

**REDEVELOPMENT AGENCY
OF THE
CITY OF COTATI**

**Basic Financial Statements
for the
Fiscal Year Ended June 30, 2011**

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for the
Fiscal Year Ended June 30, 2011

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FINANCIAL SECTION



Terry E. Krieg, CPA
Certified Public Accountant

Independent Auditor's Report

Board of Directors
Redevelopment Agency of the City of Cotati
Cotati, California

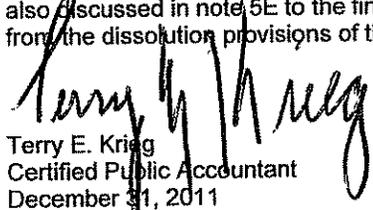
I have audited the accompanying financial statements of the governmental activities and each major fund, of the Redevelopment Agency of the City of Cotati, California, (the Agency) as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Agency'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 the United States of America. 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 opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Redevelopment Agency of the City of Cotati, California, as of June 30, 2011, and the changes in financial position 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 and Budgetary Comparison Information on pages 2 through 8 and pages 22 through 23 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 knowledge I obtained during my audit of the basic 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.

The accompanying financial statements have been prepared assuming the Redevelopment Agency of the City of Cotati will continue as a going concern. As discussed in note 5 E to the financial statements, the California Supreme Court announced its ruling upholding Assembly Bill AB 1X 26 (dissolution of redevelopment agencies), but overturning and invalidating Assembly Bill AB 1X 27 (allowing redevelopment agencies to continue with voluntary payments to the State of California). The ruling provides for the dissolution of all redevelopment agencies effective February 1, 2012. Management's plans in regard to these matters are also discussed in note 5E to the financial statements. The financial statements do not include any adjustments that will result from the dissolution provisions of the Court's ruling.


Terry E. Krieg
Certified Public Accountant
December 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Redevelopment Agency of the City of Cotati's financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year that ended on June 30, 2011.

FINANCIAL HIGHLIGHTS

- The Agency's total net assets increased by about \$ 978,000 over the course of this year's operations; primarily because tax increment and other revenues exceeded total expenses for the fiscal year.
- The Agency's expenses in fiscal 2011 were about \$ 1,647,000. This was about 35 percent less than similar expenses in fiscal 2010. The main reason for the decrease was that the SERAF payments in fiscal 2011 \$270,500 in fiscal 2011 compared to \$1,313,700 in fiscal 2010.
- Incremental property tax revenues declined to \$ 2,459,600 in the 2011 fiscal year. This is a decrease of approximately 6.4% from fiscal year 2010.
- Investment revenues both unrestricted and program related, decreased in 2011 by about 25 percent compared to 2010 due to lower investment returns.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements and note disclosures*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Agency:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Agency's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like community development projects were financed in the *short term* as well as what remains for future spending.

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.

Figure A-1 summarizes the major features of the Agency's financial statements, including the portion of the Agency 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Major Features of the Agency's Government-Wide and Fund Financial Statements

	<u>Government-Wide Statements</u>	<u>Fund Statements</u>
Scope	<ul style="list-style-type: none"> • Entire Agency 	The activities of the Agency that are not proprietary or fiduciary, such as community development projects, capital outlay, and debt service
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
Accounting basis and measurement focus	<ul style="list-style-type: none"> • Accrual accounting and economic resources focus 	Modified accrual accounting and current financial resources focus
Type of asset/liability information	<ul style="list-style-type: none"> • 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 and no long-term debt obligations included
Type of inflow/outflow information	<ul style="list-style-type: none"> • 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

Government-Wide Statements

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

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

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

The government-wide financial statements of the Agency are divided into one category:

- *Governmental activities* – All of the Agency's basic services are included here, such as the administration, projects, and debt service. Incremental property taxes and bond proceeds have in the past financed most of these activities.

Fund Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The *Tax Increment Fund* is used to keep track of tax increment revenues other than amounts required to be placed in the Low and Moderate Income Housing Fund. The *Low and Moderate Income Housing Fund* is required by law to be maintained to account for the 20 percent set-aside of tax increment required to be used to provide and or improve low and income moderate housing.
- The *Agency's Debt Service Fund* which is used to maintain debt service reserve funds and to accumulate resources for the purpose of paying principal and interest on obligations of the Agency. The *Agency's 2001 Tax Allocation Bond Fund* used to account for unspent bond proceeds and major capital projects. The *Agency's Project's Administration Fund* used to account for general administration of the Agency.

The Agency has only one kind of fund type:

- *Governmental funds* – All of the Agency'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 Agency'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.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Net Assets. The Agency's *combined* net assets increased by about \$ 978,300 between fiscal years 2010 and 2011. (See Table A-1.)

