inclusionary Housing Fund	South Sonoma Business Park Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 618,537	\$ 2,328,360	\$ -	\$ -	\$ -	\$ 2,946,897
Sales taxes	2,629,442	-	-	-	-	2,629,442
Other taxes	471,793	-	-	-	-	471,793
Licenses and permits	25,916	-	-	-	-	25,916
Fines and forfeits	62,051	-	-	-	-	62,051
Intergovernmental	533,929	-	-	-	532,185	1,066,114
Interest and rents	127,779	(6,389)	17,813	807	(8,639)	131,371
Charges for services	105,474	-	125,800	467,783	41,032	740,089
Miscellaneous	119,119	-	-	-	79,045	198,164
Total revenues	4,694,040	2,321,971	143,613	468,590	643,623	8,271,837
EXPENDITURES						
Current:						
General government	915,275	-	-	-	-	915,275
Planning services	328,490	-	-	-	-	328,490
Public safety	2,567,800	-	-	-	20,630	2,588,430
Community development	-	-	17,265	-	424,595	441,860
Parks and recreation	116,014	-	-	-	-	116,014
Highways and streets	325,747	-	-	-	19,961	345,708
Capital outlay	115,653	132,150	-	-	173,404	421,207
Debt service:						
Principal	40,814	-	-	105,000	275,000	420,814
Interest	-	-	-	341,655	269,507	611,162
Total expenditures	4,409,793	132,150	17,265	446,655	1,183,097	6,188,960
Excess (deficiency) of revenues over expenditures	284,247	2,189,821	126,348	21,935	(539,474)	2,082,877
OTHER FINANCING SOURCES (USES)						
Proceeds of capital lease financing	115,653	-	-	-	-	115,653
Transfers in	349,388	-	-	-	1,761,733	2,111,121
Transfers out	(26,706)	(922,446)	-	-	(1,103,430)	(2,052,582)
Total other financing sources (uses)	438,335	(922,446)	-	-	658,303	174,192
Net change in fund balances before special and extraordinary item	722,582	1,267,375	126,348	21,935	118,829	2,257,069
Special item- sale of land for transportation hub	-	588,000	-	-	-	588,000
Extraordinary item-dissolution of redevelopment agency	-	(3,613,663)	-	-	(6,957,697)	(10,571,360)
Net change in fund balances	722,582	(1,758,288)	126,348	21,935	(6,838,868)	(7,726,291)
Fund balances, July 1	1,182,231	1,758,288	3,259,416	802,858	8,619,117	15,621,910
Fund balances, June 30	\$ 1,904,813	\$ -	\$ 3,385,764	\$ 824,793	\$ 1,780,249	\$ 7,895,619

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, 2012

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (7,726,291)</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(\$ 613,477) exceeded depreciation (\$906,137) in the current period.	(292,660)
Proceeds from the sale of capital assets provide current financial resource in the funds, bur only the gain (\$147,071) is reported in the statement of activities	(440,929)
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	(6,573)
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	(121,302)
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	420,814
The net obligation for other postemployment benefits does not require the use of current financial resources and is therefore not reported in the funds	(14,917)
Proceeds of long-term debt provide current financial resources to the funds, but are reported as liabilities in the statement of net assets	(115,653)
Governmental funds report interest expenditures when payment is due, but interest expense is accrued in the statement of activities	(39,630)
The dissolution of the redevelopment agency results in the capital assets and long-term debt obligations of the agency being conveyed to the successor agency. Capital assets and long-term debts are not reported in the funds as they do not represent current financial resources or liabilities. But the amount by which long-term debt (\$10,925,501 and interest payable of \$220,147) exceeds capital assets \$3,623,397, bond issue and discounts of \$252,624 and long-term notes receivable \$1,666,215 increases net assets of the City	5,603,412
Other items that that use current financial resources	(762)
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>21,937</u>
Net adjustment to reconcile to changes in net assets	<u>5,013,737</u>
Change in Net Assets of Governmental Activities	<u>\$ (2,712,554)</u>
See accompanying notes to the basic financial statements	

CITY OF COTATI
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 768,220	\$ 1,298,869	\$ 2,067,089
Accounts receivable	266,193	342,613	608,806
Prepayments	125	110	235
Total current assets	<u>1,034,538</u>	<u>1,641,592</u>	<u>2,676,130</u>
Noncurrent assets:			
Other assets:			
Cash and cash equivalents	<u>771,591</u>	<u>6,608,496</u>	<u>7,380,087</u>
Net other assets	<u>771,591</u>	<u>6,608,496</u>	<u>7,380,087</u>
Capital assets:			
Reservoirs	1,650,971	-	1,650,971
Pipelines and meters	3,064,683	4,642,034	7,706,717
Water wells	1,278,585	-	1,278,585
Improvements	233,578	185,503	419,081
Equipment	278,324	324,603	602,927
Less accumulated depreciation	<u>(2,687,219)</u>	<u>(2,264,182)</u>	<u>(4,951,401)</u>
	3,818,922	2,887,958	6,706,880
Construction in progress	<u>765,265</u>	<u>192,398</u>	<u>957,663</u>
Net capital assets	<u>4,584,187</u>	<u>3,080,356</u>	<u>7,664,543</u>
Total noncurrent assets	<u>5,355,778</u>	<u>9,688,852</u>	<u>15,044,630</u>
Total assets	<u>\$ 6,390,316</u>	<u>\$ 11,330,444</u>	<u>\$ 17,720,760</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 73,395	\$ 144,387	\$ 217,782
Accrued liabilities	664	-	664
Compensated absences	150,776	75,864	226,640
Deposits	<u>65,400</u>	<u>-</u>	<u>65,400</u>
Total current liabilities	<u>290,235</u>	<u>220,251</u>	<u>510,486</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,584,187	3,080,356	7,664,543
Restricted	771,591	6,608,496	7,380,087
Unrestricted	<u>744,303</u>	<u>1,421,341</u>	<u>2,165,644</u>
Total net assets	<u>\$ 6,100,081</u>	<u>\$ 11,110,193</u>	<u>\$ 17,210,274</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, 2012

