

**City of Cotati
Basic Financial Statements
June 30, 2015**

**CITY OF COTATI, CALIFORNIA
Basic Financial Statements
Fiscal Year Ended June 30, 2015
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FINANCIAL SECTION
MANAGEMENT'S DISCUSSION AND ANALYSIS,
BASIC FINANCIAL STATEMENTS
AND
NOTES TO THE FINANCIAL STATEMENTS



Terry E. Krieg, CPA
Certified Public Accountant

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, 2015, 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, 2015, 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 5G to the financial statements, in the June 30, 2015 fiscal year, the City adopted new accounting guidance set forth in Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. My opinion is not modified with respect to this matter.

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 14, the Budgetary Comparison Schedules on pages 47 through 49, the schedule of funding progress on page 50, and the schedules of proportionate share of net pension liability and retirement plan contributions on pages 51 and 52, 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.

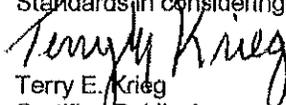
I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency 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 October 26, 2015, 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
October 26, 2015

Management 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, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded liabilities by \$32.5 million (Known as total net position in the government-wide)
- As of June 30, 2015, the City's Governmental Activities reported a net position of \$16.4 million.
- As of June 30, 2015, the City's Business-Type Activities (Water and Sewer Funds) reported a net position of \$16.1 million.

Fund Financial Statements

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$9.3 million. The City reported unassigned fund balance in the amount of \$2.7 million.



OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – a management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that

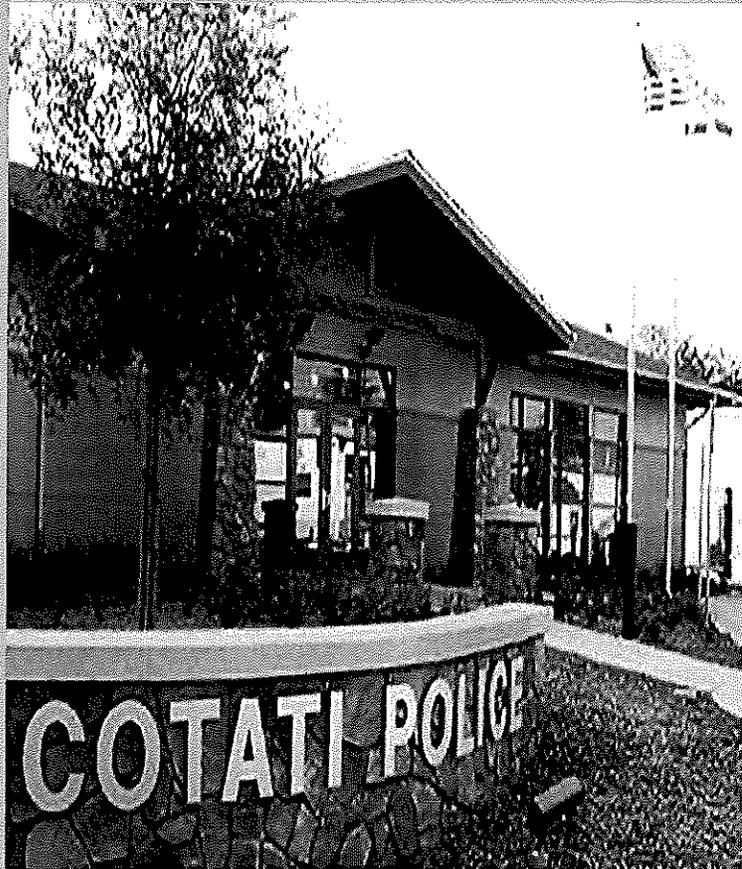
Management Discussion and Analysis

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.

The table below 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.



Management Discussion and Analysis

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

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

- 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.

Management Discussion and Analysis

- 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 2015 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

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's overall financial condition. The following tables address the financial results of the City as a whole.

Management Discussion and Analysis

CITY OF COTATI'S NET POSITION

Summary of Net Position

As of June 30, 2014 and 2015

(in million dollars)

	Governmental Activities		Business Type Activities		TOTAL		Percentage Change
	2015	2014	2015	2014	2015	2014	
ASSETS							
Current and Other Assets	10.1	9.6	10.1	10.4	20.2	20.0	1.0%
Long Term Receivables	5.4	5.8			5.4	5.8	-6.9%
Capital Assets	13.9	13.3	7.5	7.3	21.4	20.6	3.9%
Total Assets	29.4	28.7	17.6	17.7	47.0	46.4	1.3%
DEFERRED OUTFLOWS OF RESOURCES							
Pension Plan Contributions and Timing Differences	0.8		0.1		0.9	0.0	0.0%
LIABILITIES							
Current Liabilities	1.2	0.9	0.3	0.3	1.5	1.2	25.0%
Noncurrent Liabilities	11.4	11.8	1.1	1.3	12.5	13.1	-4.6%
Total Liabilities	12.6	12.7	1.4	1.6	14.0	14.3	-2.1%
DEFERRED INFLOWS OF RESOURCES							
Pension Plan Differences in Projections	1.2	0.0	0.2	0.0	1.4	0.0	0.0%
NET POSITION							
Invested in Capital Assets net of related debt	13.8	13.3	7.5	7.3	21.3	20.6	3.4%
Restricted	5.3	6.0	6.1	6.8	11.4	12.8	-10.9%
Unrestricted	-2.7	-3.3	2.5	2.0	-0.2	-1.3	-84.6%
Total Net Position	16.4	16.0	16.1	16.1	32.5	32.1	1.2%

Analysis of the net position

Total net position of the primary government increased by \$0.4 million this year. Total assets increased by \$.6 million and total liabilities decreased by \$0.3 million. Deferred outflows of resources increased \$.9 million and deferred inflows of resources increased \$1.4 million.

Governmental activities

Net position of the City's governmental activities increased to \$16.4 million from \$16.0 million in the prior year. About 53% of the total assets relating to governmental activities are represented by cash, investments and receivables with the remaining 47% consisting of capital assets that are not available to fund operations. The City has about \$11.4 million noncurrent liabilities which includes \$6.3 million related to net pension liability.

Management Discussion and Analysis

Business-type activities

The net position of our business-type activities of remained at \$16.1 million when compared to 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. The long-term debt reported in the City's business-type activities includes \$1.1 million in net pension liability.