Table A-1
City of Cotati's Redevelopment Agency's Net Assets
 (rounded to nearest hundred)

	Governmental Activities		Total Percentage Change
	2011	2010	2010-2011
Cash and other assets	\$ 9,005,500	\$ 8,246,900	9.6%
Long-term notes receivable	1,682,500	1,667,900	0.9%
Capital assets	3,919,500	3,919,500	0.0%
Total assets	14,607,500	13,834,300	5.5%
Long-term debt outstanding	11,140,000	11,405,000	-2.3%
Other liabilities	201,200	141,300	42.4%
Total liabilities	11,341,200	11,546,300	-1.8%
Net assets			
Invested in capital assets, net	(6,961,300)	(7,215,000)	3.5%
Restricted	6,952,600	6,384,200	8.9%
Unrestricted	3,275,000	3,118,800	5.1%
Total net assets	\$ 3,266,300	\$ 2,288,000	42.8%

This increase in net assets in fiscal year 2011 was mainly the result of the increase in assets held in the Low and Moderate Housing Fund. Total agency revenues decreased by 5.1 percent, and expenses decreased about 35 percent compared to fiscal 2010. At year-end, the Agency had about \$8.86 million in cash and investments available for agency activities including required debt service reserves.

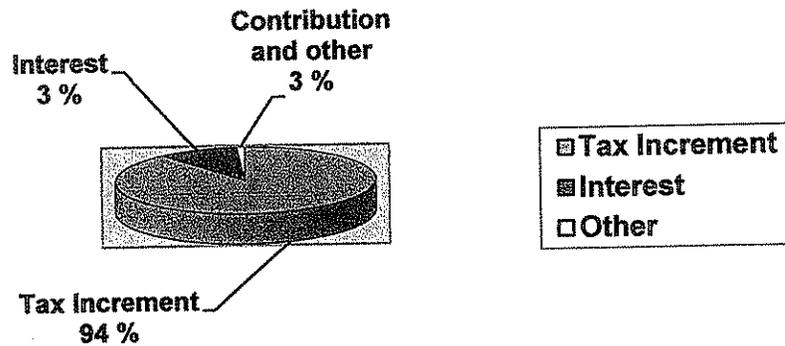
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in net assets. The Agency's total operating revenues in 2011 decreased to a total of about \$2.62 million. (See Table A-2.). Tax increment revenues decreased by about 6 % and interest revenues decreased by about 24 %. About 94% of the Agency's revenue comes from incremental property taxes; the remaining 6% comes from investment earnings and other revenues.

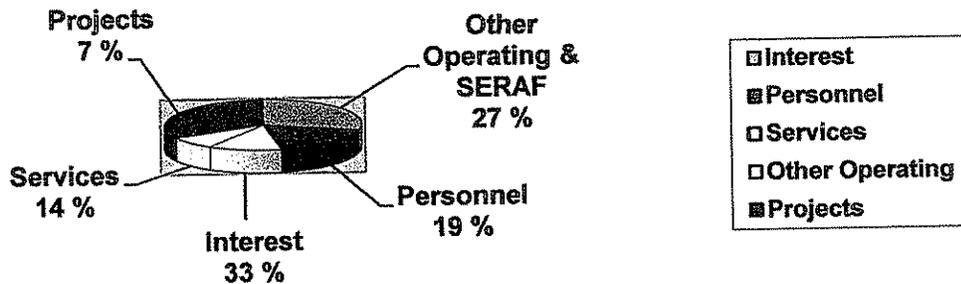
The total cost of all programs and services decreased by about \$885,400 or about 35 percent less than in fiscal 2010. There was an expense decline of about \$1.1 million as payments into the SERAF during fiscal 2011 declined by 79 percent.

In fiscal 2011, the Agency had an increase in net assets of \$978,000 as a result of spending being less than Agency 2011 revenues.

Agency Governmental-Type Activity Revenues - Fiscal Year 2011



Agency Governmental-Type Activity Expenses - Fiscal Year 2011



There was about a \$168,000 decline in tax increment revenues and about a \$25,000 decline in interest and investment revenues in fiscal 2011. About 19 percent of the Agency's expenses were for personnel costs, another 7 percent was for services, about 33 percent for interest on borrowed funds and about 27 percent for payments to other agencies and other expenses. While expenses declined about \$885,000 in fiscal 2011, payments to other agencies decreased by more than \$1.04 million because of the SERAF mandated funding payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2
Changes in the Agency's Net Assets
(rounded to nearest hundred)

	Governmental Activities		Total Percentage
	2011	2010	Change
Revenues			
General revenues			
Property taxes	\$ 2,459,600	\$ 2,627,500	-6.4%
Interest including program interest	77,200	102,300	-24.5%
Other program revenues	88,600	35,300	151.0%
Total revenues	2,625,400	2,765,100	-5.1
Expenses			
Personnel	310,700	301,300	3.1%
Professional services	223,000	137,600	64.2%
Other operating expenses	183,900	208,700	-12.0%
Projects	114,700	16,000	6,168.8%
SERAF	270,500	1,313,700	-79.4%
Interest	544,300	555,200	-2.0%
Total expenses	1,647,100	2,532,500	-35.0%
Change in net assets	978,300	232,600	320.6%
Net assets beginning of year	<u>2,288,000</u>	<u>2,055,400</u>	
Net assets, end of year	<u><u>\$3,266,300</u></u>	<u><u>\$2,288,000</u></u>	42.8%

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As the Agency completed the year, its governmental funds reported a *combined* fund balance of about \$8.78 million, a decrease of about \$ 717,000 compared to fund balances at the end of fiscal 2010.