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 1,187,091	\$ 1,975,620	\$ 3,162,711
Other operating revenues	87,638	296,181	383,819
Total operating revenues	<u>1,274,729</u>	<u>2,271,801</u>	<u>3,546,530</u>
OPERATING EXPENSES			
Personnel services	454,173	308,367	762,540
Contractual services	164,995	41,949	206,944
Intergovernmental treatment costs	-	1,596,700	1,596,700
Utilities	52,785	5,053	57,838
Purchased water	321,010	-	321,010
Supplies and materials	250,204	176,116	426,320
Insurance, claims, and expenses	26,211	24,832	51,043
Depreciation	196,635	132,516	329,151
Total operating expenses	<u>1,466,013</u>	<u>2,285,533</u>	<u>3,751,546</u>
Operating income (loss)	<u>(191,284)</u>	<u>(13,732)</u>	<u>(205,016)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	8,105	41,615	49,720
Net non-operating revenues (expenses)	<u>8,105</u>	<u>41,615</u>	<u>49,720</u>
Income before contributions and transfers	<u>(183,179)</u>	<u>27,883</u>	<u>(155,296)</u>
Contributions and transfers			
Capital contributions	6,556	35,127	41,683
Transfers in	83,994	-	83,994
Transfers out	(22,520)	(120,013)	(142,533)
Total contributions and transfers	<u>68,030</u>	<u>(84,886)</u>	<u>(16,856)</u>
Change in net assets	<u>(115,149)</u>	<u>(57,003)</u>	<u>(172,152)</u>
Total net assets, July 1	<u>6,215,230</u>	<u>11,167,196</u>	<u>17,382,426</u>
Total net assets, June 30	<u>\$ 6,100,081</u>	<u>\$ 11,110,193</u>	<u>\$ 17,210,274</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, 2012

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,242,069	\$ 2,234,796	\$ 3,476,865
Payments to suppliers	(816,126)	(1,775,300)	(2,591,426)
Payments to employees	(454,916)	(316,815)	(771,731)
Net cash provided by (used for) operating activities	<u>(28,973)</u>	<u>142,681</u>	<u>113,708</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	83,994	-	83,994
Transfers to other funds	(22,520)	(120,013)	(142,533)
Net cash provided by noncapital financing activities	<u>61,474</u>	<u>(120,013)</u>	<u>(58,539)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	6,556	35,127	41,683
Purchases of capital assets	(63,221)	(12,175)	(75,396)
Net cash provided by (used for) capital and related financing activities	<u>(56,665)</u>	<u>22,952</u>	<u>(33,713)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest receipts	8,105	41,615	49,720
Net cash provided by investing activities	<u>8,105</u>	<u>41,615</u>	<u>49,720</u>
Net increase (decrease) in cash and cash equivalents	(16,059)	87,235	71,176
Cash and cash equivalents-beginning of the year	<u>1,555,870</u>	<u>7,820,130</u>	<u>9,376,000</u>
Cash and cash equivalents-end of the year	<u>\$ 1,539,811</u>	<u>\$ 7,907,365</u>	<u>\$ 9,447,176</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, 2012

Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (191,284)	\$ (13,732)	\$ (205,016)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	196,635	132,516	329,151
Change in assets and liabilities:			
Receivables, net	(30,518)	(37,005)	(67,523)
Prepayments	(125)	(110)	(235)
Accounts payable	12,603	69,460	82,063
Other liabilities	(16,284)	(8,448)	(24,732)
Net cash provided by (used for) operating activities	<u>\$ (28,973)</u>	<u>\$ 142,681</u>	<u>\$ 113,708</u>

Noncash capital financing activities:

None.

See accompanying notes to the basic financial statements

CITY OF COTATI
Statement of Fiduciary Net Assets
June 30, 2012

	<u>Private Purpose Trust</u>
ASSETS:	
Cash and cash equivalents	\$ 9,186,042
Cash with trustees	696,042
Interest receivable	5,476
Notes receivable	1,654,571
Capital assets: Land	2,549,491
Capital assets: Not being depreciated	1,340,777
Discount on sale bonds	112,714
Bond issuance costs	<u>135,215</u>
Total assets	<u>\$ 15,680,328</u>
LIABILITIES:	
Accounts payable	13,429
Due to Other Governments:	
Sonoma County	7,142,180
City of Cotati	21,563
Interest payable	174,115
Tax allocation bonds	<u>10,865,000</u>
Total liabilities	<u>18,216,287</u>
NET ASSETS (DEFICIT)	
Held in trust for successor agency	<u>(2,535,959)</u>
Total Net Assets (deficit)	<u>(2,535,959)</u>

