

**City of Cotati  
Basic Financial Statements  
June 30, 2013**

**CITY OF COTATI, CALIFORNIA  
Basic Financial Statements  
Fiscal Year Ended June 30, 2013  
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**Terry E. Krieg, CPA**

Certified Public Accountant

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Cotati's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with audited standards generally accepted in the 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 from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**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, 2013, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in note 5H to the financial statements, the City in fiscal 2013 adopted new accounting guidance set forth in Governmental Accounting Standards Board Statements (GASB) Numbers 62, Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989 FASB and AICPA Pronouncements; GASB Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and GASB Statement Number 65, Items Previously Reported as Assets and Liabilities. My opinion is not modified with respect to these matters. Also as discussed in note 5G to the financial statements, the City's redevelopment agency has been dissolved and the City has fiduciary financial accountability over the residual assets and liabilities of the related successor agency.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Budgetary Comparison Schedules on pages 42 through 44 and the schedule of funding progress on page 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.

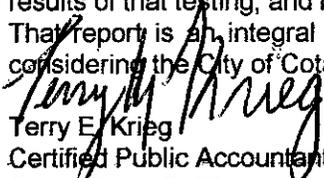
I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other 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 an opinion or provide any assurance.

### *Other Information*

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 nonmajor fund combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The nonmajor fund combining financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the nonmajor fund combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, I have also issued my report, dated December 30, 2014, on my consideration 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 and 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 in considering the City of Cotati's internal control over financial reporting and compliance.

  
Terry E. Krieg  
Certified Public Accountant  
Santa Rosa, California  
December 30, 2014

## **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, 2013. Please read it *in conjunction with the City's financial statements, which follow this section.*

### **FINANCIAL HIGHLIGHTS**

- The statement of net position of our business-type activities decreased about \$ 44,000 (about a .25 percent decrease from 2012), while there was a \$ 225,000 thousand increase in the net position of our governmental type activities (about a 1.1 percent increase over 2012).
- General revenues from property, sales, motor vehicle and other taxes were \$ 4.194 million in FY 2013 compared with \$6.048 million in FY1012. The decrease was predominately due to the City receiving one- time tax increment money from the dissolved redevelopment agency.
- During the year, the City's expenditures for its governmental funds were \$5.600 million compared to \$6.188 million for FY1012. The year-over-year reduction was due largely to decreases in community development, debt service, and capital outlay.
- The City received \$642 thousand in charges for direct City services compared to \$740 thousand from the prior year. The decrease was due largely to slowing development activity.
- The City's expenses for business-type activities (water and wastewater) during the year were about \$ 44 thousand more than related charges for services.
- The general fund reported a year end fund balance of \$ 2.2 million, about a \$ 273,000 increase compared to fiscal year 2012. This was the result of various transfers from other city funds.
- The City's other major and non-major governmental funds ended fiscal year 2013 with about a \$ 5.7 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.
  - *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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and wastewater systems.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>
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 position includes *all* the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's *net position* and how they have changed. Net position – 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 position 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:

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

- *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 2013 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 Position** .The City's *combined* net position increased in 2013 by almost \$ .2 million. (See Table A-1.)

Net position of the City's governmental activities increased to \$20.3 million from \$20.1 million in the prior year. About 55% of the total assets relating to governmental activities are represented by cash, investments and receivables with the remaining 45% consisting of capital assets that are not available to fund operations. The City has about \$5.2 million in long-term debt that was used to assist financing of business development within the city.

The net position of our business-type activities of \$17.2 remain unchanged from the prior fiscal year. 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table A-1**  
**CITY OF COTATI'S NET POSITION**  
(in millions of dollars)

	Governmental Activities		Business Type Activities		Total		% Change 2013-2012
	2013	2012	2013	2012	2013	2012	
<b>NET POSITON</b>							
Current and Other Assets	7.7	8.2	10.1	10.0	17.8	18.2	-2.2%
Long-Term Receivables	6.7	5.6	-		6.7	5.6	19.6%
Capital Assets	11.9	12.3	7.5	7.7	19.4	20.0	-3.0%
<b>Total Assets</b>	<b>26.3</b>	<b>26.1</b>	<b>17.6</b>	<b>17.7</b>	<b>43.9</b>	<b>43.8</b>	<b>0.2%</b>
Long-term Debt Outstanding	5.2	5.4			5.2	5.4	-3.7%
Other Liabilities	0.8	0.6	0.4	0.5	1.2	1.1	9.1%
<b>Total Liabilities</b>	<b>6.0</b>	<b>6.0</b>	<b>0.4</b>	<b>0.5</b>	<b>6.4</b>	<b>6.5</b>	<b>-1.5%</b>
<b>Net Positon</b>							
Invested in Capital Assets net of related debt	11.7	12.2	7.5	7.7	19.2	19.9	-3.5%
Restricted	6.2	6.0	7.2	7.4	13.4	13.4	0.0%
Unrestricted	2.4	1.9	2.5	2.1	4.9	4.0	22.5%
<b>Total Net Positon</b>	<b>20.3</b>	<b>20.1</b>	<b>17.2</b>	<b>17.2</b>	<b>37.5</b>	<b>37.3</b>	<b>0.5%</b>

**Changes in net position.** The City's total revenues in fiscal year 2013 were about \$ 8.8 million (See Table A-2). About 11 percent of the City's revenue comes from property taxes and another 34 percent is received from other taxes. Restricted revenues, i.e., grant revenues and fees charged for business services, primarily for water and wastewater utilities, account for over 46.2% of total revenues.

**Governmental and Business Type Activities**

The total cost of all programs and services was about \$9.2 million. The City's expenses cover a range of services, with about 37 percent related to business type activities, 30 percent for public safety services, and the remaining 23.8 percent for general government, streets, parks and community development programs.

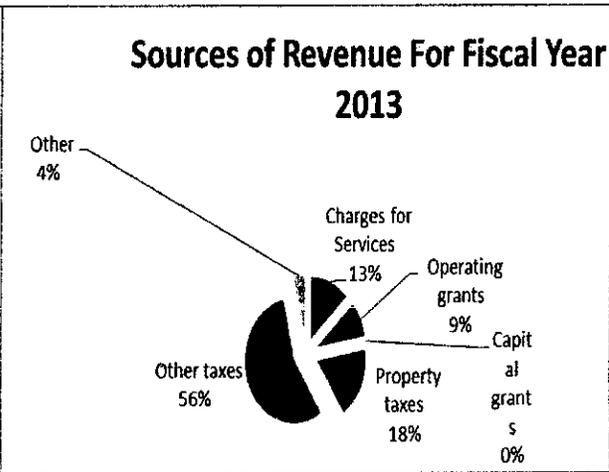
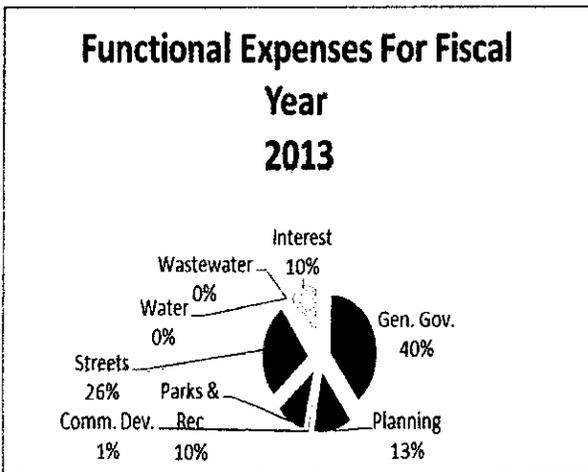
**Sources of Revenues**