The combined ending \$8.78 million fund balance consisted of:

- About \$ 1.7 Million in the Tax Increment Fund to be used for future projects and activities
- About \$ 5.2 Million in the Low and Moderate Income Housing Fund
- About \$ 1.1 Million the debt service fund to be used to pay principal and interest on the tax allocation bonds
- About \$698,000 in the 2001 Tax Allocation Bond Fund representing unspent bond proceeds

The net changes in fund balances for the 2011 fiscal year were:

- A \$ 91,336 in the Tax Increment Fund
- About a \$573,371 increase in the Low and Moderate Income Housing Fund as a result of spending being less than current year fund revenues.
- About a \$1,383 increase in the debt service fund
- About a \$52,827 increase in the 2001 Tax Allocation Bond Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Major Special Revenue Fund Budgetary Highlights

Over the course of a year, the Agency may have a need to revise its adopted budget. When budget amendments are made, the amendments would fall into two categories:

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

During the 2011 fiscal year, the Agency's budget for Low and Moderate Income Housing Special Revenue Fund (and also the budgets for all other funds) *were amended*. Actual expenditures in this fund were less than final budget amounts. This positive spending variance from budget existed primarily because did not Agency did not spend in fiscal 2011 the amounts budgeted for projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Agency at the end of fiscal year 2011 had about \$ 3.92 million invested in capital assets. About \$2.9 million is invested in land held for development purpose. Additional information about capital assets of the Agency can be found on page 20 of the notes to the financial statements.

Long-term Debt

The long-term debt obligations of the Agency were about \$11.1 million at the end of 2011, and consisted primarily of the \$11,140,000 in tax allocation bonds. All debt service payments were made as required and debt service reserve requirements were maintained by the Agency. Additional information about the Agency's long-term obligations can be found in the notes to the basic financial statements on pages 20 – 22.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Agency's 2011 financial statements have been prepared assuming that the Agency will continue as a going concern.

The California Supreme Court in late December 2011 issued its ruling about the enforceability of Assembly Bills (AB) 1X 26 and 27 dealing with the dissolution of redevelopment agencies throughout the State of California.

The Court's ruling upheld the provisions of AB 1X 26 providing for the dissolution of redevelopment agencies in California and overturned and invalidated AB 1X 27. Accordingly, redevelopment agencies in California are to be dissolved effective February 1, 2012. Each Agency is to have a Successor Agency to provide for the dissolution of the agency, wind down operations and provide for the future payment of certain specified and qualifying obligations of the former agency.

More information about the dissolution of the Redevelopment Agency of the City of Cotati can be found starting on page 23 of the notes to the financial statements. These 2011 financial statements reflect no adjustments relating to the dissolution of the Agency.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

REDEVELOPMENT AGENCY OF THE CITY OF COTATI
Statement of Net Assets
Governmental Activities
June 30, 2011

ASSETS	<u>2011</u>
Cash and investments	\$ 7,059,616
Net receivables	<u>787</u>
Total current assets	<u>7,060,403</u>
Noncurrent assets:	
Restricted cash and investments	1,803,691
Notes receivable	1,682,517
Debt issuance costs	141,361
Net capital assets	<u>3,919,515</u>
Total noncurrent assets	<u>7,547,084</u>
Total assets	<u>\$ 14,607,487</u>
 LIABILITIES	
Current liabilities	
Accounts payable	\$ 80,608
Interest payable	177,882
Compensated absences	60,501
Bonds, notes, and agreements due in one year	<u>275,000</u>
Total current liabilities	<u>593,991</u>
Noncurrent liabilities due in more than one year	
Tax allocation bonds	10,865,000
Discount on sale of bonds	<u>(117,836)</u>
Total noncurrent liabilities	<u>10,747,164</u>
Total liabilities	<u>11,341,155</u>
 NET ASSETS	
Invested in capital assets, net of related debt	(6,961,288)
Restricted for:	
Debt service	1,104,015
Housing projects	5,848,615
Unrestricted	<u>3,274,990</u>
Total net assets(deficit)	<u>\$ 3,266,332</u>