See accompanying notes to the basic financial statements

CITY OF COTATI
Statement of Changes in Fiduciary Net Assets
For the Five Months Ended June 30, 2012

	Private Purpose Trust
ADDITIONS:	
Net investment income (loss)	\$ 35,007
Other revenue	2,376
	<hr/>
Total additions	37,383
	<hr/>
DEDUCTIONS:	
Bond interest	220,612
City administrative costs	185,970
Refund of Tax Increment	1,219,791
Distributions to taxing entities	5,914,917
	<hr/>
	7,541,290
	<hr/>
Increase(decrease) in net assets before extraordinary item	(7,503,907)
Extraordinary Item:	
Net assets received upon dissolution of the Redevelopment Agency of the City of Cotati	4,967,948
Increase(decrease) in net assets	(2,535,959)
Net assets, January 31, 2012	<hr/> -
Net assets (deficit), June 30, 2012	<hr/> <u>\$ (2,535,959)</u>

See accompanying notes to the basic financial statements

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

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. Effective February 1, 2012, the redevelopment agency was dissolved and its assets and liabilities transferred to a fiduciary fund 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, 2012

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 *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.

The City reports a private purpose trust fund, a fiduciary fund type, to account for all of the assets, liabilities and financial activity of the successor agency to the City's former redevelopment agency that was dissolved effective February 1, 2012

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, 2012

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, banker's 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, 2012

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) is 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, 2012

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 \$ 12,310,388 difference are as follows:

Capital assets	\$ 21,319,328
Less: Accumulated depreciation	<u>(9,008,940)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 12,310,388</u>

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

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 \$5,523,035 difference are as follows:

Long-Term Debt Obligations:	
Special assessment bonds	\$ 5,190,000
Capital lease obligation	74,839
Compensated absences	<u>258,196</u>
Net adjustment to decrease fund balance total governmental Funds to arrive at net assets - governmental activities	<u>\$ (5,523,035)</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 \$ 5,013,737 difference and other significant components of the difference are as follows:

Capital outlay	\$ 613,477
Depreciation expense	(906,137)
Gain from dissolution of redevelopment agency	5,603,412
Capital lease proceeds	(115,653)
Repayment of long-term debt principal	420,814
Other items	<u>(602,176)</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>\$ 5,013,737</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 community service fund (\$1,690), Asset Forfeiture fund (\$13,463) and K-9 fund (\$1,409). The expenditures were funded by available resources.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

4. Detailed Notes on All Funds

A. Deposits and Investments

Deposits and investments at June 30, 2012 consisted of the following:

Pooled demand deposits	\$ 135,872
Pooled investments (includes \$9,186,042 in fiduciary funds)	25,161,563
Investments with trustees (includes \$696,042 in fiduciary funds)	<u>1,159,074</u>
 Total deposits and investments	 <u>\$ 26,456,509</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, 2012, \$33,022 of the City's bank balances of \$ 283,022 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 33,022</u>
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Investments - At June 30, 2012 the City had the following investments.

Investment	Maturities	Fair Value
State Investment Pool(LAIF)	Average 268 days	\$ 23,885,665
Sonoma County Investment Pool	Average 394 days	382,973
BlackRock Provident T-Fund Shares	Average 120 days	1,159,074
Prime Money Market Fund RBC Investor	Average 120 days	107,991
Negotiable Certificates of Deposit	Average 2 years	<u>784,934</u>
 Totals		 <u>\$ 26,320,637</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, 2012

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 \$892,925 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 \$738,500 restricted in the governmental activities statement of net assets represents resources in the City's debt service funds. The \$7,380,087 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	\$ 64,379	\$ 86,293	\$ 1,321	\$ 151,993	\$266,193	\$ 342,613
Taxes	802,404	-	-	802,404	-	-
Governments	11,115	-	58,899	70,014	-	-
Interest	-	-	-	-	-	-
Notes and loans	28,000	370,000	-	398,000	-	-
Assessments	-	5,190,000	-	5,190,000	-	-
Totals	\$ 905,898	\$ 5,646,293	\$ 60,210	\$ 6,612,411	\$266,193	\$ 342,613

C. Interfund Transfers, receivables and payables

1. The composition of interfund transfers of June 30, 2012, is as follows:

	General Fund	Redevelopment Project Fund	Other Governmental Funds	Total Transfers
Transfers In:				
Transfers Out:				
General fund	\$ -	\$ -	\$ 26,706	\$ 26,706
Tax Increment fund	-	922,446	-	922,446
Low Moderate fund	-	-	65,699	65,699
Other funds	290,849	-	746,882	1,037,731
Water/wastewater	58,539	-	-	58,539
Totals	\$ 349,388	\$ 922,446	\$ 839,287	\$ 2,111,121

The primary transfers out of the nonmajor funds were made to fund redevelopment 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, 2012

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>
	State grant fund	\$ 10,969
	South Sonoma Business Park fund	3,131
	CDBG Fund	3,349
	Total	\$ 17,449