Revenues for the City's combined governmental and business activities decreased about \$3.3 million or 27.3 percent, while total expenses decreased by about \$ 800,000, or 7.9 percent, compared to the fiscal year 2012.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	Governmental Activities		Business Type Activities		Total		% Change 2013-2012
	2013	2012	2013	2012	2013	2012	
<b>REVENUES</b>							
<u>Program Revenue</u>							
Charges for Services	0.7	0.8	3.4	3.8	4.1	4.6	-10.9%
Operating grants and contributions	0.5	0.5	-	-	0.5	0.5	0.0%
Capital grants and contributions	-	0.2	-	-	-	0.2	-100.0%
<u>General Revenues</u>							
Property taxes	1.0	3.0	-	-	1.0	3.0	-66.7%
Other taxes	3.0	3.7	-	-	3.0	3.7	-18.9%
Other	0.2	0.1	-	-	0.2	0.1	100.0%
<b>Total Revenue</b>	<b>5.4</b>	<b>8.3</b>	<b>3.4</b>	<b>3.8</b>	<b>8.8</b>	<b>12.1</b>	<b>-27.3%</b>
<b>EXPENSES</b>							
General Government	1.2	1.1	-	-	1.2	1.1	9.1%
Planning	0.4	0.3	-	-	0.4	0.3	33.3%
Public Safety	2.8	2.7	-	-	2.8	2.7	3.7%
Community development	0.0	0.6	-	-	0.0	0.6	-96.7%
Parks and Recreation	0.3	0.3	-	-	0.3	0.3	0.0%
Streets	0.8	0.5	-	-	0.8	0.5	60.0%
Water	-	-	1.4	1.6	1.4	1.6	-12.5%
Wastewater	-	-	2.0	2.3	2.0	2.3	-13.0%
Interest	0.3	0.6	-	-	0.3	0.6	-50.0%
<b>Total Expenses</b>	<b>5.8</b>	<b>6.1</b>	<b>3.4</b>	<b>3.9</b>	<b>9.2</b>	<b>10.0</b>	<b>-7.8%</b>
Excess (deficiency) before transfers and extraordinary item	(0.4)	2.2	-	(0.1)	(0.4)	2.1	-120.0%
Extraordinary Item	0.6	(5.0)	-	(0.1)	0.6	(5.1)	-111.8%
Transfers	-	0.1	(0.1)	-	(0.1)	0.1	-200.0%
<b>Increase (decrease) in net position</b>	<b>0.2</b>	<b>(2.7)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>0.1</b>	<b>(2.9)</b>	<b>-102.8%</b>
Net position, beginning of period	20.1	22.8	17.2	17.4	37.3	40.2	-7.2%
Net position, end of period	<b>20.3</b>	<b>20.1</b>	<b>17.1</b>	<b>17.2</b>	<b>37.4</b>	<b>37.3</b>	<b>0.2%</b>



**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 \$5.8 million, a decrease of about \$ 300,000 compared to fiscal year 2012. The most significant cost decreases included: \$600,000 in Community Development due to the dissolution of the Redevelopment Agency,

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

	Total Cost of Services		Percentage
	2013	2012	Change
General Government	1.2	1.1	9.1%
Planning	0.4	0.3	33.3%
Public Safety	2.8	2.7	3.7%
Community Development	0.0	0.6	-96.7%
Parks and Recreation	0.3	0.3	0.0%
Streets	0.8	0.5	60.0%
All Other	0.3	0.6	-50.0%
<b>Total</b>	<b>5.8</b>	<b>6.1</b>	<b>-4.6%</b>

**Business-Type Activities**

Revenues of the City's business-type activities decreased by about 2.6 percent to \$3.4 million as a result of increases in other operating revenues. Operating expenses in water and wastewater decreased to \$3.4 million compared to fiscal 2012 at \$3.9 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 \$ 8.0 million, about a \$.1 million increase from the last fiscal year.

The City's general fund expenditures exceeded revenue for general fund operations by about \$ 266,000. However, with net budgetary transfers in the amount of \$ 539,000, overall general fund balance increased by \$ 273,000 from the prior year..

At year-end, the City's general fund had a \$ 2.2 million fund balance available to fund operations in the 2013-2014 fiscal year.

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

Inclusionary Housing Fund	\$ 3,434,024
South Sonoma Business Park Debt Service Fund	679,140

The City's non-major funds ended fiscal year 2013 with a combined fund balance of about \$1.6 million. Most of these resources are restricted for use on street projects, community development projects, and other special purposes.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City's Water enterprise ended fiscal year 2013 with about \$907,622 of unrestricted net position that are available to fund operations or future capital projects. The Wastewater enterprise ended fiscal year 2013 with about \$1.6 million of unrestricted net position that are also available to fund operations or future capital projects. In addition, these enterprises held restricted net position of about \$645,968 and \$6.5 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.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

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

	Governmental		Business-type		Total		% Change 2012-13
	Activities		Activities				
	2012	2013	2012	2013	2012	2013	
Land	4.7	4.7			4.7	4.7	0.0%
Buildings	5.4	5.4			5.4	5.4	0.0%
Equipment	0.8	0.8	0.6	0.6	1.4	1.4	0.0%
Improvements	9.4	9.5	0.4	0.4	9.8	9.9	-1.0%
Vehicles	0.7	0.8			0.7	0.8	-12.5%
Waste water systems			10.6	10.6	10.6	10.6	0.0%
Construction in Progress	0.3	0.6	1.0	1.2	1.3	1.8	-27.8%
Accumulated depreciation	(9.0)	(9.9)	(4.9)	(5.3)	(13.9)	(15.2)	-8.6%
<b>Total</b>	<b>12.3</b>	<b>11.9</b>	<b>7.7</b>	<b>7.5</b>	<b>20.0</b>	<b>19.4</b>	<b>3.1%</b>

At the end of 2013, the City had invested \$19.4 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 a slight decrease in change in the total net investment in capital assets.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

During fiscal year 2011-12 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:

- \$ 98,517 Construction in progress relative to City street system and Intermodal transit facility.
- \$ 179,135 in Vehicle acquisitions
- \$ 32,401 in general City improvements
- \$ 200,542 Construction in progress relative to water and wastewater facilities
- \$ 22,748 in equipment related to water and wastewater facilities.

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 2013. In FY 11-12, the City did enter into two 3-year capital leases in the amount of \$ 115,653 to acquire police and city vehicles. The City did retire \$115,000 in long-term special assessment bonded debt. 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.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

- General fund revenue is expected to increase 9.5% from \$ 4.2 Million to nearly 4.6 Million
- All other governmental funds revenues are expected to increase \$874,150 from RDA successor agency (600,000), capital grants (\$114,150), and CDBG Grants (\$160,000).
- General fund property taxes, sales taxes, and franchise fees increased from \$3.0 to \$3.3 million. An increase of approximately 8.5%
- General and special revenue fund appropriations (including capital) increased from \$6.0 Million to \$6.6 Million. An increase of approximately 10%.
- Utility operations (water and wastewater) appropriations increased from 3.8 million to \$4.2 million. An increase of approximately 10.5%.
- Capital Outlay Appropriations related to enterprise funds increased from \$1.4 million to \$1.5 million. An increase of approximately 7%.

### **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 Richard S. Arrow, Interim Finance Director, City of Cotati, 201 W. Sierra Ave, Cotati, CA 94931.