See accompanying notes to the basic financial statements

**Redevelopment Agency of the City of Cotati
Balance Sheet
Governmental Funds
June 30, 2011**

	Tax Increment Fund	Low and Moderate Income Housing Fund	Debt Service Fund	2001 Tax Allocation Bond Fund	Projects Administration Fund	Total Governmental Funds
ASSETS						
Cash and investments	\$ 1,804,592	\$ 5,234,394	\$ 1,104,015	\$ 699,676	\$ 20,630	\$ 8,863,307
Receivables:						
Interest	787	-	-	-	-	787
Long-term notes receivable	1,057,931	624,586	-	-	-	1,682,517
Total assets	<u>\$ 2,863,310</u>	<u>\$ 5,858,980</u>	<u>\$ 1,104,015</u>	<u>\$ 699,676</u>	<u>\$ 20,630</u>	<u>\$ 10,546,611</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 47,091	\$ 10,365	\$ -	\$ 933	\$ 22,219	\$ 80,608
Deferred revenue	1,057,931	624,586	-	-	-	1,682,517
Total liabilities	<u>1,105,022</u>	<u>634,951</u>	<u>-</u>	<u>933</u>	<u>22,219</u>	<u>1,763,125</u>
Fund balances:						
Restricted for debt service	-	-	1,104,015	-	-	1,104,015
Restricted for redevelopment	1,758,288	-	-	-	-	1,758,288
Restricted for projects	-	-	-	698,743	-	698,743
Restricted for affordable housing	-	5,224,029	-	-	-	5,224,029
Unassigned	-	-	-	-	(1,589)	(1,589)
Total fund balances	<u>1,758,288</u>	<u>5,224,029</u>	<u>1,104,015</u>	<u>698,743</u>	<u>(1,589)</u>	<u>8,783,486</u>
Total liabilities and fund balances	<u>\$ 2,863,310</u>	<u>\$ 5,858,980</u>	<u>\$ 1,104,015</u>	<u>\$ 699,676</u>	<u>\$ 20,630</u>	<u>\$ 10,546,611</u>

Total Governmental Fund Balances	8,783,486
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not current financial resources and therefore are not reported in the funds	3,919,515
Bond issuance costs are not current financial resources and are not reported in the funds	141,361
Discount on the sale of bonds is not a current asset and is not reported in the funds	117,836
Interest payable is not due and payable in the current period and is therefore not reported in the funds	(177,882)
Compensated absences are not due and payable and are therefore not recorded in the funds	(60,501)
Long-term receivables are off set by deferred revenue in the funds, but are not deferred in the statement of net assets	1,682,517
Long-term debt obligations are not due and payable in the current period and therefore are not reported in the funds.	(11,140,000)
Net Assets of Governmental Activities	<u>\$ 3,266,332</u>

See accompanying notes to the basic financial statements

**Redevelopment Agency of the City of Cotati
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011**

	Tax Increment Fund	Low and Moderate Income Housing	Debt Service Fund	2001 Tax Allocation Bond Fund	Projects Administration Fund	Total Governmental Funds
REVENUES						
Property taxes, incremental	\$ 1,681,661	\$ 777,969	\$ -	\$ -	\$ -	\$ 2,459,630
Interest and rents	21,041	47,572	2,885	5,743	-	77,241
Miscellaneous	-	3,068	-	70,865	-	73,933
Total revenues	1,702,702	828,609	2,885	76,608	-	2,610,804
EXPENDITURES						
Current:						
Community development:						
Administration	-	184,275	-	-	472,513	656,788
Other agencies	-	-	1,404	-	37,480	38,884
Education:						
Payment to SERAF	270,465	-	-	-	-	270,465
Capital outlay	90,945	3,739	-	23,781	-	118,465
Debt service:						
Principal	-	-	265,000	-	-	265,000
Interest	-	-	543,874	-	-	543,874
Total expenditures	361,410	188,014	810,278	23,781	509,993	1,893,476
Excess (deficiency) of revenues over (under)expenditures	1,341,292	640,595	(807,393)	52,827	(509,993)	717,328
OTHER FINANCING SOURCES(USES)						
Transfers in	-	-	808,776	-	508,404	1,317,180
Transfers out	(1,249,956)	(67,224)	-	-	-	(1,317,180)
Total other financing sources(uses)	(1,249,956)	(67,224)	808,776	-	508,404	-
Net change in fund balances	91,336	573,371	1,383	52,827	(1,589)	717,328
Fund balances, July 1	1,666,952	4,650,658	1,102,632	645,916	-	8,066,158
Fund balances, June 30	\$ 1,758,288	\$ 5,224,029	\$ 1,104,015	\$ 698,743	\$ (1,589)	\$ 8,783,486

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 717,328</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report interest expenditures when paid, but in the statement of activities interest expense is accrued as payable in each accounting period	4,610
Other items are recorded as expenses in the statement of activities but do not require the use of current financial resources and are not recorded as expenditures in the funds	(11,952)
Bond issuance costs and discounts are reported as expenditures in the funds, but are capitalized and amortized to expense in the statement of activities	(11,268)
Increases in deferred revenue are recorded as revenues in the statement of activities , but are not reported as current financial resources in the funds	14,579
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	<u>265,000</u>
Net adjustment to reconcile to changes in net assets	<u>260,969</u>
Change in Net Assets of Governmental Activities	<u>\$ 978,297</u>

See accompanying notes to the basic financial statements

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Component unit. The Redevelopment Agency of the City of Cotati is a separate entity created for the purpose of revitalizing and improving the condition of the City through the removal of blight, construction of public improvements, and stimulation of business. The Agency is governed by members of the City Council, and it is reported as if it were part of the primary government because the City Council has ultimate control of the Agency. The Agency's activities are accounted for as part of the City's special revenue fund types within the governmental activities section of the City's financial report. These separate financial statements present financial data for only the Redevelopment Agency.