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, 2012 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	\$ -	\$ (2,990,420)	\$ 4,701,960
Construction in progress	872,182	346,904	(906,501)	312,585
Total capital assets, not being depreciated	8,564,562	346,904	(3,896,921)	5,014,545
Capital assets, being depreciated:				
Buildings	5,440,189	-	-	5,440,189
Machinery and equipment	765,021	5,303	-	770,324
Vehicles	550,188	115,653	-	665,841
Improvements	9,455,683	603,348	(630,602)	9,428,429
Total capital assets being depreciated	16,211,081	724,304	(630,602)	16,304,753
Less accumulated depreciation for:				
Buildings	(1,396,132)	(136,005)	-	(1,532,137)
Machinery and equipment	(729,652)	(21,820)	-	(751,472)
Vehicles	(441,049)	(23,562)	-	(464,611)
Improvements	(5,541,436)	(724,750)	5,466	(6,260,720)
Total accumulated depreciation	(8,108,269)	(906,137)	5,466	(9,008,940)
Total capital assets, being depreciated, net	8,102,812	(181,833)	(625,136)	7,295,843
Governmental activities capital assets, net	\$ 16,667,374	\$ 165,071	\$ (4,522,057)	\$ 12,310,388

Construction in progress, at June 30, 2012, represents primarily cost incurred related to construction improvements to the city's street system. And the intermodal transit facility. Of the decreases, \$3,623,397 relates to the dissolution of the redevelopment agency and consisted primarily of land parcels owned by the former agency.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

4. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity relating to business-type activities for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	1,460,932	291,362	(794,631)	957,663
Total capital assets, not being depreciated	1,460,932	291,362	(794,631)	957,663
Capital assets, being depreciated:				
Water wells	1,278,585	-	-	1,278,585
Reservoirs	1,160,215	490,756	-	1,650,971
Improvements	331,172	87,909	-	419,081
Pipelines and collection system	7,706,717	-	-	7,706,717
Equipment	602,927	-	-	602,927
Total capital assets being depreciated	11,079,616	578,665	-	11,658,281
Less accumulated depreciation for:				
Water wells	(767,680)	(51,532)	-	(819,212)
Reservoirs	(391,571)	(30,288)	-	(421,859)
Improvements	(243,721)	(12,897)	-	(256,618)
Pipelines and collection system	(2,710,887)	(200,179)	-	(2,911,066)
Equipment	(508,391)	(34,255)	-	(542,646)
Total accumulated depreciation	(4,622,250)	(329,151)	-	(4,951,401)
Total capital assets, being depreciated, net	6,457,366	249,514	-	6,706,880
Business-type activities capital assets, net	\$ 7,918,298	\$ 540,876	\$ (794,631)	\$ 7,664,543

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

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	\$ 188,494
Public safety	133,703
Infrastructure-Streets	408,956
Parks and recreation	<u>174,984</u>
Total depreciation expense-governmental activities	<u>\$ 906,137</u>
Business-type activities:	
Water	\$ 196,635
Wastewater	<u>132,516</u>
Total depreciation expense-governmental activities	<u>\$ 329,151</u>

E. Capital Lease

The City in fiscal year 2012 entered into a capital lease financing arrangement with Leasource Financial Services in an original amount of \$115,653 for the purpose of obtaining financing for the purchase of vehicles. Under the arrangement, the City is obligated to make annual lease payments of principal and interest of \$40,813 each August 15 through 2013. The lease is secured by a security interest in the purchased vehicles. The City is obligated to appropriate funds in amounts to enable the City to make the scheduled lease payments. The City uses its general fund resources to fund the lease payments. Future debt service on the lease is as follows:

Fiscal Year	Minimum Lease Payments
2013	\$40,813
2014	<u>40,813</u>
Total minimum lease payments	81,626
Less amounts representing interest	<u>(6,787)</u>
Net present value of future minimum lease payments	<u>\$74,839</u>

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

4. Detailed Notes on All Funds (Continued)

E. Long-Term Debt

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	145,000	300,138	445,138
2018-2022	880,000	1,341,278	2,221,278
2023-2027	1,200,000	1,005,877	2,205,877
2028-2032	1,650,000	546,003	2,196,003
2033-2034	815,000	52,788	867,788
Totals	<u>\$ 5,190,000</u>	<u>\$ 4,532,760</u>	<u>\$ 9,722,760</u>

Changes in Long-term liabilities

Long-term debt activity for the 2012 fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental					
Activities:					
2001 tax allocation bonds, series A	\$ 6,630,000	\$ -	\$ 6,630,000	\$ -	\$ -
2004 tax allocation bonds, series A	4,510,000	-	4,510,000	-	-
Special assessment bonds	5,295,000	-	105,000	5,190,000	115,000
Capital lease	-	115,653	40,814	74,839	36,334
Compensated absences	340,634	60,000	142,438	258,196	60,000
Total	<u>\$ 16,775,634</u>	<u>\$ 175,653</u>	<u>\$11,428,252</u>	<u>\$ 5,523,035</u>	<u>\$ 211,334</u>

The reductions of \$11,140,000 in tax allocation bonds relate to the dissolution, effective February 1, 2012 of all redevelopment agencies within the State of California. The liability for the tax allocation bonds of the former redevelopment agency were assumed by a successor agency responsible for winding down the financial affairs of the City's redevelopment agency.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

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, 2012.

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.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

5. Other Information (Continued)

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.