**CITY OF COTATI**  
**Statement of Net Position**  
**June 30, 2013**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 6,913,845	\$ 2,127,400	\$ 9,041,245
Net receivables	805,026	816,930	1,621,956
Prepayments	5,004	-	5,004
<b>Total current assets</b>	<u>7,723,875</u>	<u>2,944,330</u>	<u>10,668,205</u>
Noncurrent assets:			
Cash and cash equivalents	584,630	7,152,866	7,737,496
Long-term notes receivable	973,699	-	973,699
Other long-term receivables	5,075,000	-	5,075,000
Delinquent assessments	94,510	-	94,510
Net capital assets	11,870,761	7,493,636	19,364,397
<b>Total noncurrent assets</b>	<u>18,598,600</u>	<u>14,646,502</u>	<u>33,245,102</u>
<b>Total assets</b>	<u>\$ 26,322,475</u>	<u>\$ 17,590,832</u>	<u>\$ 43,913,307</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 213,243	\$ 160,063	\$ 373,306
Accrued liabilities	39,767	5,342	45,109
Due other governments	95,199	-	95,199
Compensated absences	60,000	187,349	247,349
Deposits	132,020	71,523	203,543
Accrued interest payable	109,958	-	109,958
Capital lease obligation due within one year	38,505	-	38,505
Bonds due within one year	120,000	-	120,000
<b>Total current liabilities</b>	<u>808,692</u>	<u>424,277</u>	<u>1,232,969</u>
Long-term liabilities due in more than one year:			
Special assessment bonds	4,955,000	-	4,955,000
Compensated absences	190,685	-	190,685
Net other post employment benefit obligation	47,874	-	47,874
<b>Total long-term liabilities</b>	<u>5,193,559</u>	<u>-</u>	<u>5,193,559</u>
<b>Total liabilities</b>	<u>6,002,251</u>	<u>424,277</u>	<u>6,426,528</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,663,498	7,493,636	19,157,134
Restricted for:			
Capital projects	-	7,152,866	7,152,866
Housing	4,349,496	-	4,349,496
Debt service	679,140	-	679,140
Public safety	141,644	-	141,644
Parks	613,505	-	613,505
Recycling	97,676	-	97,676
Streets	361,514	-	361,514
Unrestricted	2,413,751	2,520,053	4,933,804
<b>Total net position</b>	<u>20,320,224</u>	<u>17,166,555</u>	<u>37,486,779</u>
<b>Total liabilities and net position</b>	<u>\$ 26,322,475</u>	<u>\$ 17,590,832</u>	<u>\$ 43,913,307</u>

See accompanying notes to the basic financial statements

**CITY OF COTATI**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City Government		
					Governmental Activities	Business-type Activities	Total
<b>City government</b>							
<b>Governmental activities:</b>							
General government	\$ 1,222,940	\$ 150,419	\$ -	\$ -	\$ (1,072,521)	\$ -	\$ (1,072,521)
Planning	373,467	122,506	-	-	(250,961)	-	(250,961)
Public safety	2,834,205	92,409	278,054	-	(2,463,742)	-	(2,463,742)
Streets	829,863	50,377	182,292	-	(597,194)	-	(597,194)
Community development	2,543	239,634	-	29,543	266,634	-	266,634
Parks and recreation	289,149	14,649	-	-	(274,500)	-	(274,500)
Interest on long-term debt	339,014	-	-	-	(339,014)	-	(339,014)
<b>Total governmental activities</b>	<b>5,891,181</b>	<b>669,994</b>	<b>460,346</b>	<b>29,543</b>	<b>(4,731,298)</b>	<b>-</b>	<b>(4,731,298)</b>
<b>Business-type activities:</b>							
Water	1,367,089	1,317,859	-	-	-	(49,230)	(49,230)
Wastewater	2,036,743	2,071,736	-	29,058	-	64,051	64,051
<b>Total business-type activities</b>	<b>3,403,832</b>	<b>3,389,595</b>	<b>-</b>	<b>29,058</b>	<b>-</b>	<b>14,821</b>	<b>14,821</b>
<b>Total City government</b>	<b>\$ 9,295,013</b>	<b>\$ 4,059,589</b>	<b>\$ 460,346</b>	<b>\$ 58,601</b>	<b>(4,731,298)</b>	<b>14,821</b>	<b>(4,716,477)</b>
		<b>General revenues, transfers and extraordinary items:</b>					
		<b>General revenues:</b>					
		<b>Taxes:</b>					
			Property taxes	1,000,165	-	-	1,000,165
			Sales taxes	2,519,645	-	-	2,519,645
			Other taxes	479,163	-	-	479,163
			Interest and investment earnings	98,180	-	-	98,180
			Other general revenues	225,000	-	-	225,000
			Transfers	58,540	(58,540)	-	-
			Extraordinary item: Contribution of housing long term notes receivable by the successor agency	575,699	-	-	575,699
			Total general revenues, transfers, and extraordinary items	4,956,392	(58,540)	-	4,897,852
			<b>Change in net position</b>	225,094	(43,719)	-	181,375
			Net position, beginning	20,095,130	17,210,274	-	37,305,404
			Net position, ending	\$ 20,320,224	\$ 17,166,555	-	\$ 37,486,779

See accompanying notes to the basic financial statements

**CITY OF COTATI**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	General Fund	Inclusionary Housing Fund	South Sonoma Business Park Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,785,033	\$ 3,434,024	\$ 584,630	\$ 1,694,788	\$ 7,498,475
Taxes receivable	702,109	-	-	-	702,109
Due from other governments	-	-	-	102,917	102,917
Assessments receivable	-	-	5,075,000	-	5,075,000
Delinquent assessments receivable	-	-	94,510	-	94,510
Notes receivable	28,000	370,000	-	575,699	973,699
Prepayments	5,004	-	-	-	5,004
Due from other funds	29,543	-	-	-	29,543
<b>Total assets</b>	<b>\$ 2,549,689</b>	<b>\$ 3,804,024</b>	<b>\$ 5,754,140</b>	<b>\$ 2,373,404</b>	<b>\$ 14,481,257</b>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable	\$ 199,602	\$ -	\$ -	\$ 13,641	\$ 213,243
Accrued liabilities	39,767	-	-	-	39,767
Due to other funds	-	-	-	29,543	29,543
Due other governments	-	-	-	95,199	95,199
Deposits	132,020	-	-	-	132,020
<b>Total liabilities</b>	<b>371,389</b>	<b>-</b>	<b>-</b>	<b>138,383</b>	<b>509,772</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Long-term notes receivable	-	370,000	5,075,000	575,699	6,020,699
Fund balances:					
Nonspendable	5,004	-	-	-	5,004
Restricted for affordable housing	-	3,434,024	-	-	3,434,024
Restricted for public safety	-	-	-	141,664	141,664
Restricted for streets	-	-	-	361,514	361,514
Restricted for parks	-	-	-	2,948	2,948
Restricted for debt service	-	-	679,140	-	679,140
Restricted for recycling	-	-	-	97,676	97,676
Restricted for capital projects	-	-	-	610,557	610,557
Committed for special projects	45,000	-	-	444,963	489,963
Committed for emergencies	120,000	-	-	-	120,000
Unassigned	2,008,296	-	-	-	2,008,296
<b>Total fund balances</b>	<b>2,178,300</b>	<b>3,434,024</b>	<b>679,140</b>	<b>1,659,322</b>	<b>7,950,786</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,549,689</b>	<b>\$ 3,804,024</b>	<b>\$ 5,754,140</b>	<b>\$ 2,373,404</b>	<b>\$ 14,481,257</b>
<b>Total Governmental Fund Balances</b>					<b>\$ 7,950,786</b>
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds					11,870,761
Other long-term assets are not available to pay for current-period expenditures and are therefore reported as deferred inflows of resources in the funds					6,020,699
Interest payable is accrued as a liability in the statement of net position but is reported as a liability in the funds only when due					(109,958)
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					(47,874)
Some liabilities including bonds, claims and compensated absences are not due and payable in the current period and therefore are not reported in the funds					(5,364,190)
<b>Net Position of Governmental Activities</b>					<b>\$ 20,320,224</b>