CITY OF COTATI
Changes in Net Position
 For the Fiscal Years Ended June 30, 2014 and 2015
 (in million dollars)

	Governmental Activities		Business Type Activities		TOTAL		Percentage Change
	2015	2014	2015	2014	2015	2014	
REVENUES							
Program Revenues							
Charges for Services	1.3	0.8	3.4	3.5	4.7	4.3	9.3%
Operating Grants and Contributions	0.3	0.4			0.3	0.4	-25.0%
Capital Grants and Contributions	0.1	1.6	0.1	0.3	0.2	1.9	-90.0%
General Revenues							
Property Taxes	1.3	1.6			1.3	1.6	-18.8%
Other Taxes	4.2	3.5			4.2	3.5	20.0%
Other	0.2	0.3	(0.1)		0.1	0.3	-60.0%
Total Revenues	7.4	8.2	3.4	3.8	10.8	12.0	-9.9%
EXPENSES							
General Government	1.8	1.4			1.8	1.4	28.6%
Public Safety	3.0	2.7			3.0	2.7	11.1%
Public Works	1.3	0.9			1.3	0.9	44.4%
Community Development	0.6	0.4			0.6	0.4	50.0%
Water			1.3	1.5	1.3	1.5	-13.3%
Sewer			2.1	2.1	2.1	2.1	0.0%
Interest	0.3	0.3			0.3	0.3	0.0%
Total Expenses	7.0	5.7	3.4	3.6	10.4	9.3	11.8%
Revenue over (under) expenses	0.4	2.5	-	0.2	0.4	2.7	-84.8%
Special Items		(0.4)				(0.4)	
Transfers		0.1		(0.1)		-	
Adjusted & Restated FY 14 (Footnote 5-G)		(6.7)		(1.2)		(7.9)	
Change in net position	0.4	(4.5)	-	(1.1)	0.4	(5.6)	
Net position, beginning of period, restated *	16.0	20.5	16.1	17.2	32.1	37.7	
Net position, end of period	16.4	16.0	16.1	16.1	32.5	32.1	1.3%

Analysis of the changes in net position

Total government-wide revenues of the primary government decreased \$1.2 million, a 9.9% decrease from prior year and total expenses increased by \$1.1 million, an 11.8% increase. These changes are discussed in more detail below.

Management Discussion and Analysis

Governmental activities

Total revenues for governmental activities decreased \$.8 million from the prior year, a 9.6% decrease. Total expenses for governmental activities increased \$1.3 million from the prior year, a 22.81% increase.

Revenue

Capital grants and contributions revenue decreased \$1.5 million from prior year largely due to the completion of the Train Depot project.

Property Tax revenue in 2014 is higher compared to 2015 due to a one-time property tax residual distribution received by the City in 2014 in the amount of \$515 thousand. Without this one time distribution in 2014, property tax revenue increased as a result of recovering real estate market and increasing property assessed valuations.

Other taxes increased by \$.7 million, a 20% increase from prior year due largely to the City's Measure G, one percent (1%) transactions and use tax, which generated \$1.3 million in additional sales tax.

Expenses

Total governmental expenses increased by \$1.3 million due to increase in city services, various capital projects and improvements.

Business Type Activities

Total revenues for business-type activities decreased \$.4 million from the prior year, a 10.5% decrease. Total expenses for business-type activities decreased \$.2 million from the prior year, a 5.5% decrease.

Revenues

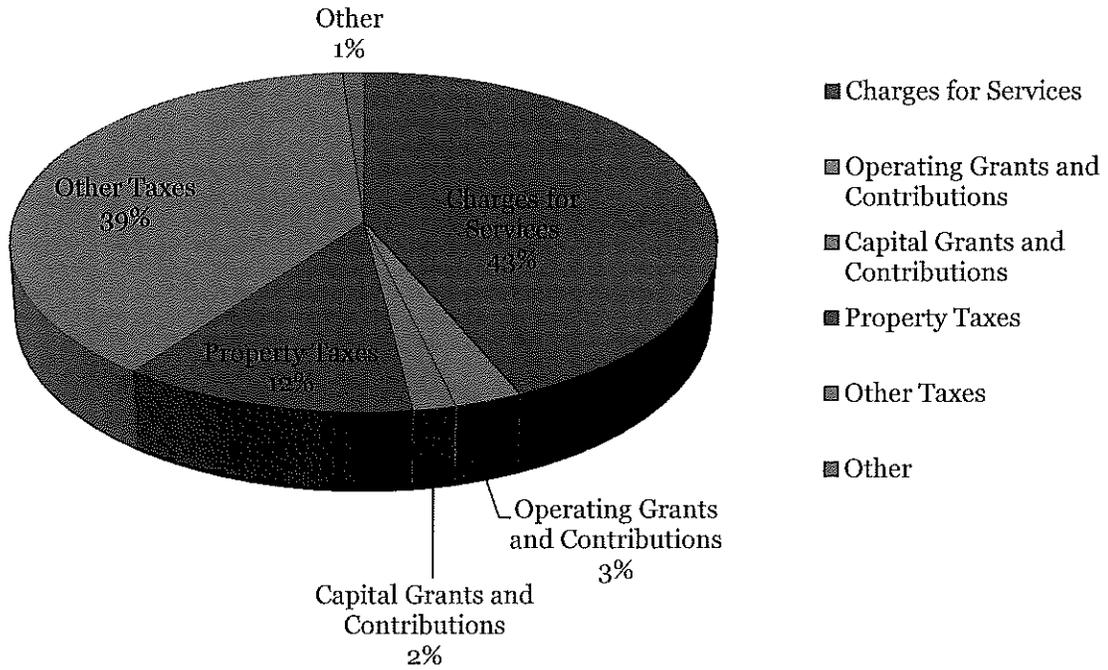
Charges for services decreased due largely to the reduction of water usage in the City.

Expenses

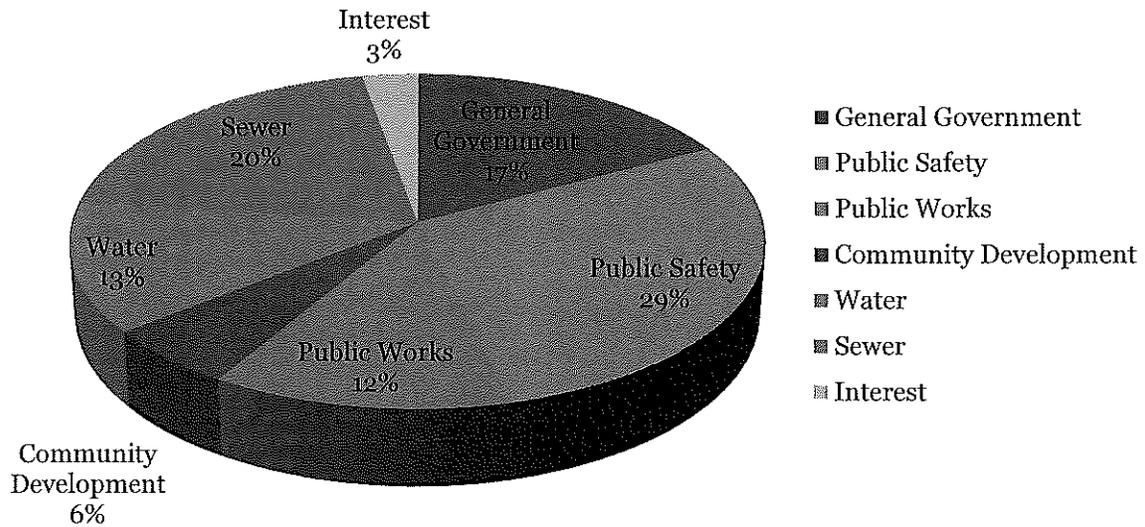
Water expense decreased due to reduction in water production.