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 23.719 percent for regular employees and 44.792 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>	6/30/10	\$ 319,047	100%
	6/30/11	\$ 295,962	100%
	6/30/12	\$ 308,036	100%
<i>Safety employees</i>	6/30/10	\$ 354,183	100%
	6/30/11	\$ 302,105	100%
	6/30/12	\$ 362,434	100%

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

5. Other Information (Continued)

E. Restricted Net Assets and Nonspendable Fund Balances

The \$ 5,976,009 restricted amount in the governmental activities and the \$7,380,087 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	\$ 7,549	\$ -
Long-term notes receivable	28,000	-
	<u>\$ 35,549</u>	<u>\$ -</u>

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, 2012, the City contributed \$23,977 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	803
Adjustments to the ARC	<u>-</u>
Annual OPEB expense	39,295
Contributions made	<u>(23,977)</u>
Change in net OPEB obligation	15,318
Net OPEB Obligation , beginning of year	<u>20,074</u>
Net, OPEB obligation, end of year	<u>\$ 35,392</u>

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

5. Other Information (Continued)

F. Post-Employment Benefits Other Than Pension (Continued)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2011	\$38,893	74.2%	\$ 20,074
June 30, 2012	\$39,295	61.1%	\$35,392

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.)

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 28 years, the remaining amortization period at June 30, 2012.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

5. Other Information (Continued)

G. Successor Agency Trust For Assets of Former Redevelopment Agency

1. The Dissolution Process

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the financial reporting entity of the City of Cotati that previously had reported a redevelopment agency within the financial reporting entity of the city as a blended component unit.

The bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the successor agency to hold assets until they are distributed to other units of State and local government. The City Council of Cotati elected to have the City become the Successor Agency for the former redevelopment agency.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight Board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenues in the amount that is necessary to pay the annual estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior agency have been paid in full and all assets have been liquidated.

The bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City and others are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on these issues is not a position of settled law and there is considerable legal uncertainty regarding these issues. It is reasonable possible that a legal determination may be made at a later date by an appropriate judicial authority or other authorized body that would resolve any of the dissolution matters unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of financial activity of the redevelopment agency continued to be reported in the governmental fund types of the City of Cotati. After the date of dissolution, the assets and financial activities of the dissolved redevelopment agency are reported in a fiduciary fund (the private –purpose trust fund) in the financial statements of the City of Cotati. The assets and liabilities of the private purpose trust are excluded from the government-wide statement of net assets of the City of Cotati and the Statement of Activities of the City of Cotati because fiduciary fund assets are not available in any fashion for use by the City.

The transfer of assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from the governmental funds of the City to the fiduciary fund was reported as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust as an extraordinary gain.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

5. Other Information (Continued)

G Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

2. Extraordinary Items

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of trust funds (economic resources measurement focus or full accrual basis of accounting), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary gain that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is as follows:

Component of Extraordinary Transaction	Amounts
Total extraordinary loss reported in the governmental fund financial statements that resulted in an increase to net assets of the Successor Agency Trust Fund; such amounts being the January 31, 2012 ending fund balances	\$10,571,360
Capital assets of the former Agency, reported in the government wide financial statements and transferred to the net assets of the Successor Agency Trust Fund	3,623,397
Accrued bond interest payable of the former Agency, reported in the government-wide financial statements and transferred into the Successor Agency Trust Fund as a reduction to net assets	(220,147)
Bond discounts and issue costs of the former Agency, reported in the government wide financial statements and transferred into the Successor Agency Trust fund as an increase to net assets	252,624
Long-term notes receivable, deferred in the funds, but reported in the government wide financial statements transferred into the Successor Agency Trust Fund as an increase to net assets	1,666,215
Long-term debt and liabilities of the former Agency reported in the government wide financial statements and transferred into The Successor Agency Trust Fund as a decrease to net assets	<u>(10,925,501)</u>
Net decrease to net assets of the City of Cotati as a result of Initial transfers to the Successor Agency Trust Fund (equals the extraordinary loss to the City and gain to the private-purpose trust)	<u>\$4,967,948</u>

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

5. Other Information (Continued)

G. Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

3. Enforceable Obligations

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 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.

Future debt service requirements are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	255,000	162,559	417,559
2018-2022	1,375,000	615,839	1,990,839
2023-2027	560,000	335,500	895,500
2028-2032	-	307,500	307,500
2033-2036	1,200,000	123,002	1,323,002
Totals	\$ 4,305,000	\$ 2,296,310	\$ 6,601,310

Payment of bond debt service on the 2004 tax allocation bonds was secured by a first pledge and lien on all of the former Agency's revenues. Such revenues were 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 former 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:

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2012

5. Other Information (Continued)

G. Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

3. Enforceable Obligations (Continued)

Fiscal Year	Principal	Interest	Total
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	90,000	305,673	395,673
2018-2022	685,000	1,448,487	2,133,487
2023-2027	2,050,000	1,163,000	3,213,000
2028-2031	3,400,000	441,750	3,841,750
Totals	\$ 6,560,000	\$ 4,618,707	\$11,178,707

Tax Allocation Bonds Pledged Revenues

The former redevelopment agency had pledged future tax increment revenues to pay debt service on the 2001 and 2004 tax allocation bonds. Total principal and interest remaining on the successor agency's bonds is \$17,780,017