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, 2013**

	<b>General Fund</b>	<b>Inclusionary Housing Fund</b>	<b>South Sonoma Business Park Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Property taxes	\$ 1,000,165	\$ -	\$ -	\$ -	\$ 1,000,165
Sales taxes	2,470,632	-	-	48,147	2,518,779
Other taxes	675,301	-	-	-	675,301
Licenses and permits	33,652	-	-	-	33,652
Fines and forfeits	63,771	-	-	118,349	182,120
Intergovernmental	12,312	-	-	361,003	373,315
Interest and rents	99,782	11,660	734	4,227	116,403
Charges for services	250,931	36,600	305,640	48,586	641,757
Miscellaneous	50,443	-	-	5,103	55,546
<b>Total revenues</b>	<b>4,656,989</b>	<b>48,260</b>	<b>306,374</b>	<b>585,415</b>	<b>5,597,038</b>
<b>EXPENDITURES</b>					
Current:					
General government	1,137,970	-	-	-	1,137,970
Planning services	361,166	-	-	-	361,166
Public safety	2,647,550	-	-	52,982	2,700,532
Community development	-	-	-	2,543	2,543
Parks and recreation	114,165	-	-	-	114,165
Highways and streets	362,723	-	-	58,184	420,907
Capital outlay	258,440	-	-	111,849	370,289
Debt service:					
Principal	36,333	-	115,000	-	151,333
Interest	4,479	-	337,027	-	341,506
<b>Total expenditures</b>	<b>4,922,826</b>	<b>-</b>	<b>452,027</b>	<b>225,558</b>	<b>5,600,411</b>
Excess (deficiency) of revenues over expenditures	(265,837)	48,260	(145,653)	359,857	(3,373)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	627,083	-	-	87,759	714,842
Transfers out	(87,759)	-	-	(568,543)	(656,302)
<b>Total other financing sources (uses)</b>	<b>539,324</b>	<b>-</b>	<b>-</b>	<b>(480,784)</b>	<b>58,540</b>
<b>Net change in fund balances</b>	<b>273,487</b>	<b>48,260</b>	<b>(145,653)</b>	<b>(120,927)</b>	<b>55,167</b>
Fund balances, July 1	1,904,813	3,385,764	824,793	1,780,249	7,895,619
<b>Fund balances, June 30</b>	<b>\$ 2,178,300</b>	<b>\$ 3,434,024</b>	<b>\$ 679,140</b>	<b>\$ 1,659,322</b>	<b>\$ 7,950,786</b>

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, 2013**

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 55,167</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(\$ 478,811) exceeded depreciation (\$918,438) in the current period.	(439,627)
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	(115,000)
Contributions of long-term loans from the successor agency to the City's housing fund do not provide current financial resources and are deferred in the funds	575,699
Governmental funds report payments on long-term debt as expenditures, but such payments reduce liabilities in the statement of net position and therefore are not recorded as expenses in the statement of activities	151,333
The net obligation for other postemployment benefits does not require the use of current financial resources and is therefore not reported in the funds	(12,482)
Governmental funds report interest expenditures when payment is due, but interest expense is accrued in the statement of activities	2,493
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 position when incurred	<u>7,511</u>
Net adjustment to reconcile to changes in net position	<u>169,927</u>
Change in Net Position of Governmental Activities	<u>\$ 225,094</u>

See accompanying notes to the basic financial statements

**CITY OF COTATI**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 956,956	\$ 1,170,444	\$ 2,127,400
Accounts receivable	262,781	348,256	611,037
Due from other governments	-	205,893	205,893
Total current assets	<u>1,219,737</u>	<u>1,724,593</u>	<u>2,944,330</u>
Noncurrent assets:			
Other assets:			
Cash and cash equivalents	645,968	6,506,898	7,152,866
Net other assets	<u>645,968</u>	<u>6,506,898</u>	<u>7,152,866</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	144,154	377,732
Equipment	290,310	335,365	625,675
Less accumulated depreciation	<u>(2,909,360)</u>	<u>(2,394,889)</u>	<u>(5,304,249)</u>
Construction in progress	<u>3,608,767</u>	<u>2,726,664</u>	<u>6,335,431</u>
Net capital assets	<u>4,474,741</u>	<u>3,018,895</u>	<u>7,493,636</u>
Total noncurrent assets	<u>5,120,709</u>	<u>9,525,793</u>	<u>14,646,502</u>
Total assets	<u>\$ 6,340,446</u>	<u>\$ 11,250,386</u>	<u>\$ 17,590,832</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 111,415	\$ 48,648	\$ 160,063
Accrued liabilities	5,342	-	5,342
Compensated absences	123,835	63,514	187,349
Deposits	71,523	-	71,523
Total current liabilities	<u>312,115</u>	<u>112,162</u>	<u>424,277</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,474,741	3,018,895	7,493,636
Restricted	645,968	6,506,898	7,152,866
Unrestricted	<u>907,622</u>	<u>1,612,431</u>	<u>2,520,053</u>
Total net position	<u>\$ 6,028,331</u>	<u>\$ 11,138,224</u>	<u>\$ 17,166,555</u>

See accompanying notes to the basic financial statements

**CITY OF COTATI**

**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2013**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,240,584	\$ 2,045,584	\$ 3,286,168
Other operating revenues	71,819	108	71,927
Total operating revenues	<u>1,312,403</u>	<u>2,045,692</u>	<u>3,358,095</u>
<b>OPERATING EXPENSES</b>			
Personnel services	397,594	288,403	685,997
Contractual services	190,214	105,626	295,840
Intergovernmental treatment costs	-	1,348,062	1,348,062
Utilities	60,250	5,478	65,728
Purchased water	368,816	-	368,816
Supplies and materials	101,748	133,524	235,272
Insurance, claims, and expenses	26,327	24,942	51,269
Depreciation	222,140	130,708	352,848
Total operating expenses	<u>1,367,089</u>	<u>2,036,743</u>	<u>3,403,832</u>
Operating income (loss)	<u>(54,686)</u>	<u>8,949</u>	<u>(45,737)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	5,456	26,044	31,500
Net non-operating revenues (expenses)	<u>5,456</u>	<u>26,044</u>	<u>31,500</u>
Income before contributions and transfers	<u>(49,230)</u>	<u>34,993</u>	<u>(14,237)</u>
Contributions and transfers			
Capital contributions	-	29,058	29,058
Transfers out	(22,520)	(36,020)	(58,540)
Total contributions and transfers	<u>(22,520)</u>	<u>(6,962)</u>	<u>(29,482)</u>
Change in net position	<u>(71,750)</u>	<u>28,031</u>	<u>(43,719)</u>
Total net position, July 1	<u>6,100,081</u>	<u>11,110,193</u>	<u>17,210,274</u>
Total net position, June 30	<u>\$ 6,028,331</u>	<u>\$ 11,138,224</u>	<u>\$ 17,166,555</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, 2013**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,321,938	\$ 2,040,049	\$ 3,361,987
Payments to suppliers	(704,532)	(1,919,155)	(2,623,687)
Payments to employees	(424,535)	(300,753)	(725,288)
Net cash provided by (used for) operating activities	<u>192,871</u>	<u>(179,859)</u>	<u>13,012</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	<u>(22,520)</u>	<u>(36,020)</u>	<u>(58,540)</u>
Net cash provided by noncapital financing activities	<u>(22,520)</u>	<u>(36,020)</u>	<u>(58,540)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	-	29,058	29,058
Purchases of capital assets	<u>(112,694)</u>	<u>(69,246)</u>	<u>(181,940)</u>
Net cash provided by (used for) capital and related financing activities	<u>(112,694)</u>	<u>(40,188)</u>	<u>(152,882)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest receipts	<u>5,456</u>	<u>26,044</u>	<u>31,500</u>
Net cash provided by investing activities	<u>5,456</u>	<u>26,044</u>	<u>31,500</u>
Net increase (decrease) in cash and cash equivalents	63,113	(230,023)	(166,910)
Cash and cash equivalents-beginning of the year	<u>1,539,811</u>	<u>7,907,365</u>	<u>9,447,176</u>
Cash and cash equivalents-end of the year	<u>\$ 1,602,924</u>	<u>\$ 7,677,342</u>	<u>\$ 9,280,266</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, 2013**

	<b>Enterprise Funds</b>		
	Water	Wastewater	Totals
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (54,686)	\$ 8,949	\$ (45,737)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	222,140	130,708	352,848
Change in assets and liabilities:			
Receivables, net	3,412	(211,536)	(208,124)
Prepayments	125	110	235
Accounts payable	38,020	(95,740)	(57,720)
Other liabilities	(16,140)	(12,350)	(28,490)
	<u>\$ 192,871</u>	<u>\$ (179,859)</u>	<u>\$ 13,012</u>
Net cash provided by (used for) operating activities	<u>\$ 192,871</u>	<u>\$ (179,859)</u>	<u>\$ 13,012</u>

**Noncash capital financing activities:**

None.