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 Agency. 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 Agency has no business-type activities.

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. Major individual governmental 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*. 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.

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

Note 1 Summary of Significant Accounting Policies (Continued)

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

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. Property taxes 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Agency reports the following major governmental funds:

The *Tax Increment Fund* is used to account for tax increment revenues other than the tax increment revenues required to be set aside into the Agency's Low and Moderate Income Housing Fund.

The *Low and Moderate Income Housing special revenue fund* accounts for the resources accumulated to provide low and moderate income housing as well as to account for the 20 percent of tax increment set-aside required by law to be deposited into this fund.

The *Debt Service Fund* is used to accumulate resources for the payment of principal and interest on long-term debt obligations of the Agency.

The *2001 Tax Allocation Bond Fund* is used to account for the unspent bond proceeds related to the 2001 tax allocation bonds.

The *Projects Administration Fund* is used to account for the administrative costs of operating the Agency and other uses of tax increment revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Asset, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the Agency to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, the State Treasurer's Investment Pool, and other permitted investments. The Agency has followed a policy of investing its idle cash primarily only with the City of Cotati in the City's pooled investments, direct investments in the State of California Local Agency Investment Fund, and in money market funds held by trustees.

Investments for the Agency 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.

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."

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and Payables (Continued)

Advances between Agency funds, if any are 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 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 Agency 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 Agency. The Agency recognizes property tax revenues in the fiscal year in which they are due to the Agency.

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 purchased.

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.

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 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 Agency was not required to record infrastructure assets existing or acquired prior to July 1, 2003; and the Agency has not recorded such assets. The Agency may elect to record such infrastructure assets in the future.

5. Compensated Absences

It is the Agency's' policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The obligation for these liabilities is recorded in the government-wide financial statements when the liability is incurred; and they are recorded in the fund financial statements only when payment is due such as for employee terminations.

6. Long-term Obligations

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

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

Note 1 Summary of Significant Accounting Policies (Continued)

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

7. Fund Balance – Governmental Fund Types

Fund balances for governmental funds are reported in classifications based primarily on the extent to which the Agency is bound to honor constraints about the specific purposes for which amounts in those funds can be spent. These classifications include (1) non-spendable, (2) restricted, (3) committed, (4) assigned and (5) unassigned. Non spendable amounts are generally items not expected to be converted into cash such as inventories, prepayments and certain long-term receivables not offset by deferred revenue accounts. Restricted amounts include those where constraints placed on the use of the resources are externally imposed by grantors, contributors, other governments or by laws and regulations. Committed amounts are those that can only be used for a specific purpose as determined by the Agency's Board of Directors. Such committed amounts may be redeployed for other uses only by direction of the Board of Directors. Assigned amounts are fund balance amounts constrained by The Agency's intent to be used for a specific purpose as determined by the Executive Director or Director of Administrative Services. Unassigned amounts are the residual amounts reported in operating fund or funds with deficit fund balances.

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

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 a 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 "long-term liabilities" are not due and payable in the current period and are therefore not reported in the funds. The details of this \$ 11,140,000 difference are as follows:

Long-Term Debt Obligations:

Tax allocation bonds	\$ <u>11,140,000</u>
Net adjustment to decrease fund balance total governmental Funds to arrive at net assets - governmental activities	\$ <u>(11,140,000)</u>

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

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

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 proceeds of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The details of this \$ 260,969 difference are as follows:

Repayments of long-term debt recorded as expenditures in the funds	\$ 265,000
Other items	<u>(4,031)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 260,969</u>

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. On or before the end of each fiscal year, all agencies of the City submit requests for appropriations to the City Manager so that a budget may be prepared. The proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is approved by the Council. The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The Council made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made were not material.

4. Detailed Notes on All Funds

A. Deposits and Investments

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

State Local Agency Investment Fund (LAIF)	\$ 8,167,270
Investments with bank trustee	<u>696,037</u>
Totals	<u>\$ 8,863,307</u>

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency holds no separate demand deposits.

Investments at June 30, 2011 consisted of:

Investment	Maturity	Fair Value
State Investment Pool(LAIF)	Average 237 days	\$ 8,167,270
Investments with Trustees:		
Money market mutual funds	Unknown	<u>696,037</u>
Total investments		<u>\$ 8,863,307</u>

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

4. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

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 portfolio to maturities prescribed in Section 53600 through 53609 of the Government Code.

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 Agency's investment in mutual funds was rated Aaa. The State Investment Pool is unrated.

Custodial credit risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in the State Pool and mutual funds are not subject to custodial credit risk because the investments are not evidenced by specific securities.