Changes in Enforceable Obligations:

Changes in enforceable obligations for the five month period ended June 30, 2012 were as follows:

Private Purpose Trust Fund:	Beginning	Additions	Deletions	Ending	Due in One Year
2001 tax allocation bonds, series A	\$ -	\$ 6,560,000	\$ -	\$ 6,560,000	\$ 80,000
2004 tax allocation bonds, series A	-	4,305,000	-	4,305,000	215,000
City of Cotati	-	60,501	38,938	21,563	21,563
Total	\$ -	\$ 10,925,501	\$ 38,938	\$ 10,886,563	\$ 316,563

4. Cash and Investments Held in Trust

The Cash and investments of the Successor Agency at June 30, 2012 consisted of \$9,186,082 in funds held by the City of Cotati and primarily invested in the Local Agency Invest Fund (LAIF) of the State of California. In addition, there was \$696,042 held by a bank trustee primarily in a reserve account for the 2001 tax allocation bonds.

5. Long-Term Notes Receivable

The \$1,654,571 consist primarily of long-term notes due in 2040, bearing interest at 3 percent per annum and with payments due to the extent of residual receipts, if any, from housing projects previously constructed with the loan proceeds. No fixed annual repayments are required on the notes.

Required Supplementary Information
CITY OF COTATI
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 1,182,231	\$ 1,182,231	\$ 1,182,231	\$ -
Resources (inflows):				
Property taxes	480,178	480,178	618,537	138,359
Sales taxes	2,017,827	2,017,827	2,629,442	611,615
Transfer taxes	60,000	60,000	40,323	(19,677)
Other taxes	437,369	437,369	431,470	(5,899)
License permits	10,000	10,000	25,916	15,916
Fines and forfeits	61,000	61,000	62,051	1,051
Interest and rents	118,359	118,359	127,779	9,420
Intergovernmental	536,300	536,300	533,929	(2,371)
Charges for services	93,900	93,900	105,474	11,574
Miscellaneous	80,000	80,000	119,119	39,119
Transfers in	353,930	353,930	349,388	(4,542)
Proceeds of capital lease	-	-	115,653	115,653
Amounts available for charges to appropriations	<u>5,431,094</u>	<u>5,431,094</u>	<u>6,341,312</u>	<u>910,218</u>
Charges to appropriations:				
General government:				
Legislative	81,950	81,950	69,616	12,334
Clerk	216,257	216,257	201,039	15,218
Finance	97,752	97,752	67,434	30,318
Legal	133,275	133,275	166,760	(33,485)
Nondepartmental	254,693	254,693	193,566	61,127
Public info	2,000	2,000	2,980	(980)
Government buildings	208,820	208,820	191,886	16,934
Community development and planning	429,418	429,418	328,490	100,928
Special projects	-	-	31,759	(31,759)
Public safety:				
Police	2,539,918	2,539,918	2,598,849	(58,931)
Highways and streets				
Streets	564,994	564,994	286,322	278,672
Engineering	22,451	22,451	39,425	(16,974)
Parks and recreation				
Park maintenance	115,165	115,165	116,014	(849)
Capital outlay	-	-	115,653	(115,653)
Transfers out	<u>25,692</u>	<u>25,692</u>	<u>26,706</u>	<u>(1,014)</u>
Total charges to appropriations	<u>4,692,385</u>	<u>4,692,385</u>	<u>4,436,499</u>	<u>255,886</u>
Fund Balance, June 30	<u>\$ 738,709</u>	<u>\$ 738,709</u>	<u>\$ 1,904,813</u>	<u>\$ 1,166,104</u>

**Required Supplementary Information
CITY OF COTATI
Budgetary Comparison Schedule - General Fund**

Note to RSI

For the Fiscal Year Ended June 30, 2012

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:	\$ 6,341,312
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	(1,182,231)
Capital lease proceeds are a budgetary resources but are not current year revenues	(115,653)
Transfers in are a budgetary resource but are not a current year revenue for financial reporting purposes	<u>(349,388)</u>

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 4,694,040</u></u>
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Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 4,436,499
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(26,706)</u>
	<u><u>\$ 4,409,793</u></u>

Required Supplementary Information
CITY OF COTATI
Budgetary Comparison Schedule - Inclusionary Housing Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Fund Balance, July 1	\$ 3,259,416	\$ 3,259,416	\$ 3,259,416	\$ -
Resources (inflows):				
Charges for services:				
Housing in lieu fees	-	-	125,800	125,800
Interest	20,000	20,000	17,813	(2,187)
Miscellaneous	-	-	-	-
Amounts available for charges to appropriations	<u>3,279,416</u>	<u>3,279,416</u>	<u>3,403,029</u>	<u>123,613</u>
Charges to appropriations:				
Community Development:				
Administration:				
Legal	50,000	50,000	17,265	32,735
Transfers out	-	-	-	-
Total charges to appropriations	<u>50,000</u>	<u>50,000</u>	<u>17,265</u>	<u>32,735</u>
Fund Balance, June 30	<u>\$ 3,229,416</u>	<u>\$ 3,229,416</u>	<u>\$ 3,385,764</u>	<u>\$ 156,348</u>

Note A.