See accompanying notes to the basic financial statements

CITY OF COTATI  
Statement of Fiduciary Net Position  
June 30, 2013

	<u>Private Purpose Trust</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 8,184,435
Cash with trustees	696,042
Notes receivable	1,078,872
Capital assets: Land	2,549,491
Capital assets: Not being depreciated	1,340,777
Discount on sale bonds	<u>107,590</u>
Total assets	<u><u>\$ 13,957,207</u></u>
<b>LIABILITIES:</b>	
Accounts payable	79,207
Due to Other Governments:	
Sonoma County	6,214,917
Interest payable	172,113
Tax allocation bonds	<u>10,570,000</u>
Total liabilities	<u>17,036,237</u>
<b>NET POSITION (DEFICIT)</b>	
Held in trust for successor agency	<u>(3,079,030)</u>
Total Net Position (deficit)	<u><u>(3,079,030)</u></u>

See accompanying notes to the basic financial statements

CITY OF COTATI  
Statement of Changes in Fiduciary Net Position  
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
ADDITIONS:	
Net investment income (loss)	\$ 23,472
Distributions for enforceable obligations	<u>1,257,568</u>
Total additions	<u>1,281,040</u>
DEDUCTIONS:	
Bond interest	525,425
City administrative costs	250,000
Payments on pass through agreements	37,774
Distributions to taxing entities	<u>300,000</u>
	<u>1,113,199</u>
Increase(decrease) in net position before extraordinary item	167,841
Extraordinary Item:	
Net housing assets distributed to the City of Cotati	(575,699)
Increase(decrease) in net position	(407,858)
Net position, January 31, 2012	<u>(2,671,172)</u>
Net position (deficit), June 30, 2012	<u><u>\$ (3,079,030)</u></u>

See accompanying notes to the basic financial statements

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**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, 2013**

**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 *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

The City applies all applicable Financial Accounting Standards Board (FASB) Pronouncements before November 30, 1989 in accounting and reporting for the operation of its proprietary operations and the provisions of GASB Statement Number 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 pronouncements.

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, 2013**

**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, 2013**

**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, 2013**

**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 Position**

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets are not financial resources and are not reported in the funds.” The details of this \$ 11,870,761 difference are as follows:

Capital assets	\$ 21,798,139
Less: Accumulated depreciation	<u>(9,927,378)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 11,870,761</u>

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**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 Position (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 \$5,364,190 difference are as follows:

Long-Term Debt Obligations:	
Special assessment bonds	\$ 5,075,000
Capital lease obligation	38,505
Compensated absences	<u>250,685</u>
Net adjustment to decrease fund balance total governmental funds to arrive at net position - governmental activities	<u>\$ ( 5,364,190)</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 position 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 \$ 169,927 difference and other significant components of the difference are as follows:

Capital outlay	\$ 478,811
Depreciation expense	(919,438)
Gain from dissolution of redevelopment agency	575,699
Repayment of long-term debt principal	151,333
Other items	<u>(116,478)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 169,927</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 Grants fund (\$56,154), CDBG fund \$26,194, public safety fund (\$23,836), and the Asset Forfeiture fund (\$53,827). The expenditures were funded by available resources.

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**4. Detailed Notes on All Funds**

**A. Deposits and Investments**

Deposits and investments at June 30, 2013 consisted of the following:

Pooled demand deposits	\$ 1,045,087
Pooled investments (includes \$8,181,435 in fiduciary funds)	23,455,076
Investments with trustees (includes \$696,042 in fiduciary funds)	<u>1,159,055</u>
 Total deposits and investments	 <u>\$ 25,659,218</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, 2013, \$1,168,656 of the City's bank balances of \$ 1,418,656 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 1,168,656</u>
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Investments - At June 30, 2013 the City had the following investments.

Investment	Maturities	Fair Value
State Investment Pool(LAIF)	Average 278 days	\$ 22,177,671
Sonoma County Investment Pool	Average 394 days	385,970
BlackRock Provident T-Fund Shares	Average 120 days	1,159,055
Prime Money Market Fund RBC Investor	Average 120 days	65
Negotiable Certificates of Deposit	Average 2 years	<u>891,370</u>
 Totals		 <u>\$ 24,614,131</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, 2013**

**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 \$891,370 investment other than the Pools and mutual funds, the entire \$891,370 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 \$584,630 restricted in the governmental activities statement of net assets represents resources in the City's debt service funds. The \$7,152,866 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	\$ -	\$ -	\$ -	\$ -	\$262,781	\$ 348,256
Taxes	702,109	-	-	702,109	-	-
Governments	-	-	102,917	102,917	-	205,893
Delinquencies	-	94,510	-	94,510	-	-
Notes and loans	28,000	370,000	575,699	973,699	-	-
Assessments	-	5,075,000	-	5,075,000	-	-
<b>Totals</b>	<b>\$ 730,109</b>	<b>\$ 5,539,510</b>	<b>\$ 678,616</b>	<b>\$ 6,948,235</b>	<b>\$262,781</b>	<b>\$ 554,149</b>

**C. Interfund Transfers, receivables and payables**

1. The composition of interfund transfers of June 30, 2013, is as follows:

	General Fund	Other Governmental Funds	Total Transfers
<b>Transfers In:</b>			
<b>Transfers Out:</b>			
General fund	\$ -	\$ 87,759	\$ 87,759
Other funds	568,543	-	568,543
Water/wastewater	58,540	-	58,540
<b>Totals</b>	<b>\$ 627,083</b>	<b>\$ 87,759</b>	<b>\$ 714,842</b>

The primary transfers out of the nonmajor funds were made to provide funds to the City's general fund for projects carried out by the general fund. These are recurring types of transfers.

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**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>
	CDBG fund	\$ 29,543
	Total	<u>\$ 29,543</u>

The advances was made for temporary cash flow purposes.

**D. Capital Assets**

Capital asset activity relating to governmental activities for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 4,701,960	\$ -	\$ -	\$ 4,701,960
Construction in progress	312,585	267,275	-	579,860
Total capital assets, not being depreciated	<u>5,014,545</u>	<u>267,275</u>	<u>-</u>	<u>5,280,820</u>
Capital assets, being depreciated:				
Buildings	5,440,189	-	-	5,440,189
Machinery and equipment	770,324	-	-	770,324
Vehicles	665,841	179,135	-	844,976
Improvements	9,428,429	32,401	-	9,460,830
Total capital assets being depreciated	<u>16,304,753</u>	<u>211,537</u>	<u>-</u>	<u>16,516,319</u>
Less accumulated depreciation for:				
Buildings	(1,532,137)	(136,005)	-	(1,668,142)
Machinery and equipment	(751,472)	(11,167)	6,835	(755,804)
Vehicles	(464,611)	(46,728)	-	(511,339)
Improvements	(6,260,720)	(724,538)	(6,835)	(6,992,093)
Total accumulated depreciation	<u>(9,008,940)</u>	<u>(918,438)</u>	<u>-</u>	<u>(9,927,378)</u>
Total capital assets, being depreciated, net	<u>7,295,843</u>	<u>(706,901)</u>	<u>-</u>	<u>6,588,941</u>
Governmental activities capital assets, net	<u>\$ 12,310,387</u>	<u>\$ (439,626)</u>	<u>\$ -</u>	<u>\$ 11,870,761</u>

Construction in progress, at June 30, 2013, represents primarily cost incurred related to construction improvements to the city's street system and the intermodal transit facility.