The \$1,803,691 in restricted cash and investments represents amounts of unspent bond proceeds which can only be used for redevelopment projects and bond reserve fund and debt service funds.

B. Receivables

The Agency's current receivables at year end consisted of:

Interest	\$ 787
Totals	<u>\$ 787</u>

Long-term notes receivable at June 30, 2011 consisted of the following:

Long-term receivables	Carrying Value
Note receivable from Community Support Network, bearing interest at 10 percent, maturing May 18, 2014 note may be forgiven if agreement to operate a group home is satisfied by borrower	\$ 140,000
Notes receivable from Charles Street Village, bears interest at 3 percent, and matures June 17, 2039. No repayments of principal or payments of interest are due until maturity date. Secured by deed of trust.	1,486,664
Notes receivable from first-time home buyer down payment assistance loans, bearing interest at 6 percent, secured by deeds of trust, repayments in monthly installments of principal and interest, maturing through June 23, 2025. Loans maybe forgiven if properties not transferred or sold within 10 years of the date of original notes	50,000
Other notes	<u>5,853</u>
Total long-term notes receivable	<u>\$ 1,682,517</u>

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

4. Detailed Notes on All Funds (continued)

C. Interfund Receivables, Payables, and Transfers

Interfund transfers at June 30, 2011 were as follows:

<u>Transfers out:</u>	<u>Debt Service</u>	<u>Project Admin Fund</u>	<u>Low Moderate Income Housing</u>	<u>Totals</u>
Project admin fund	\$ -	\$ -	\$ -	\$ -
Tax increment fund	741,552	508,404	-	1,249,956
Low moderate fund	67,224	-	-	67,224
Totals	\$ 808,776	\$ 508,404	\$ -	\$ 1,317,180

The transfers out were made for the purpose of providing \$808,776 for debt service requirements and for funding current year operating and administrative expenditures

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Governmental Activities:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Capital assets not being depreciated:				
Land	\$2,990,420	\$ -	\$ -	\$ 2,990,420
Land improvements	630,602	-	-	630,602
Construction in progress	291,703	-	-	291,703
Total not being depreciated	3,912,725	-	-	3,912,725
Capital assets being depreciated:				
Equipment	50,331	-	-	50,331
Accumulated depreciation	(43,541)	-	-	(43,541)
Net capital assets being depreciated	6,790	-	-	6,790
Total capital assets	\$3,627,812	\$ -	\$ -	\$ 3,919,515

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

Changes in Long-term liabilities

Long-term debt activity for the 2010 fiscal year was as follows:

Governmental Activities:	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due In One Year</u>
Tax allocation bonds, 2001 A	\$ 6,695,000	\$ -	\$ 65,000	\$ 6,630,000	\$ 70,000
Tax allocation bonds, 2004	4,710,000	-	200,000	4,510,000	205,000
Compensated absences	48,549	60,501	48,549	60,501	60,501
Totals	<u>\$11,453,549</u>	<u>\$ 60,501</u>	<u>\$ 313,549</u>	<u>\$11,200,501</u>	<u>\$ 405,501</u>

Tax Allocation Refunding Bonds 2004-Series A

In June 2004, the Cotati Facilities Financing Authority issued \$5,610,000 in its 2004 Series A tax allocation refunding bonds. The Authority is authorized to issue up to \$20 million in tax allocation bonds. The Authority entered into a loan agreement with the Agency wherein the Agency is in substance to pay the principal and interest on the bonds. Because of this special financing arrangement, the transactions between the Authority and the Agency have been eliminated from these basic financial statements. Payment of the bond debt service on the 2004 tax allocation bonds is secured by a first pledge and lien on all of the Agency's revenues. Such revenues are the tax increment allocated to the project area less statutory housing obligations and the County, Library and Fire District's share of such tax increment. Payment of interest and principal on the bonds is also insured by a financial guaranty policy. Interest and principal on the bonds is payable each March 1 and September 1 through 2036. The bonds bear interest at rates from 1.60 to 5.125 percent.

Tax Allocation Refunding Bonds 2004-Series A (Continued)

Future debt service on the 2004 bonds is:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 205,000	\$ 210,768	\$ 415,768
2013	215,000	202,362	417,362
2014	225,000	193,230	418,230
2015	230,000	183,445	413,445
2016	245,000	172,873	417,873
2017-2021	1,360,000	681,148	2,041,148
2022-2026	830,000	369,250	1,199,250
2027-2031	-	307,500	307,500
2032-2036	1,200,000	184,502	1,384,502
Totals	<u>\$4,510,000</u>	<u>\$ 2,505,078</u>	<u>\$ 7,015,078</u>

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

4. Detailed Notes on All Funds (continued)

E. Long-Term Debt (Continued)

Tax Allocation Bonds 2001 Series A

On November 14, 2001, the Agency issued \$6,960,000 in subordinate tax allocation bonds, Series 2001 A, to advance refund and retire two capital leases and to provide additional project funds. The tax allocation bonds consisted of \$1,510,000 in serial bonds bearing interest at rates from 2 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 on the bonds is:

Future debt service is:

Fiscal Year	Principal	Interest	Total
2012	\$ 70,000	\$ 322,878	\$ 392,878
2013	80,000	319,983	399,983
2014	80,000	316,783	396,783
2015	85,000	313,398	398,398
2016	90,000	309,663	399,663
2017-2021	605,000	1,477,729	2,082,729
2022-2026	1,635,000	1,254,806	2,889,806
2027-2031	3,235,000	607,625	3,842,625
2032	750,000	18,750	768,750
Totals	\$6,630,000	\$ 4,941,615	\$ 11,571,615

The Agency has pledged future tax increment revenues to pay debt service on the 2001 and the 2004 tax allocation bonds. Total principal and interest remaining on the Agency's bonds is \$18,586,693. Debt service on the bonds is expected to require less than 48 percent of tax increment revenues excluding the 20 percent set aside amounts. For the current fiscal year, principal and interest paid by the Agency and tax increment revenues exclusive of the 20 percent set aside was \$808,775 and \$1,681,661; respectively.

5. Other Information

A. Risk Management

The Agency 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 is a member of the Redwood Empire Municipal Insurance Fund, a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, property and workers compensation claims. Under the program, the City has a \$ 5,000 general liability retention limit similar to a deductible. The risk of loss is transferred to the Fund. The Fund is responsible for losses above that amount up to \$500,000 for liability losses, \$300,000 for workers compensation claims, and \$25,000 for property claims. The Fund carries purchased excess commercial liability coverage of \$39.5 million in excess of its \$500,000 retention limit, \$5 million in excess of the \$25,000 limit for property with an additional \$295 million in excess coverage. The Agency paid no material uninsured losses during the 2009-2010 or 2010-2011 fiscal years.

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

5. Other Information (Continued)

A. Risk Management (Continued)

Liabilities of the Agency are reported 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 Agency had no material claim liabilities not covered by insurance at June 30, 2010 or June 30, 2011.

B. Contingencies and Commitments

Litigation. The Agency and City are involved in litigation incurred in the normal course of conducting City business. City management believes that, based upon consultation with its counsel, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City or Agency

C. Restricted Net Assets

The \$1,104,015 restricted for debt service in the statement of net assets represents the net amount available in the debt service fund for future debt service. Such amounts are restricted as a result of the debt agreements. The \$5,848,615 restricted for housing projects represents low and moderate income housing funds which by law can only be used for related housing projects and activities.

D. Surplus Housing Funds

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

E. Dissolution of the Agency as a Financial Reporting Entity and Assembly Bills 26 and 27

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

In connection with this legislation, the California Supreme Court issued an order directing that certain parties show cause why the relief sought in the petition of mandate should not be granted. The court allowed the first statute to remain in effect insofar as it precludes existing redevelopment agencies from incurring new indebtedness, transferring assets, acquiring real property, entering into contracts, and other matters, but it stayed enforcement of both statutes in all other respects. The Court established an expedited briefing schedule to facilitate a decision before January 15, 2012 and in late December 2011; the Court issued its ruling.

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

5. Other Information (Continued)

Dissolution of the Agency as a Financial Reporting Entity and Assembly Bills 26 and 27 (Continued)

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

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

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

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

These financial statements do not contain any adjustments that will ultimately be required to be made to the Agency as part of the redevelopment dissolution process.

REQUIRED SUPPLEMENTAL INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 4,650,658	\$ 4,650,658	\$ 4,650,658	\$ -
Resources (inflows):				
Property taxes	841,812	841,812	777,969	(63,843)
Interest and rents	35,000	35,000	47,572	12,572
Miscellaneous	4,500	4,500	3,068	(1,432)
Transfers in	-	-	-	-
Amounts available for charges to appropriations	<u>5,531,970</u>	<u>5,531,970</u>	<u>5,479,267</u>	<u>(52,703)</u>
Charges to appropriations:				
Community Development:				
Current:				
Personnel	86,654	86,654	85,592	1,062
Legal	25,000	25,000	38,639	(13,639)
Property tax admin fees	12,350	12,350	-	12,350
Other administration	4,534	4,534	6,503	(1,969)
Contract services	77,000	77,000	53,541	23,459
Capital outlay	1,780,000	1,780,000	3,739	1,776,261
Transfers out	<u>67,219</u>	<u>67,219</u>	<u>67,224</u>	<u>(5)</u>
Total charges to appropriations	<u>2,052,757</u>	<u>2,052,757</u>	<u>255,238</u>	<u>1,797,519</u>
Fund Balance, June 30	<u>\$ 3,479,213</u>	<u>\$ 3,479,213</u>	<u>\$ 5,224,029</u>	<u>\$ 1,744,816</u>

Required Supplementary Information
REDEVELOPMENT AGENCY OF THE CITY OF COTATI
Budgetary Comparison Schedule - Low and Moderate Income Housing Fund Special Revenue Fund
Note to RSI
For the Fiscal Year Ended June 30, 2011