Management Discussion and Analysis

Government-Wide Revenues by Source - \$10.8 Million



Government-Wide Expenses by Source - \$10.4 Million



Management Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUND STATEMENTS

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statement focus on individuals parts of the City government, reporting City operations in more detail than the government-wide statements.

Governmental Funds

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported a combined fund balance at June 30, 2015, of \$9.26 million, a slight decrease of \$39 thousand over the end of the previous fiscal year.

The General Fund is the chief operating fund of the City and reflects a slight decrease of \$207 thousand in fund balance. The decrease can be mostly attributed to various City capital projects and improvements.

The City's other major funds includes Inclusionary Housing Fund with a year-end fund balance of \$3.24 million and the South Sonoma Business Park with a year-end fund balance of \$850 thousand.

The City's non-major funds ended the fiscal year 2014-2015 with a fund balance of \$2.2 million, an increase of \$278 thousand over the end of the fiscal year. Most of these resources are restricted for use on street projects, community development projects and other special purposes.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Factors concerning these funds have been previously addressed in the discussion of Business-Type Activities under the Government-Wide Statements.



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:

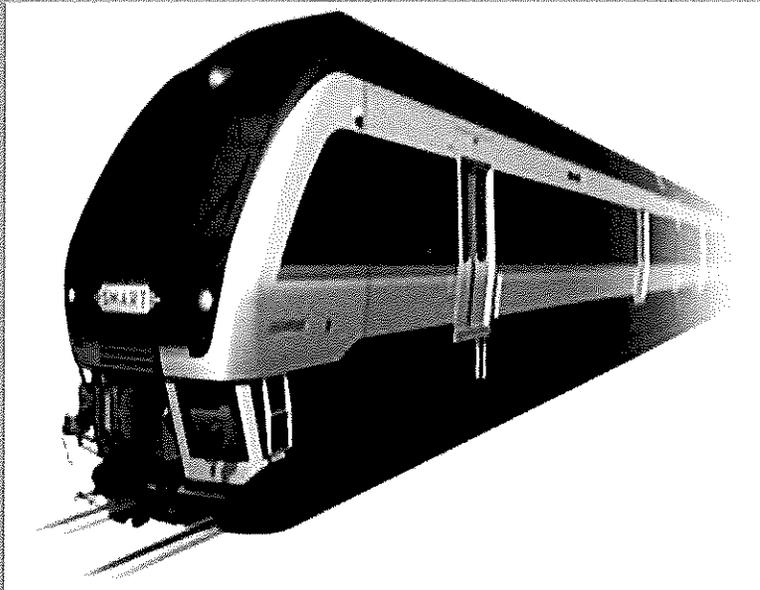
- Changes made at the midyear budget review for unanticipated revenues and costs.
- Increases in appropriations to prevent budget overruns.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2015, the City had invested \$38.8 million in a broad range of capital assets, including equipment, vehicles, buildings, park facilities, and water and wastewater systems. Because capital costs of waste water systems and construction in progress, there was a net increase in change in the total net investment in capital assets.

This year's major capital assets additions included:

- Intermodal Transit Facility - \$131,000
- Old Redwood Highway Revitalization - \$155,000
- Pavement Maintenance - \$590,000
- Building and Lighting Street Retrofit - \$ 202,000
- Misc. Park Improvements - \$91,000
- Sewer Vac Truck - \$368,000



Management Discussion and Analysis

Below is a table of the City's Capital Assets as of June 30, 2014 and 2015. Additional information relative to capital assets is contained in Note D of the general purpose financial statements.

CITY OF COTATI Capital Assets

As of June 30, 2014 and 2015

(in million dollars)

	Governmental		Business Type		TOTAL	
	2015	2014	2015	2014	2015	2014
Capital assets						
Land	4.7	4.7			4.7	4.7
Construction in progress	3.0	2.7	1.3	1.2	4.3	3.9
Buildings	5.4	5.4			5.4	5.4
Vehicles	0.8	0.9	0.6		1.4	0.9
Equipment	1.0	0.8	0.4	0.6	1.4	1.4
Water and Sewer Lines			10.8	10.8	10.8	10.8
Improvements	10.4	9.5	0.4	0.4	10.8	9.9
Total Capital Assets	25.3	24.0	13.5	13.0	38.8	37.0

Long-term Debt

South Sonoma Business Park

As of June 30, 2015, a property failed to pay assessment charges related to the South Sonoma Business Park Assessment District. Legal proceedings are in process against the property owner to cure all outstanding assessments including penalties, interest and all associated costs.

Net Pension Liability

GASB Statement No. 68 significantly revamped the accounting and financial reporting for government employers that provide pension benefits and requiring a "net pension liability" on the statement of net position. A net pension liability of \$7.4 million is reported as of June 30, 2015.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City annually prepares a multi-year financial plan, which focuses on long term financial viability and allows decision makers to better understand the impact of policy decisions. Multi-year planning provides both an early warning of adverse financial trends and more time to implement changes to ensure better outcomes. Budget development is guided by a series of policies adopted by the City Council, which guides long-term planning, minimum reserve levels, employee compensation, cash and debt management, information technology and utility rates. The budget was based on these key assumptions:

Management Discussion and Analysis

- **Property Tax**-The budget projection for 2015-16 assumes an increase in property tax collections, which includes the City's portion of assessed value from dissolved redevelopment project areas now subject to county-wide revenue sharing. The City has forecasted an average growth rate of 3% for future years.
- **Sales Tax**-The budget projection for 2015-16 assumes continued growth in the area due to higher collections from the Measure G transactions and use tax. Measure G replaced the Measure A tax and set the sales tax rate at 9.25% for nine years ending 2023. Measure G supports the full range of municipal services.
- **Capital Outlay**-The City appropriated about \$7.5 million to fund various capital projects including street pavement maintenance, park improvements, downtown specific plan, water and sewer improvement projects.



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 Norm Veloso, Director of Admin Services, City of Cotati, 201 W. Sierra Ave, Cotati, CA 94931.