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**4. Detailed Notes on All Funds (Continued)**

**D. Capital Assets**

Capital asset activity relating to business-type activities for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>957,663</u>	<u>200,542</u>	<u>-</u>	<u>1,158,205</u>
Total capital assets, not being depreciated	<u>957,663</u>	<u>200,542</u>	<u>-</u>	<u>1,158,205</u>
Capital assets, being depreciated:				
Water wells	1,278,585	-	-	1,278,585
Reservoirs	1,650,971	-	-	1,650,971
Improvements	419,081	-	(41,349)	377,732
Pipelines and collection system	7,706,717	-	-	7,706,717
Equipment	<u>602,927</u>	<u>22,748</u>	<u>-</u>	<u>625,675</u>
Total capital assets being depreciated	<u>11,658,281</u>	<u>22,748</u>	<u>(41,349)</u>	<u>11,639,680</u>
Less accumulated depreciation for:				
Water wells	(819,212)	(28,631)	24,536	(823,307)
Reservoirs	(421,859)	(78,081)	(23,257)	(523,197)
Improvements	(256,626)	(14,264)	(1,279)	(272,169)
Pipelines and collection system	(2,911,066)	(199,377)	-	(3,110,443)
Equipment	<u>(542,646)</u>	<u>(32,495)</u>	<u>-</u>	<u>(575,141)</u>
Total accumulated depreciation	<u>(4,951,401)</u>	<u>(352,848)</u>	<u>-</u>	<u>(5,304,249)</u>
Total capital assets, being depreciated, net	<u>6,706,880</u>	<u>(330,100)</u>	<u>-</u>	<u>6,335,431</u>
Business-type activities capital assets, net	<u>\$ 7,664,543</u>	<u>\$ (129,558)</u>	<u>\$ (41,349)</u>	<u>\$ 7,493,636</u>

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**4. Detailed Notes on All Funds (Continued)**

**D. Capital Assets (Continued)**

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

<b>Governmental activities:</b>	
General government	\$ 200,795
Public safety	133,703
Infrastructure-Streets	408,956
Parks and recreation	<u>174,984</u>
Total depreciation expense-governmental activities	<u>\$ 918,438</u>
 <b>Business-type activities:</b>	
Water	\$ 222,140
Wastewater	<u>130,708</u>
Total depreciation expense-governmental activities	<u>\$ 352,848</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
2014	<u>\$ 40,813</u>
Total minimum lease payments	40,813
Less amounts representing interest	<u>(2,308)</u>
Net present value of future minimum lease payments	<u>\$38,505</u>

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**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:

Fiscal Year	Principal	Interest	Total
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	155,000	292,699	447,699
2019-2023	935,000	1,282,287	2,217,287
2024-2028	1,280,000	925,725	2,205,725
2029-2033	1,755,000	423,040	2,178,040
2034	420,000	13,650	433,650
Totals	<u>\$ 5,075,000</u>	<u>\$ 4,190,602</u>	<u>\$ 9,265,602</u>

*Changes in Long-term liabilities*

Long-term debt activity for the 2013 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Special assessment bonds	\$ 5,190,000	\$ -	\$ 115,000	\$ 5,075,000	\$ 120,000
Capital lease	74,838	-	36,333	38,505	38,505
Compensated absences	258,196	60,000	67,511	250,685	60,000
<b>Total</b>	<u>\$ 5,523,034</u>	<u>\$ 60,000</u>	<u>\$ 218,844</u>	<u>\$ 5,364,190</u>	<u>\$ 218,505</u>

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**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 material claim liabilities at June 30, 2013.

**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, 2013**

**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>	6/30/11	\$ 295,962	100%
	6/30/12	\$ 308,036	100%
	6/30/13	\$ 339,298	100%
<i>Safety employees</i>	6/30/11	\$ 302,105	100%
	6/30/12	\$ 362,434	100%
	6/30/13	\$ 450,632	100%

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**5. Other Information (Continued)**

**E. Restricted Net Assets and Nonspendable Fund Balances**

The \$ 6,242,975 restricted amount in the governmental activities and the \$7,152,866 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	\$ 5004	\$ -
	<u>\$ 5,004</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, 2013, the City contributed \$17,300 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)	\$ 29,772
Interest on net OPEB obligation	1,416
Adjustments to the ARC	<u>(1,406)</u>
Annual OPEB expense	29,782
Contributions made	<u>( 17,300)</u>
Change in net OPEB obligation	12,482
Net OPEB Obligation , beginning of year	<u>35,392</u>
Net, OPEB obligation, end of year	<u>\$ 47,874</u>

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**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
June 30, 2013	\$29,782	58.1%	\$47,874

*Funding status and Funding Progress.* As of June 30, 2013, the most recent actuarial valuation date, the plan was zero funded. The actuarial accrued liability for benefits was \$448,500 and the actuarial value of plan assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$482,463. The covered payroll (the annual payroll of active employees covered by the plan) was \$2,436,709 and the UAAL as a percentage of covered payroll was 19.8 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 June 30, 2013 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 8.6 percent initially decreasing to 5 percent in year 2022.. There were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of payrolls over 27 years, the remaining amortization period at June 30, 2013.

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**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.. 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.

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**5. Other Information (Continued)**

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

2. Extraordinary Items

In fiscal 2013, the Successor transferred to the City's housing fund \$575,699 in long-term loans approved as part of the asset transfer provisions of the dissolution process. All other housing assets related to the dissolution remain in and are reported as part of the successor agency until such time as any additional transfers are authorized by regulatory agencies.

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>
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	265,000	149,596	414,596
2019-2023	1,390,000	548,744	1,938,744
2024-2028	280,000	314,500	594,500
2029-2033	300,000	299,813	599,813
2034-2036	900,000	69,188	969,188
<b>Totals</b>	<b>\$ 4,090,000</b>	<b>\$ 2,093,948</b>	<b>\$ 6,183,948</b>

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, 2013**

**5. Other Information (Continued)**

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

**3. Enforceable Obligations (Continued)**

Fiscal Year	Principal	Interest	Total
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	105,000	301,330	406,330
2019-2023	770,000	1,414,905	2,184,905
2024-2028	2,475,000	1,049,875	3,524,875
2029-2031	2,785,000	286,825	3,071,825
<b>Totals</b>	<b>\$ 6,480,000</b>	<b>\$ 4,298,422</b>	<b>\$10,778,422</b>

*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 \$16,962,370

*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	\$ -	\$ 80,000	\$ 6,480,000	\$ 80,000
2004 tax allocation bonds, series A	4,305,000	-	215,000	4,090,000	225,000
City of Cotati	21,563	-	21,563	-	-
<b>Total</b>	<b>\$ 10,886,563</b>	<b>\$ -</b>	<b>\$ 316,563</b>	<b>\$ 10,570,000</b>	<b>\$ 305,000</b>

**4. Cash and Investments Held in Trust**

The Cash and investments of the Successor Agency at June 30, 2013 consisted of \$8,184,435 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 \$1,078,872 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.

**CITY OF COTATI**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**5. Other Information (Continued)**

**H. Impact of Recently Issued and Adopted Accounting Principles**

In the fiscal year ended June 30, 2013, the City implemented the accounting guidance set forth in Governmental Accounting Standards Board (GASB) Statements Number 60; Accounting and reporting for Service Concessions; Number 61; The Financial Reporting Entity; Number 62; Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. While Statements Numbers 60 and 61 had no impact upon the City's financial reporting, the City revised its stated accounting policies to comply with GASB 62.