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

Actual amounts available for appropriation:	\$ 3,403,029
The fund balance at the beginning of the year is a for financial reporting purposes	(3,259,416)
Transfers in are budgetary resources but also are purposes	-
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances	<u>\$ 143,613</u>

Required Supplementary Information
CITY OF COTATI
Other Post Employment Benefits Other Than Pensions
Schedule of Funding Progress
June 30, 2012
(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, 2012

		Special Revenue Funds								
		Gas Tax	Parks and Recreation	Park In Lieu	Community Services	MTC Street	Traffic Mitigation	Recycling	Grants Fund	CDBG
Assets										
Cash and investments	\$ 52,848	\$ 156,985	\$ 400	\$ 610,225	\$ 100	\$ 196,273	\$ 135,267	\$ 96,643	\$ -	\$ -
Receivables:										
Receivables from other governments	-	22,786	-	-	-	10,335	-	-	15,989	-
Accounts	-	-	-	-	-	-	-	1,033	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-	-	-	-	-
Assessments receivable	288	-	-	-	-	-	-	-	-	-
Total assets	\$ 53,136	\$ 179,771	\$ 400	\$ 610,225	\$ 100	\$ 206,608	\$ 135,267	\$ 97,676	\$ 15,989	\$ -
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ 2,373	\$ -	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	10,969	3,349
Total liabilities	2,373	-	-	-	100	-	-	-	10,969	3,349
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted for streets	50,763	179,771	-	-	-	206,608	135,267	-	-	-
Restricted for parks	-	-	400	610,225	-	-	-	-	-	-
Restricted for recycling	-	-	-	-	-	-	-	97,676	-	-
Restricted for public safety	-	-	-	-	-	-	-	-	-	-
Restricted for capital projects	-	-	-	-	-	-	-	-	-	-
Committed for capital projects	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	5,020	(3,349)
Total fund balances	50,763	179,771	400	610,225	-	206,608	135,267	97,676	5,020	(3,349)
Total liabilities and fund balances	\$ 53,136	\$ 179,771	\$ 400	\$ 610,225	\$ 100	\$ 206,608	\$ 135,267	\$ 97,676	\$ 15,989	\$ -

City of Cotati
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue						Capital Projects			Total Nonmajor Governmental Funds
	Police Volunteer	Public Safety	Asset Forfeiture	K-9 Program	Police Explorer	Vehicle Replacement	City Capital Projects	South Sonoma Business Park		
Assets										
Cash and investments	\$ 12	\$ 21,355	\$ 55,316	\$ 24	\$ 600	\$ 25,242	\$ 389,273	\$ -	\$ -	\$ 1,740,563
Receivables:										
Receivables from other governments	-	9,789	-	-	-	-	-	-	-	58,899
Accounts	-	-	-	-	-	-	-	-	-	1,033
Due from other funds	-	-	-	-	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-	-	-	-	-
Assessments receivable	-	-	-	-	-	-	-	-	-	288
Total assets	\$ 12	\$ 31,144	\$ 55,316	\$ 24	\$ 600	\$ 25,242	\$ 389,273	\$ -	\$ -	\$ 1,800,783
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ 12	\$ -	\$ -	\$ -	\$ 600	\$ -	\$ -	\$ -	\$ -	\$ 3,085
Due to other funds	-	-	-	-	-	-	-	-	-	17,449
Total liabilities	12	-	-	-	600	-	-	-	-	20,534
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted for streets	-	-	-	-	-	-	-	-	-	572,409
Restricted for parks	-	-	-	-	-	-	-	-	-	610,625
Restricted for recycling	-	-	-	-	-	-	-	-	-	97,676
Restricted for public safety	-	31,144	55,316	24	-	-	-	-	-	86,484
Restricted for capital projects	-	-	-	-	-	-	-	-	-	-
Committed for capital projects	-	-	-	-	-	25,242	389,273	-	-	414,515
Unassigned	-	-	-	-	-	-	-	(3,131)	-	(1,460)
Total fund balances	-	31,144	55,316	-	-	25,242	389,273	(3,131)	-	1,780,249
Total liabilities and fund balances	\$ 12	\$ 31,144	\$ 55,316	\$ -	\$ 600	\$ 25,242	\$ 389,273	\$ -	\$ -	\$ 1,800,783

CITY OF COTATI
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

Special Revenue Funds										
	Landscape and Lighting	Gas Tax	Parks and Recreation	Park In Lieu	Community Service	MTC Street	Traffic Mitigation	Recycling	Grants Fund	ODBG
Revenues:										
Intergovernmental	\$ -	\$ 216,570	\$ -	\$ -	\$ -	\$ 52,771	\$ -	\$ -	\$ 4,963	\$ 139,332
Charges for services	20,026	-	400	2,330	1,345	-	250	16,661	-	-
Interest	-	1,362	-	3,291	-	640	724	-	-	-
Miscellaneous	-	-	-	-	650	30,375	-	-	-	-
Total revenues	20,026	217,932	400	5,621	1,995	83,766	974	16,661	4,963	139,332
Expenditures:										
Current:										
Public safety	-	-	-	-	-	-	-	6,000	-	-
Highways and streets	15,965	3,976	-	-	-	-	-	-	-	-
Community development	-	-	-	-	3,440	-	-	-	-	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	9,053	-	-	-	-	-	143,966
Total expenditures	15,965	3,976	-	9,053	3,440	-	-	6,000	-	143,966
Excess (deficiency) of revenues over (under) expenditures	4,041	213,956	400	(3,432)	(1,445)	83,766	974	10,661	4,963	(4,634)
Other financing sources (uses):										
Transfers in	-	-	-	-	1,445	-	-	-	-	1,254
Transfers out	(1,254)	(189,596)	-	-	-	-	-	(400)	-	-
Total other financing sources (uses)	(1,254)	(189,596)	-	-	1,445	-	-	(400)	-	1,254
Net change in fund balances before extraordinary item	2,787	24,360	400	(3,432)	-	83,766	974	10,261	4,963	(3,360)
Extraordinary item-dissolution of redevelopment agency	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	2,787	24,360	400	(3,432)	-	83,766	-	-	-	-
Fund balances, July 1	47,976	155,411	-	613,657	-	122,822	134,293	87,395	57	31
Fund balances, June 30	\$ 50,763	\$ 179,771	\$ 400	\$ 610,225	\$ -	\$ 206,608	\$ 135,267	\$ 97,676	\$ 5,020	\$ (3,349)