CITY OF COTATI
Statement of Net Position
June 30, 2015

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 8,450,474	\$ 3,222,694	\$ 11,673,168
Net receivables	1,092,150	482,437	1,574,587
Inetmal balances	(303,750)	303,750	
Prepayments	60,517	-	60,517
	9,299,391	4,008,881	13,308,272
Total current assets			
Noncurrent assets:			
Cash and cash equivalents	745,148	6,153,822	6,898,970
Long-term notes receivable	578,697	-	578,697
Other long-term receivables	4,825,000	-	4,825,000
Delinquent assessments	111,301	-	111,301
Net capital assets	13,863,366	7,474,048	21,337,414
	20,123,512	13,627,870	33,751,382
Total noncurrent assets			
	\$ 29,422,903	\$ 17,636,751	\$ 47,059,654
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan contributions and timing differences	\$ 755,164	\$ 108,552	\$ 863,716
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 424,235	\$ 89,721	\$ 513,956
Accrued liabilities	34,889	888	35,777
Due other governments	423,788	-	423,788
Compensated absences	60,000	182,810	242,810
Deposits	36,765	75,190	111,955
Accrued interest payable	104,542	-	104,542
Bonds due within one year	135,000	-	135,000
	1,219,219	348,609	1,567,828
Total current liabilities			
Long-term liabilities due in more than one year:			
Special assessment bonds	4,690,000	-	4,690,000
Compensated absences	268,646	-	268,646
Net pension liability	6,362,224	1,094,196	7,456,420
Net other post employment benefit obligation	63,588	-	63,588
	11,384,458	1,094,196	12,478,654
Total long-term liabilities			
	12,603,677	1,442,805	14,046,482
DEFERRED INFLOWS OF RESOURCES:			
Pension plan differences in projections	1,176,729	210,813	1,387,542
NET POSITION			
Net investment in capital assets	13,863,366	7,474,048	21,337,414
Restricted for:			
Capital projects	-	6,153,822	6,153,822
Housing	3,252,244	-	3,252,244
Debt service	850,397	-	850,397
Public safety	44,420	-	44,420
Parks	637,761	-	637,761
Recycling	115,283	-	115,283
Streets	350,947	-	350,947
Public communications	2,332	-	2,332
Unrestricted	(2,719,089)	2,463,815	(255,274)
	16,397,661	16,091,685	32,489,346
Total net position			

See accompanying notes to the basic financial statements

CITY OF COTATI
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services		City Government		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
City government						
Governmental activities:						
General government	\$ 1,837,502	\$ 457,148	\$ -	\$ (1,380,354)	-	\$ (1,380,354)
Public safety	3,041,510	92,486	138,500	(2,673,557)	-	(2,673,557)
Public works	1,258,811	198,539	-	(856,796)	-	(856,796)
Community development	610,472	567,312	-	(43,160)	-	(43,160)
Interest on long-term debt	315,034	-	-	(315,034)	-	(315,034)
Total governmental activities	7,063,329	1,315,495	138,500	(5,268,901)	-	(5,268,901)
Business-type activities:						
Water	1,289,046	1,301,372	30,585	-	42,911	42,911
Wastewater	2,153,501	2,101,749	59,872	-	8,120	8,120
Total business-type activities	3,442,547	3,403,121	90,457	-	51,031	51,031
Total City government	\$ 10,505,876	\$ 4,718,616	\$ 228,957	\$ (5,268,901)	\$ 51,031	\$ (5,217,870)
		General revenues, transfers and special items:				
		General revenues:				
		Taxes:				
		Property taxes		1,266,681	-	1,266,681
		Sales taxes		3,616,732	-	3,616,732
		Other taxes		567,114	-	567,114
		Interest and investment earnings		92,831	-	92,831
		Other general revenues		31,169	-	31,169
		Transfers		90,500	(90,500)	-
		Special item: Forgiveness of long-term notes receivable		-	-	-
		Total general revenues, transfers, and special items		5,665,027	(90,500)	5,574,527
		Change in net position		396,126	(39,469)	356,657
		Net position, beginning		16,001,535	16,131,154	32,132,689
		Net position, ending		\$ 16,397,661	\$ 15,091,685	\$ 32,489,346

See accompanying notes to the basic financial statements

CITY OF COTATI
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Inclusionary Housing Fund	South Sonoma Business Park Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,188,704	\$ 3,241,603	\$ 745,148	\$ 3,020,167	\$ 9,195,622
Taxes receivable	829,937	-	-	-	829,937
Due from other governments	-	-	-	262,213	262,213
Assessments receivable	-	-	4,825,000	-	4,825,000
Delinquent assessments receivable	-	-	111,301	-	111,301
Notes receivable	28,000	-	-	550,697	578,697
Prepayments	80,517	-	-	-	80,517
Due from other funds	425,878	-	-	-	425,878
Total assets	\$ 3,633,036	\$ 3,241,603	\$ 5,681,449	\$ 3,833,077	\$ 16,289,165
LIABILITIES					
Liabilities:					
Accounts payable	\$ 193,444	\$ -	\$ 6,052	\$ 224,739	\$ 424,235
Accrued liabilities	34,889	-	-	-	34,889
Due to other funds	303,750	-	-	425,878	729,628
Due other governments	-	-	-	423,788	423,788
Deposits	36,765	-	-	-	36,765
Total liabilities	588,848	-	6,052	1,074,406	1,649,305
DEFERRED INFLOWS OF RESOURCES:					
Long-term receivables	-	-	4,825,000	550,697	5,375,697
Fund balances:					
Nonspendable	60,517	-	-	-	60,517
Restricted for affordable housing	-	3,241,603	-	10,641	3,262,244
Restricted for public safety	-	-	-	44,420	44,420
Restricted for streets	-	-	-	350,947	350,947
Restricted for parks	-	-	-	2,108	2,108
Restricted public education	-	-	-	2,332	2,332
Restricted for debt service	-	-	850,397	-	850,397
Restricted for recycling	-	-	-	115,283	115,283
Restricted for capital projects	-	-	-	637,761	637,761
Committed for special projects	45,000	-	-	1,044,483	1,089,483
Committed for emergencies	120,000	-	-	-	120,000
Unassigned	2,738,671	-	-	-	2,738,671
Total fund balances	2,964,188	3,241,603	850,397	2,207,975	9,264,163
Total liabilities, deferred inflows of resources and fund balances	\$ 3,533,036	\$ 3,241,603	\$ 5,681,449	\$ 3,833,077	\$ 16,289,165
Total Governmental Fund Balances					\$ 9,264,163
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					13,863,366
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					5,375,697
The net pension liability does not require the use of current financial resources and is therefore not reported in the funds					(6,362,224)
The deferred inflows and outflows related to the net pension liability do not require the use of current financial resources and are not reported in the funds					(421,565)
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					(104,542)
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					(63,588)
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					(5,153,846)
Net Position of Governmental Activities					\$ 16,397,661