The GASB also issued its Statement Number 63; Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Statement Number 65 titled Items Previously Reported as Assets and Liabilities. The impacts of implementation were to change the titles of the Government-Wide financial statements (the statement of net assets and statement of activities), proprietary funds, and fiduciary funds to statements of net position and changes in net position. These Statements also resulted in elimination of the concept and term of deferred revenues, and required that deferred inflows of resources (such as those arising from long-term notes receivable in governmental funds) be reported separately in captions other than liabilities in the fund financial statements. The City has implemented this reporting change, and the change had no impact upon the fund balances in the governmental funds.

**I. Recently Issued Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued Statements Numbers 67, 68, 69, and 70 that may impact future financial reporting. Numbers 67 and 68 relate to accounting and financial reporting for pension plans. Number 69 provides guidance about governmental combinations and disposals of operations, and Number 70 provides guidance for the reporting of non-exchange financial guarantees made by governments.

The GASB Statement Number 68 provides that cost sharing employers are required to recognize a liability for their share of the pension liability (the collective liability of all pool members less the plan's collective assets). The net pension liability as defined is the difference between the present values of the projected benefit payments less amounts of the pension plan's fiduciary position. GASB 68 also expands the disclosures about pension plans and the required supplemental information. Management is currently evaluating the impact that adoption of GASB 68 will have on the City's financial statements. GASB 68 becomes effective in the June 30, 2015 fiscal year.

**Required Supplementary Information**  
**CITY OF COTATI**  
**Budgetary Comparison Schedule - General Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Fund Balance, July 1</b>	\$ 1,263,615	\$ 1,904,813	\$ 1,904,813	\$ -
<b>Resources (inflows):</b>				
Property taxes	901,132	901,132	1,000,165	99,033
Sales taxes	2,486,550	2,486,550	2,470,632	(15,918)
Other taxes	489,239	489,239	675,301	186,062
License permits	25,050	25,050	33,652	8,602
Fines and forfeits	50,000	50,000	63,771	13,771
Interest and rents	120,638	120,638	99,782	(20,856)
Intergovernmental	5,000	5,000	12,312	7,312
Charges for services	75,200	75,200	250,931	175,731
Miscellaneous	85,261	85,261	50,443	(34,818)
Transfers in	627,050	627,050	627,083	33
	<u>6,128,735</u>	<u>6,769,933</u>	<u>7,188,885</u>	<u>418,952</u>
Amounts available for charges to appropriations				
<b>Charges to appropriations:</b>				
<b>General government:</b>				
Legislative	94,424	94,424	68,055	26,369
City manager/City Clerk	430,101	430,101	425,385	4,716
Administrative services	163,770	163,770	105,990	57,780
Legal	153,000	153,000	160,704	(7,704)
Nondepartmental	277,116	277,116	320,687	(43,571)
Public info	5,000	5,000	920	4,080
Government buildings	60,206	60,206	55,898	4,308
Community development and planning	507,588	507,588	361,166	146,422
Special projects	-	-	331	(331)
<b>Public safety:</b>				
Police	2,615,520	2,615,520	2,647,550	(32,030)
<b>Highways and streets</b>				-
Streets	351,650	351,650	305,632	46,018
Engineering	43,171	43,171	57,091	(13,920)
<b>Parks and recreation</b>				
Park maintenance	129,247	129,247	114,165	15,082
<b>Capital outlay</b>	483,639	435,378	258,440	176,938
<b>Debt service</b>		46,261	40,812	5,449
<b>Transfers out</b>	29,742	29,742	87,759	(58,017)
	<u>5,344,174</u>	<u>5,342,174</u>	<u>5,010,585</u>	<u>331,589</u>
Total charges to appropriations				
Fund Balance, June 30	<u>\$ 784,561</u>	<u>\$ 1,427,759</u>	<u>\$ 2,178,300</u>	<u>\$ 750,541</u>

**Required Supplementary Information  
CITY OF COTATI  
Budgetary Comparison Schedule - General Fund  
Note to RSI  
For the Fiscal Year Ended June 30, 2013**

**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:	\$ 7,188,885
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	(1,904,813)
Transfers in are a budgetary resource but are not a current year revenue for financial reporting purposes	<u>(627,083)</u>
 Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	 <u><u>\$ 4,656,989</u></u>

**Uses/outflows of resources:**

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 5,010,585
Differences - budget to GAAP:	
Transfers out are a budgetary use but are not a current year expenditures for financial reporting purposes	<u>(87,759)</u>
	<u><u>\$ 4,922,826</u></u>

**Required Supplementary Information  
CITY OF COTATI  
Budgetary Comparison Schedule - Inclusionary Housing Special Revenue Fund  
For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Fund Balance, July 1</b>	\$ 3,385,764	\$ 3,385,764	\$ 3,385,764	\$ -
Resources (inflows):				
Charges for services:				
Housing in lieu fees	-	-	36,600	36,600
Interest	-	-	11,660	11,660
	<u>3,385,764</u>	<u>3,385,764</u>	<u>3,434,024</u>	<u>48,260</u>
Amounts available for charges to appropriations				
	<u>3,385,764</u>	<u>3,385,764</u>	<u>3,434,024</u>	<u>48,260</u>
<b>Charges to appropriations:</b>				
<b>Community Development:</b>				
Administration:				
Legal	-	-	-	-
<b>Transfers out</b>	-	-	-	-
<b>Total charges to appropriations</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, June 30</b>	<u>\$ 3,385,764</u>	<u>\$ 3,385,764</u>	<u>\$ 3,434,024</u>	<u>\$ 48,260</u>

Note A.

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

Actual amounts available for appropriation:	\$ 3,434,024
The fund balance at the beginning of the year is a for financial reporting purposes	(3,385,764)
Transfers in are budgetary resources but also are purposes	<u>-</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances	<u>\$ 48,260</u>

**Required Supplementary Information**  
**CITY OF COTATI**  
**Other Post Employment Benefits Other Than Pensions**  
**Schedule of Funding Progress**  
**June 30, 2013**  
(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%
6/30/2013	\$ -	\$ 482,463	\$ 482,463	0.0%	\$ 2,436,709	19.8%

**City of Cotati  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

Special Revenue Funds											
	City Low Moderate Income Housing	Landscaping and Lighting	Gas Tax	Parks and Recreation	Park In Lieu	Community Services	MTC Street	Traffic Mitigation	Recycling	Grants Fund	CDBG
<b>Assets</b>											
Cash and investments	\$ 80,808	\$ -	\$ (6,887)	\$ 750	\$ 610,714	\$ 2,198	\$ 118,558	\$ 138,327	\$ 97,676	\$ 7,411	\$ -
Receivables:											
from other governments	2,870	-	18,383	-	-	-	13,240	-	-	-	29,543
Notes receivable	-	-	575,699	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 83,479</b>	<b>\$ 575,699</b>	<b>\$ 9,886</b>	<b>\$ 750</b>	<b>\$ 610,714</b>	<b>\$ 2,198</b>	<b>\$ 131,798</b>	<b>\$ 138,327</b>	<b>\$ 97,676</b>	<b>\$ 7,411</b>	<b>\$ 29,543</b>
<b>Liabilities and Fund Balances</b>											
Liabilities:											
Accounts payable	\$ 1,777	\$ -	\$ -	\$ -	\$ 157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due other governments	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	29,543
<b>Total liabilities</b>	<b>1,777</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,543</b>
<b>Deferred inflows of resources:</b>											
Long-term notes receivable	-	-	-	-	-	-	-	-	-	-	-
<b>Fund balances:</b>											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted for streets	81,702	-	9,886	-	-	-	131,788	138,327	-	-	-
Restricted for parks	-	-	-	750	-	2,198	-	-	-	-	-
Restricted for recycling	-	-	-	-	-	-	-	-	97,676	-	-
Restricted for public safety	-	-	-	-	-	-	-	-	-	-	-
Restricted for capital projects	-	-	-	-	610,557	-	-	-	-	-	-
Committed for capital projects	-	-	-	-	-	-	-	-	-	7,411	-
<b>Total fund balances</b>	<b>81,702</b>	<b>-</b>	<b>9,886</b>	<b>750</b>	<b>610,557</b>	<b>2,198</b>	<b>131,788</b>	<b>138,327</b>	<b>97,676</b>	<b>7,411</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 83,479</b>	<b>\$ 575,699</b>	<b>\$ 9,886</b>	<b>\$ 750</b>	<b>\$ 610,714</b>	<b>\$ 2,198</b>	<b>\$ 131,798</b>	<b>\$ 138,327</b>	<b>\$ 97,676</b>	<b>\$ 7,411</b>	<b>\$ -</b>