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

Sources/inflows resources:

Actual amounts "available for appropriation" from budgetary comparison schedule:	\$ 5,479,267
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	(4,650,658)
Transfers in are a budgetary resource, but are not current year revenues for financial reporting purposes	<u> -</u>
 Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	 <u><u>\$ 828,609</u></u>

Uses/outflows of resources:

Total charges to appropriations	\$ 255,238
Differences - budget to GAAP:	
Transfers out are a budgetary use but are not current year expenditures for financial reporting purposes	<u>(67,224)</u>
 Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	 <u><u>\$ 188,014</u></u>

Required Supplementary Information
REDEVELOPMENT AGENCY OF THE CITY OF COTATI
Budgetary Comparison Schedule - Tax Increment Special Revenue Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 1,666,952	\$ 1,666,952	\$ 1,666,952	\$ -
Resources (inflows):				
Property taxes	1,264,162	1,264,162	1,681,661	417,499
Interest and rents	21,000	21,000	21,041	41
Amounts available for charges to appropriations	<u>2,952,114</u>	<u>2,952,114</u>	<u>3,369,654</u>	<u>417,540</u>
Charges to appropriations:				
Community Development:				
Current:				
SERAF payments	-	-	270,465	(270,465)
Capital outlay	400,000	400,000	90,945	309,055
Transfers out	1,474,388	1,474,388	1,249,956	224,432
Total charges to appropriations	<u>1,874,388</u>	<u>1,874,388</u>	<u>1,611,366</u>	<u>263,022</u>
Fund Balance, June 30	<u>\$ 1,077,726</u>	<u>\$ 1,077,726</u>	<u>\$ 1,758,288</u>	<u>\$ 680,562</u>

Reconciliation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:	
Actual amounts available for appropriation from budgetary comparison schedule	\$ 3,369,654
Differences - Budget to GAAP	
Fund balance at the beginning of the year is a budgetary resource but is not revenue for financial reporting purposes	<u>(1,666,952)</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,702,702</u>
Uses/outflows of Resources:	
Total charges to appropriations	\$ 1,611,366
Differences - Budget to GAAP	
Transfers out are a budgetary use but are not an expenditures for financial reporting purposes	<u>(1,249,956)</u>
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances	<u>\$ 361,410</u>

Required Supplementary Information
REDEVELOPMENT AGENCY OF THE CITY OF COTATI
Budgetary Comparison Schedule - Project Administration Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Interest and rents	-	-	-	-
Transfers in	<u>1,474,388</u>	<u>1,474,388</u>	<u>508,404</u>	<u>(965,984)</u>
Amounts available for charges to appropriations	<u>1,474,388</u>	<u>1,474,388</u>	<u>508,404</u>	<u>(965,984)</u>
Charges to appropriations:				
Community Development:				
Current:				
Personnel	266,226	266,226	207,012	59,214
Legal	10,000	10,000	21,861	(11,861)
Property tax admin fees	48,000	48,000	59,876	(11,876)
Other administration	62,060	62,060	64,883	(2,823)
Contract services	301,400	301,400	118,881	182,519
School district	38,500	38,500	37,480	1,020
Transfers out	<u>748,202</u>	<u>748,202</u>	<u>-</u>	<u>748,202</u>
Total charges to appropriations	<u>1,474,388</u>	<u>1,474,388</u>	<u>509,993</u>	<u>964,395</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,589)</u>	<u>\$ (1,589)</u>

**Reconciliation of Differences Between Budgetary Inflows and Outflows and
GAAP Expenditures:**

Uses/Outflows of resources:	
Total charges to appropriations	\$ 509,993
Differences-budget to GAAP	
Transfers out are a budgetary use but are not current year expenditures for financial reporting purposes	<u>\$ -</u>
Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 509,993</u>



Terry E. Krieg, CPA
Certified Public Accountant

Board of Directors
Redevelopment Agency of the City of Cotati
Cotati, California

*Report On Compliance and On Internal Control Over Financial Reporting
Based On an Audit of Financial Statements Performed In Accordance
With Auditing Standards Generally Accepted in the United States of America*

I have audited the basic financial statements of the Redevelopment Agency of the City of Cotati as of and for the year ended June 30, 2011, and have issued my report thereon dated December 31, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements of the Redevelopment Agency of the City of Cotati are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Auditing Standards Generally Accepted in the United States of America*.

Internal Control Over Financial Reporting

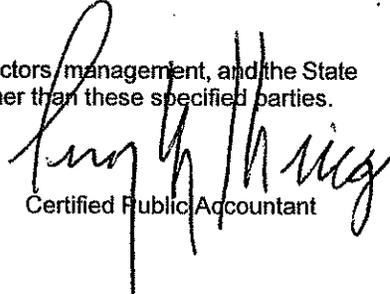
In planning and performing my audit, I considered the Redevelopment Agency of the City of Cotati internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Redevelopment Agency of the City of Cotati's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Redevelopment Agency of the City of Cotati's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.

December 31, 2011


Certified Public Accountant