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, 2016

	General Fund	Inclusionary Housing Fund	South Sonoma Business Park Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 1,266,681	\$ -	\$ -	\$ -	\$ 1,266,681
Sales taxes	3,615,732	-	-	51,529	3,667,261
Other taxes	110,345	-	-	-	110,345
Licenses and permits	402,151	-	-	-	402,151
Fines and forfeits	96,703	-	-	12,732	109,435
Intergovernmental	118,937	-	-	456,077	575,014
Interest and rents	92,831	8,660	775	3,841	106,107
Charges for services	189,935	1,165	458,607	279,249	908,956
Miscellaneous	188,497	-	150,159	3,249	341,905
Total revenues	6,061,812	9,825	609,541	806,677	7,487,855
EXPENDITURES					
Current:					
General government	1,165,475	205,411	71,206	-	1,442,092
Public safety	2,801,788	-	-	30,043	2,831,831
Community development	609,773	-	-	699	610,472
Public works	794,819	-	-	60,635	855,454
Capital outlay	812,098	-	-	617,765	1,429,863
Debt service:					
Principal	-	-	130,000	-	130,000
Interest	-	-	317,850	-	317,850
Total expenditures	6,183,953	205,411	519,056	709,142	7,617,562
Excess (deficiency) of revenues over expenditures	(122,141)	(195,586)	90,485	97,535	(129,707)
OTHER FINANCING SOURCES (USES)					
Transfers in	586,975	-	-	697,493	1,264,468
Transfers out	(652,493)	-	(5,000)	(516,475)	(1,173,968)
Total other financing sources (uses)	(85,518)	-	(5,000)	181,018	90,500
Net change in fund balances	(207,659)	(195,586)	85,485	278,553	(39,207)
Fund balances, July 1	3,171,847	3,437,189	764,912	1,929,422	9,303,370
Fund balances, June 30	\$ 2,964,188	\$ 3,241,603	\$ 850,397	\$ 2,207,975	\$ 9,264,163

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, 2015

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (39,207)</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 (\$ 1,508,250) exceeded depreciation (\$800,805) in the current period.	707,445
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	(118,900)
Changes in the net pension liability and related deferred inflows and deferred outflows do not use or provide current financial resources and are therefore not reported in the funds	(83,600)
Disposals of outdated capital assets do use current financial resources and are therefore not reported in the funds	(121,052)
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	130,000
The net obligation for other postemployment benefits does not require the use of current financial resources and is therefore not reported in the funds	(6,129)
Governmental funds report interest expenditures when payment is due, but interest expense is accrued in the statement of activities	2,816
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>(75,247)</u>
Net adjustment to reconcile to changes in net position	<u>435,333</u>
Change in Net Position of Governmental Activities	<u>\$ 396,126</u>

See accompanying notes to the basic financial statements

CITY OF COTATI
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,064,083	\$ 2,158,611	\$ 3,222,694
Accounts receivable	190,207	292,230	482,437
Due from other funds	-	303,750	303,750
Due from other governments	-	-	-
Total current assets	<u>1,254,290</u>	<u>2,754,591</u>	<u>4,008,881</u>
Noncurrent assets:			
Other assets:			
Cash and cash equivalents	<u>745,061</u>	<u>5,408,761</u>	<u>6,153,822</u>
Net other assets	<u>745,061</u>	<u>5,408,761</u>	<u>6,153,822</u>
Capital assets:			
Reservoirs	1,650,971	-	1,650,971
Pipelines and meters	3,071,220	4,642,034	7,713,254
Water wells	1,462,219	-	1,462,219
Improvements	269,666	144,154	413,820
Equipment	290,310	703,537	993,847
Less accumulated depreciation	<u>(3,345,450)</u>	<u>(2,674,520)</u>	<u>(6,019,970)</u>
	3,398,936	2,815,205	6,214,141
Construction in progress	<u>950,315</u>	<u>309,592</u>	<u>1,259,907</u>
Net capital assets	<u>4,349,251</u>	<u>3,124,797</u>	<u>7,474,048</u>
Total noncurrent assets	<u>5,094,312</u>	<u>8,533,558</u>	<u>13,627,870</u>
Total assets	<u>\$ 6,348,602</u>	<u>\$ 11,288,149</u>	<u>\$ 17,636,751</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan contributions	\$ 50,034	\$ 37,745	\$ 87,779
Pension Plan differences in proportions	<u>11,841</u>	<u>8,932</u>	<u>20,773</u>
Total deferred outflows	<u>\$ 61,875</u>	<u>\$ 46,677</u>	<u>\$ 108,552</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 80,492	\$ 9,229	\$ 89,721
Accrued liabilities	888	-	888
Compensated absences	104,624	78,186	182,810
Deposits	<u>75,190</u>	<u>-</u>	<u>75,190</u>
Total current liabilities	<u>261,194</u>	<u>87,415</u>	<u>348,609</u>
Long-term Liabilities			
Net Pension Liability	<u>623,693</u>	<u>470,503</u>	<u>1,094,196</u>
Total liabilities	<u>884,887</u>	<u>557,918</u>	<u>1,442,805</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Plan differences in projections	<u>120,163</u>	<u>90,650</u>	<u>210,813</u>
NET POSITION			
Net investment in capital assets	4,349,251	3,124,797	7,474,048
Restricted	745,061	5,408,761	6,153,822
Unrestricted	<u>311,115</u>	<u>2,152,700</u>	<u>2,463,815</u>
Total net position	<u>\$ 5,405,427</u>	<u>\$ 10,686,258</u>	<u>\$ 16,091,685</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, 2015

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 1,195,750	\$ 2,047,681	\$ 3,243,431
Other operating revenues	100,789	33,852	134,641
Total operating revenues	<u>1,296,539</u>	<u>2,081,533</u>	<u>3,378,072</u>
OPERATING EXPENSES			
Personnel services	373,688	318,950	692,638
Contractual services	112,705	39,412	152,117
Intergovernmental treatment costs	-	1,525,266	1,525,266
Utilities	38,094	2,419	40,513
Purchased water	415,935	-	415,935
Supplies and materials	111,918	93,624	205,542
Insurance, claims, and expenses	21,253	20,134	41,387
Depreciation	215,453	153,696	369,149
Total operating expenses	<u>1,289,046</u>	<u>2,153,501</u>	<u>3,442,547</u>
Operating income (loss)	<u>7,493</u>	<u>(71,968)</u>	<u>(64,475)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	4,833	20,216	25,049
Net non-operating revenues (expenses)	<u>4,833</u>	<u>20,216</u>	<u>25,049</u>
Income before contributions and transfers	<u>12,326</u>	<u>(51,752)</u>	<u>(39,426)</u>
Contributions and transfers			
Capital contributions	30,585	59,872	90,457
Transfers out	<u>(37,500)</u>	<u>(53,000)</u>	<u>(90,500)</u>
Total contributions and transfers	<u>(6,915)</u>	<u>6,872</u>	<u>(43)</u>
Change in net position	5,411	(44,880)	(39,469)
Total net position, July 1	<u>5,400,016</u>	<u>10,731,138</u>	<u>16,131,154</u>
Total net position, June 30	<u>\$ 5,405,427</u>	<u>\$ 10,686,258</u>	<u>\$ 16,091,685</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, 2015