**City of Cotati  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

	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		
<b>Assets</b>										
Cash and investments	387	\$ 13,471	\$ 189,913	\$ 2,868	\$ 960	\$ 50,656	\$ 386,896	\$ -	\$ -	\$ 1,894,768
Receivables:										
from other governments	-	40,731	-	150	-	-	-	-	-	102,917
Notes receivable	-	-	-	-	-	-	-	-	-	575,689
<b>Total assets</b>	<b>387</b>	<b>\$ 54,202</b>	<b>\$ 189,913</b>	<b>\$ 3,108</b>	<b>\$ 960</b>	<b>\$ 50,656</b>	<b>\$ 386,896</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,373,404</b>
<b>Liabilities and Fund Balances</b>										
Liabilities:										
Accounts payable	-	\$ 1,385	\$ 10,062	\$ 270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,641
Due other governments	-	-	85,199	-	-	-	-	-	-	95,189
Due to other funds	-	-	-	-	-	-	-	-	-	29,543
<b>Total liabilities</b>	<b>-</b>	<b>1,385</b>	<b>105,251</b>	<b>270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>138,383</b>
<b>Deferred inflows of resources:</b>										
Long-term notes receivable	-	-	-	-	-	-	-	-	-	575,899
<b>Fund balances:</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted for streets	-	-	-	-	-	-	-	-	-	361,514
Restricted for parks	-	-	-	-	-	-	-	-	-	2,948
Restricted for recycling	-	-	-	-	-	-	-	-	-	87,676
Restricted for public safety	387	52,817	84,662	2,838	960	-	-	-	-	141,664
Restricted for capital projects	-	-	-	-	-	-	-	-	-	610,557
Committed for capital projects	-	-	-	-	-	50,656	386,896	-	-	444,963
<b>Total fund balances</b>	<b>387</b>	<b>52,817</b>	<b>84,662</b>	<b>2,838</b>	<b>960</b>	<b>50,656</b>	<b>386,896</b>	<b>-</b>	<b>-</b>	<b>1,659,322</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>387</b>	<b>\$ 54,202</b>	<b>\$ 189,913</b>	<b>\$ 3,108</b>	<b>\$ 960</b>	<b>\$ 50,656</b>	<b>\$ 386,896</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,373,404</b>

**CITY OF COTATI**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	Special Revenue Funds									
	City Low Moderate Income Housing	Gas Tax	Parks and Recreation	Park in Lieu	Community Services	MTC Street	Traffic Mitigation	Recycling	Grants Fund	CDBG
<b>Revenues:</b>										
Intergovernmental:										
Sales taxes	\$ -	\$ 177,292	\$ -	\$ -	\$ -	\$ 48,146	\$ -	\$ 5,000	\$ 3,659	\$ 29,543
Fines and forfeitures	-	-	-	-	-	-	2,590	-	-	-
Charges for services	45,646	-	350	2,073	-	867	470	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>45,646</b>	<b>177,292</b>	<b>350</b>	<b>2,073</b>	<b>-</b>	<b>49,013</b>	<b>3,060</b>	<b>5,000</b>	<b>3,659</b>	<b>29,543</b>
<b>Expenditures:</b>										
Current:										
Public safety	-	-	-	-	-	-	-	-	-	-
Highways and streets	13,420	3,943	-	-	-	-	-	5,000	-	-
Community development	-	-	-	1,741	802	-	-	-	-	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	58,154	26,194
<b>Total expenditures</b>	<b>13,420</b>	<b>3,943</b>	<b>-</b>	<b>1,741</b>	<b>802</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>58,154</b>	<b>26,194</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>32,226</b>	<b>173,349</b>	<b>350</b>	<b>332</b>	<b>(802)</b>	<b>49,013</b>	<b>3,060</b>	<b>-</b>	<b>(52,485)</b>	<b>3,349</b>
<b>Other financing sources (uses):</b>										
Transfers in	-	-	-	-	3,000	-	-	-	54,896	-
Transfers out	(1,287)	(343,434)	-	-	-	(123,822)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,287)</b>	<b>(343,434)</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>(123,822)</b>	<b>-</b>	<b>-</b>	<b>54,896</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>30,939</b>	<b>(170,085)</b>	<b>350</b>	<b>332</b>	<b>2,198</b>	<b>(74,809)</b>	<b>3,060</b>	<b>-</b>	<b>2,391</b>	<b>3,349</b>
<b>Fund balances, July 1</b>	<b>50,763</b>	<b>-</b>	<b>400</b>	<b>610,225</b>	<b>-</b>	<b>206,608</b>	<b>135,267</b>	<b>97,676</b>	<b>5,020</b>	<b>(3,349)</b>
<b>Fund balances, June 30</b>	<b>\$ 81,702</b>	<b>\$ 9,686</b>	<b>\$ 750</b>	<b>\$ 610,557</b>	<b>\$ 2,198</b>	<b>\$ 131,799</b>	<b>\$ 138,327</b>	<b>\$ 97,676</b>	<b>\$ 7,411</b>	<b>\$ -</b>

**CITY OF COTATI**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	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		
<b>Revenues:</b>										
Intergovernmental	-	\$ 145,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 361,003
Sales taxes	-	-	-	-	-	-	-	-	-	48,147
Fines and forfeitures	-	-	118,349	-	-	-	-	-	-	118,349
Charges for services	-	-	-	-	-	-	-	-	-	48,588
Interest	-	-	645	-	-	172	-	-	-	4,227
Miscellaneous	-	-	-	5,103	-	-	-	-	-	5,103
<b>Total revenues</b>	-	145,509	118,984	5,103	-	172	-	-	-	585,415
<b>Expenditures:</b>										
Current:										
Public safety	113	23,836	26,704	2,289	40	-	-	-	-	52,962
Highways and streets	-	-	35,821	-	-	-	-	-	-	58,184
Community development	-	-	-	-	-	-	-	-	-	2,543
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	27,123	-	-	-	2,378	-	-	111,849
<b>Total expenditures</b>	113	23,836	66,648	2,289	40	-	2,378	-	-	225,558
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(113)	121,673	29,346	2,814	(40)	172	(2,378)	-	-	359,857
<b>Other financing sources (uses):</b>										
Transfers in	500	-	-	-	1,000	25,242	-	3,131	-	87,759
Transfers out	-	(100,000)	-	-	-	-	-	-	-	(568,543)
<b>Total other financing sources (uses)</b>	500	(100,000)	-	-	1,000	25,242	-	3,131	-	(480,784)
<b>Net change in fund balances</b>	387	21,673	29,346	2,814	960	25,414	(2,378)	3,131	-	(120,927)
<b>Fund balances, July 1</b>	-	31,144	55,318	24	-	25,242	389,273	(3,131)	-	1,780,249
<b>Fund balances, June 30</b>	\$ 387	\$ 52,817	\$ 84,662	\$ 2,838	\$ 960	\$ 50,656	\$ 386,895	\$ -	\$ -	\$ 1,659,322