CITY OF COTATI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Special Revenue				Debt Service				Capital Projects				Total Nonmajor Governmental Funds
	Police Volunteer	Public Safety	Asset Forfeiture	K-9 Program	Police Explorer	Redevelopment Low and Moderate Income Housing	Redevelopment Debt Service	Redevelopment Projects	Vehicle Replacement	City Capital Projects	South Sonoma Business Park	Redevelopment 2001 Tax Allocation Bonds Project	
Revenues:													
Intergovernmental		\$ 118,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 532,185
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	41,032
Interest	-	-	1,238	-	-	(13,420)	(644)	-	-	-	(1,830)	-	(8,689)
Miscellaneous	-	-	37,224	6,526	-	-	-	-	-	-	4,270	-	79,045
Total revenues	-	118,549	38,462	6,526	-	(13,420)	(644)	-	-	-	2,440	-	643,623
Expenditures:													
Current:													
Public safety	118	-	8,633	4,609	1,270	-	-	-	-	-	-	-	20,630
Highways and streets	-	-	-	-	-	-	-	-	-	-	-	-	19,961
Community development	-	-	-	-	-	58,472	362,683	-	-	-	-	-	424,595
Debt service:													
Principal	-	-	-	-	-	-	275,000	-	-	-	-	-	275,000
Interest	-	-	-	-	-	-	269,507	-	-	-	-	-	269,507
Capital outlay	-	-	7,724	-	-	12,661	-	-	-	-	-	-	173,404
Total expenditures	118	-	16,357	4,609	1,270	71,133	544,507	362,683	-	-	-	2,440	1,183,097
Excess (deficiency) of revenues over (under) expenditures	(118)	118,549	22,105	1,917	(1,270)	(84,553)	(545,151)	(362,683)	-	-	2,440	-	(639,474)
Other financing sources (uses):													
Transfers in	118	-	-	1,857	302	-	809,069	922,446	25,242	-	-	-	1,761,733
Transfers out	-	(100,000)	(1,857)	-	-	(65,699)	-	(743,370)	-	(1,254)	-	-	(1,103,430)
Total other financing sources (uses)	118	(100,000)	(1,857)	1,857	302	(65,699)	809,069	179,076	25,242	(1,254)	-	-	658,303
Net change in fund balances before extraordinary item	-	18,549	20,248	3,774	(966)	(150,252)	263,918	(183,607)	25,242	(1,254)	2,440	-	118,829
Extraordinary item-dissolution of redevelopment agency	-	-	-	-	-	(5,073,777)	(1,367,933)	185,196	-	-	(701,183)	-	(6,957,697)
Net change in fund balances	-	18,549	20,248	3,774	(966)	(5,224,029)	(1,104,015)	1,589	25,242	(1,254)	(696,743)	-	(6,838,868)
Fund balances, July 1	-	12,595	35,068	(3,750)	968	5,224,029	1,104,015	(1,589)	-	390,627	(3,131)	696,743	8,619,117
Fund balances, June 30	\$ -	\$ 31,144	\$ 55,316	\$ 24	\$ -	\$ -	\$ -	\$ -	\$ 25,242	\$ 389,273	\$ (3,131)	\$ -	\$ 1,760,249

END OF REPORT

City of Cotati

Sonoma County, California



CITY COUNCIL MEETING MINUTE ORDER

Date: December 11, 2013
To: Whom it May Concern
From: Tami Taylor, CMC, Cotati Deputy City Clerk
Subject: Audited Fiscal Year 2011-12 Financial Statement

The following minutes excerpt is a true and exact motion of the Cotati City Council at its regular meeting of August 14, 2013:

Council members present: Harvey, Moore, Skillman, Vice Mayor Dell'Osso and Mayor Landman

Council members absent: None

Moved by Vice Mayor Dell'Osso, seconded by Councilmember Harvey and passed unanimously to approve items 2 through 6 on the Consent Calendar.

6. ACCEPT AUDITED FISCAL YEAR 2011-12 FINANCIAL STATEMENT (Administrative Services) (Action) - Staff Report to be provided prior to or at the meeting.

Accepted the Statement.

A handwritten signature in blue ink that reads "Tamara Taylor".

Tamara Taylor, CMC
Deputy City Clerk