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,394,213	\$ 2,146,153	\$ 3,540,366
Payments to suppliers	(705,460)	(1,679,434)	(2,384,894)
Payments to employees	(375,094)	(289,888)	(664,982)
Net cash provided by (used for) operating activities	<u>313,659</u>	<u>176,831</u>	<u>490,490</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Adeances to other funds	-	(303,750)	(303,750)
Transfers to other funds	(37,500)	(53,000)	(90,500)
Net cash provided by noncapital financing activities	<u>(37,500)</u>	<u>(356,750)</u>	<u>(394,250)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	30,585	59,872	90,457
Purchases of capital assets	(184,597)	(368,172)	(552,769)
Net cash provided by (used for) capital and related financing activities	<u>(154,012)</u>	<u>(308,300)</u>	<u>(462,312)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest receipts	4,833	20,216	25,049
Net cash provided by investing activities	<u>4,833</u>	<u>20,216</u>	<u>25,049</u>
Net increase (decrease) in cash and cash equivalents	126,980	(468,003)	(341,023)
Cash and cash equivalents-beginning of the year	<u>1,682,164</u>	<u>8,035,375</u>	<u>9,717,539</u>
Cash and cash equivalents-end of the year	<u>\$ 1,809,144</u>	<u>\$ 7,567,372</u>	<u>\$ 9,376,516</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, 2015

	Enterprise Funds		
	Water	Wastewater	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 7,493	\$ (71,968)	\$ (64,475)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	215,453	153,696	369,149
Change in assets and liabilities:			
Receivables, net	96,484	64,620	161,104
Accounts payable	(4,755)	1,421	(3,334)
Net pension liability	9,461	7,138	16,599
Other liabilities	(10,477)	21,924	11,447
	<u>\$ 313,659</u>	<u>\$ 176,831</u>	<u>\$ 490,490</u>
Net cash provided by (used for) operating activities			
	<u>\$ 313,659</u>	<u>\$ 176,831</u>	<u>\$ 490,490</u>
Noncash capital financing activities:			
None.			

See accompanying notes to the basic financial statements

CITY OF COTATI
Statement of Fiduciary Net Position
June 30, 2015

	Private Purpose Trust
ASSETS:	
Cash and cash equivalents	\$ 2,817,425
Cash with trustees	696,047
Accounts receivable	41
Notes receivable	1,289,571
Capital assets: Land	2,549,491
Capital assets: Not being depreciated	1,340,777
Discount on sale bonds	97,343
	<u>8,790,695</u>
Total assets	<u>\$ 8,790,695</u>
LIABILITIES:	
Accounts payable	35,105
Due to Other Governments:	
Sonoma County	1,255,776
Interest payable	163,333
Tax allocation bonds	9,950,000
	<u>11,404,214</u>
Total liabilities	<u>11,404,214</u>
NET POSITION (DEFICIT)	
Held in trust for successor agency	<u>(2,613,519)</u>
Total Net Position (deficit)	<u>(2,613,519)</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, 2015

	Private Purpose Trust
ADDITIONS:	
Net investment income (loss)	\$ 7,567
Interest on long-term notes	25,498
Reimbursements	44,931
Distributions for enforceable obligations	928,795
	<hr/>
Total additions	1,006,791
	<hr/>
DEDUCTIONS:	
Bond interest	497,402
Administrative costs	263,040
Distribution to other taxing entities	95,840
Payments on pass through agreements	44,852
	<hr/>
	901,134
	<hr/>
Increase(decrease) in net position	105,657
Net position, June 30, 2014	(2,719,176)
	<hr/>
Net position (deficit), June 30, 2015	\$ (2,613,519)
	<hr/> <hr/>

See accompanying notes to the basic financial statements

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

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 city has no component units that are blended or discretely presented in these financial statements. The City's former redevelopment agency was dissolved by law effective February 1, 2012. The City elected to serve as the successor custodian of the residual assets and obligations of the former Agency. Accordingly, the assets, liabilities and financial transactions of the former Agency were transferred on the effective date to a fiduciary fund (private purpose trust) and are accounted for in these financial statements as a fiduciary fund. These fiduciary funds are excluded from the City's government-wide statement of net position, statement of activities and fund statements because fiduciary funds are not available for use by the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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, 2015

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* is a special revenue 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 *Train Depot Grant Fund* is a special revenue fund used to account for grants restricted for specific purposes.

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, 2015

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, 2015

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, 2015

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.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of California Public Employees Retirement System (PERS) and additions to or deductions from the PERS fiduciary net position have been determined on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 \$ 13,863,366 difference are as follows:

Capital assets	\$ 25,322,087
Less: Accumulated depreciation	<u>(11,458,721)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 13,863,366</u>

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

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 \$5,153,646 difference are as follows:

Long-Term Debt Obligations:	
Special assessment bonds	\$ 4,825,000
Compensated absences	<u>328,646</u>
Net adjustment to decrease fund balance total governmental funds to arrive at net position - governmental activities	<u>\$ (5,153,646)</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 \$451,416 difference and other significant components of the difference are as follows:

Capital outlay	\$ 1,508,250
Depreciation expense	(800,805)
Loss on disposal of capital assets	(121,052)
Changes in net pension liability and related items	(83,600)
Repayment of long-term debt principal	130,000
Other items	<u>(197,460)</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>\$ 435,333</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 South Sonoma Business Park Assessment Fund (\$3,583), and the landscape and lighting fund (\$6,099). The expenditures were funded by available resources.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

4. Detailed Notes on All Funds

A. Deposits and Investments

Deposits and investments at June 30, 2015 consisted of the following:

Pooled demand deposits	\$ 3,906,375
Pooled investments (includes \$2,817,425 in fiduciary funds)	17,020,405
Investments with trustees (includes \$696,047 in fiduciary funds)	<u>1,158,830</u>
 Total deposits and investments	 <u>\$ 22,085,610</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, 2015, \$4,055,588 of the City's bank balances of \$ 4,305,588 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 4,055,588</u>
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Investments - At June 30, 2015 the City had the following investments.

Investment	Maturities	Fair Value
State Investment Pool(LAIF)	Average 232 days	\$ 15,710,110
Sonoma County Investment Pool	Average 791 days	389,265
BlackRock Provident T-Fund Shares	Average 120 days	1,158,830
Prime Money Market Fund RBC Investor	Average 120 days	1,766
Negotiable Certificates of Deposit	Average 2 years	<u>919,264</u>
 Totals		 <u>\$ 18,179,235</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, 2015

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 \$896,447 investment other than the Pools and mutual funds, the entire \$921,030 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 \$745,148 restricted in the governmental activities statement of net position represents resources in the City's debt service funds. The \$6,153,822 in the business-type activities statement of net position 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	\$ -	\$ -	\$ -	\$ -	\$190,207	\$ 292,230
Taxes	829,937	-	-	829,937	-	-
Governments	-	-	262,213	262,213	-	-
Delinquencies	-	111,301	-	111,301	-	-
Notes and loans	28,000	-	550,697	578,697	-	-
Assessments	-	4,825,000	-	4,825,000	-	-
Totals	\$ 857,937	\$ 4,936,301	\$ 812,910	\$ 6,607,148	\$190,207	\$ 292,230

C. Interfund Transfers, receivables and payables

1. The composition of interfund transfers of June 30, 2015, is as follows:

	General Fund	Other Governmental Funds	Total Transfers
Transfers In:			
Transfers Out:			
General fund	\$ -	\$ 652,493	\$ 652,493
Debt service fund	5,000	-	5,000
Other funds	516,475	-	516,475
Water/wastewater	45,500	45,000	90,500
Totals	\$ 566,975	\$ 697,493	\$1,264,468

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. The \$303,750 loan from the wastewater fund to the general fund was made for temporary cash flow purposes.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

4. Detailed Notes on All Funds (Continued)

2. The composition of interfund balances was:

Receivable Fund	Nonmajor Payable Fund	Amount
General fund	Grant fund	\$ 396,335
	CDBG fund	29,543
	Total	<u>\$ 425,878</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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 4,701,960	\$ -	\$ -	\$ 4,701,960
Construction in progress	2,714,767	285,866	-	3,000,633
Total capital assets, not being depreciated	<u>7,416,727</u>	<u>285,866</u>	<u>-</u>	<u>7,702,593</u>
Capital assets, being depreciated:				
Buildings	5,440,189	-	-	5,440,189
Machinery and equipment	772,167	162,654	-	934,821
Vehicles	844,976	116,295	(121,052)	840,219
Improvements	9,460,830	943,435	-	10,404,265
Total capital assets being depreciated	<u>16,518,162</u>	<u>1,222,384</u>	<u>(121,052)</u>	<u>17,619,494</u>
Less accumulated depreciation for:				
Buildings	(1,804,147)	(136,005)	-	(1,940,152)
Machinery and equipment	(766,811)	(24,462)	-	(791,273)
Vehicles	(558,068)	(81,000)	-	(639,068)
Improvements	(7,528,890)	(559,338)	-	(8,088,228)
Total accumulated depreciation	<u>(10,657,916)</u>	<u>(800,805)</u>	<u>-</u>	<u>(11,458,721)</u>
Total capital assets, being depreciated, net	<u>5,860,246</u>	<u>421,579</u>	<u>(121,052)</u>	<u>6,160,773</u>
Governmental activities capital assets, net	<u>\$ 13,276,973</u>	<u>\$ 707,445</u>	<u>\$ (121,052)</u>	<u>\$ 13,863,366</u>

Construction in progress, at June 30, 2015, 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, 2015

4. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity relating to business-type activities for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	1,200,746	59,161	-	1,259,907
Total capital assets, not being depreciated	1,200,746	59,161	-	1,259,907
Capital assets, being depreciated:				
Water wells	1,379,408	82,811	-	1,462,219
Reservoirs	1,650,971	-	-	1,650,971
Improvements	377,732	36,088	-	413,820
Pipelines and collection system	7,706,717	6,537	-	7,713,254
Equipment	625,675	368,172	-	993,847
Total capital assets being depreciated	11,740,503	493,608	-	12,234,111
Less accumulated depreciation for:				
Water wells	(854,451)	(34,375)	-	(888,826)
Reservoirs	(601,278)	(78,081)	-	(679,359)
Improvements	(286,179)	(13,447)	-	(299,626)
Pipelines and collection system	(3,293,688)	(220,225)	-	(3,513,913)
Equipment	(615,225)	(23,021)	-	(638,246)
Total accumulated depreciation	(5,650,821)	(369,149)	-	(6,019,970)
Total capital assets, being depreciated, net	6,089,682	124,459	-	6,214,141
Business-type activities capital assets, net	\$ 7,290,428	\$ 183,620	-	\$ 7,474,048

Construction in progress of \$1,259,907 relates mainly to water tank, SCADA system and line improvement projects.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

4. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 324,805
Public safety	136,108
Infrastructure -Streets	<u>339,892</u>
Total depreciation expense-governmental activities	<u>\$ 800,805</u>
 Business-type activities:	
Water	\$ 215,453
Wastewater	<u>153,696</u>
Total depreciation expense-governmental activities	<u>\$ 369,149</u>

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
2016	\$ 135,000	\$ 309,238	\$ 444,238
2017	145,000	300,138	445,138
2018	155,000	292,699	447,699
2019	165,000	279,988	444,988
2020	175,000	268,938	443,938
2021-2025	1,060,000	1,152,778	2,212,778
2026-2030	1,455,000	747,667	2,202,667
2031-2034	<u>1,535,000</u>	<u>207,190</u>	<u>1,742,190</u>
Totals	<u>\$ 4,825,000</u>	<u>\$ 3,558,636</u>	<u>\$ 8,383,636</u>

Long-term debt activity for the 2014 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Special assessment bonds	\$ 4,955,000	\$ -	\$ 130,000	\$ 4,825,000	\$ 135,000
Compensated absences	<u>253,399</u>	<u>135,247</u>	<u>60,000</u>	<u>328,646</u>	<u>60,000</u>
Total	<u>\$ 5,208,399</u>	<u>\$ 135,247</u>	<u>\$ 190,000</u>	<u>\$ 5,153,646</u>	<u>\$ 195,000</u>

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

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 2015. Settlements have not exceeded coverage for each of the past three fiscal years. The City has no material claim liabilities at June 30, 2015.

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, 2015

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 Employee Pension Plans

Plan Description - The plans are a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). The CalPERS is governed by a 13 member Board of Administration with six elected members, three appointed members and four ex officio members which include the State Treasurer, the State Controller, the Director of the California Department of Human Services and a designee of the State Personnel Board.

Benefits Provided - The CalPERS provides retirement, disability and death benefits. Retirement benefits are defined as 2.7 percent of the employees final 12 months average compensation times the employee's years of service (2.0 percent for safety employees) Employees with 10 years of continuous service are eligible to retire at age 55 (age 50 for safety employees) Employees are eligible for service-related disability benefits regardless of the length of service. Five years of service is required for non-service-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement death benefits equal an employee's final full-year salary. Both plans provide for a 2 percent Cost of Living Adjustment (COLA). The public safety plan is closed to new entrants.

Contributions - Section 20814 of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2014 (the measurement date), the average active employee contribution rate is 7.947 percent of annual pay, and the average employer contribution rate is 25.669 percent of annual payroll (8.986 and 54.198 percent, respectively, for the safety plan). Contributions (employer) to the plans in were \$ 863,716 for the year ended June 30, 2015.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

5. Other Information (Continued)

D. Public Employee Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions - At June 30, 2014 the City reported a liability of \$7,456,420 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2014, the City's proportion was 0.05687 percent for its safety plan and 0.06261 for regular employees, which was the same as its proportion measured as of June 30, 2013.

For the measurement period ending June 30, 2014, the City recognized pension expense of \$259,968 for its safety plan and \$244,838 for its non-safety plan. At June 30, 2014, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual Earnings on pension plan investments	-	(1,387,542)
Changes in proportions and differences between City contributions and proportionate share of contributions	92,515	-
City contributions subsequent to the Measurement	771,201	-
Totals	\$863,716	\$ (1,387,542)

\$771,201 is reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	Deferred Outflows (Inflows) of Resources
2015	\$(316,317)
2016	(316,517)
2017	(321,277)
2018	(341,116)
2019	-
Thereafter	-

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

5. Other Information (Continued)

D. Public Employee Pension Plans (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.0 percent
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at the CalPERS website under Forms and Publications.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension cash flows. The expected rate of return was then set equivalent to a single equivalent rate calculated by CalPERS and rounded down to the nearest one quarter of one percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	.99	2.43
Inflation Sensitive	6.0	.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure & Forestland	3.0	4.50	5.09
Liquidity	2.0	(.55)	(1.05)

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employee Retirement Fund.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage higher (8.50 percent) than the current rate:

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

5. Other Information (Continued)

D. Public Employee Pension Plans (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability			
Safety first tier	\$5,223,072	\$3,538,662	\$2,150,780
Safety second tier	17,056	9,911	4,024
Non-safety first tier	5,832,344	3,896,150	2,289,293
Non-safety second tier	20,841	11,697	4,109
Totals	\$11,093,313	\$7,456,420	\$4,448,206

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

E. Restricted Net Position and Nonspendable Fund Balances

The \$ 5,253,384 restricted amount in the governmental activities and the \$6,153,822 in the business-type activities statement net position 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
Notes Receivable	\$ -	\$ -
Prepayments	60,517	-
	\$ 60,517	\$ -

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, 2015, the City contributed \$25,007 of current premiums (100% of total premiums) and zero to prefund benefits. Plan members receiving benefits contributed no amounts of total premiums.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

5. Other Information (Continued)

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

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)	\$ 31,122
Interest on net OPEB obligation	2,298
Adjustments to the ARC	<u>(2,284)</u>
Annual OPEB expense	31,136
Contributions made	<u>(25,007)</u>
Change in net OPEB obligation	6,129
Net OPEB Obligation , beginning of year	<u>57,459</u>
Net, OPEB obligation, end of year	<u>\$ 63,588</u>

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, 2013	\$29,782	58.1%	\$47,874
June 30, 2014	\$30,514	68.6%	\$57,459
June 30, 2015	\$31,136	80.3%	\$63,588

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 \$482,463 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.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

5. Other Information (Continued)

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

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 26 years, the remaining amortization period at June 30, 2014.

F. 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

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

authority or other authorized body that would resolve any of the dissolution matters unfavorably to the City.

5. Other Information (Continued)

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

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 position 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.

2. 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>
2016	\$ 245,000	\$ 172,873	\$ 417,873
2017	255,000	162,559	417,559
2018	265,000	149,596	414,596
2019	280,000	136,855	416,855
2020	290,000	123,388	413,388
2021-2025	1,100,000	418,500	1,518,500
2026-2030	-	307,500	307,500
2031-2035	900,000	238,314	1,138,314
2036	300,000	7,688	307,688
Totals	\$ 3,635,000	\$ 1,717,273	\$ 5,352,273

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 \$ 6,980,000 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, 2015

5. Other Information (Continued)

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

3. Enforceable Obligations (Continued)

Fiscal Year	Principal	Interest	Total
2016	\$ 90,000	\$ 309,633	\$ 399,633
2017	90,000	305,673	395,673
2018	105,000	301,330	406,330
2019	120,000	296,268	416,268
2020	135,000	290,530	425,530
2021-2025	1,235,000	1,325,608	2,560,608
2026-2030	3,080,000	765,500	3,845,500
2031-2032	1,460,000	74,000	1,534,000
Totals	\$ 6,315,000	\$ 3,668,542	\$9,983,542

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 \$15,335,815.

Changes in Enforceable Obligations:

Changes in enforceable obligations for the year ended June 30, 2015 were as follows:

Private Purpose Trust Fund:	Beginning	Additions	Deletions	Ending	Due in One Year
2001 tax allocation bonds, series A	\$ 6,400,000	\$ -	\$ 85,000	\$ 6,315,000	\$ 90,000
2004 tax allocation bonds, series A	3,865,000	-	230,000	3,635,000	245,000
Total	\$ 10,265,000	\$ -	\$ 315,000	\$ 9,950,000	\$ 335,000

4. Cash and Investments Held in Trust

The Cash and investments of the Successor Agency at June 30, 2015 consisted of \$2,817,425 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 \$696,047 held by a bank trustee primarily in a reserve account for the 2001 tax allocation bonds.

5. Long-Term Notes Receivable

The \$1,289,571 consist primarily of long-term notes due in 2040, bearing interest at 3 percent per annum and with payments due to the extent of residual receipts, if any, from housing projects previously constructed with the loan proceeds. No fixed annual repayments are required on the notes.

CITY OF COTATI
Notes to the Basic Financial Statements
June 30, 2015

5. Other Information (Continued)

G. Change in Accounting Principle

The City in fiscal 2015 implemented the Governmental Accounting Standards Board (GASB) Statement Number 68, Accounting and Financial Reporting for Pensions. The implementation of this accounting standard resulted in the restatement of the beginning of year net position of the City's governmental and business-type activities as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Government</u>
Net position, June 30, 2014 As originally reported	\$22,701,724	\$17,311,012	\$40,012,736
Change in accounting principle: Beginning of year net pension Liability (NPL)	(7,476,458)	(1,292,842)	(8,769,300)
Beginning year net pension Deferred outflows	<u>776,269</u>	<u>112,984</u>	<u>889,253</u>
Net position, June 30, 2014 As Restated	<u>\$16,001,535</u>	<u>\$16,131,154</u>	<u>\$32,132,689</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
CITY OF COTATI
 Budgetary Comparison Schedule - General Fund
 For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance, July 1	\$ 3,019,146	\$ 3,171,847	\$ 3,171,847	\$ -
Resources (inflows):				
Property taxes	1,318,160	1,318,160	1,266,681	(51,479)
Sales taxes	3,530,847	3,530,847	3,615,732	84,885
Other taxes	107,300	107,300	110,345	3,045
License permits	450,400	450,400	402,151	(48,249)
Fines and forfeits	84,050	82,659	96,703	14,044
Interest and rents	88,100	88,100	92,831	4,731
Intergovernmental	62,900	62,900	118,937	56,037
Charges for services	121,150	121,150	169,935	48,785
Miscellaneous	89,000	89,000	188,497	99,497
Transfers in	1,019,029	1,019,029	566,975	(452,054)
Amounts available for charges to appropriations	<u>9,890,082</u>	<u>10,041,392</u>	<u>9,800,634</u>	<u>(240,758)</u>
Charges to appropriations:				
General government:				
City Council	69,350	87,722	73,057	14,665
City Manager/City Clerk	360,700	361,603	366,473	(4,870)
Administrative services	237,400	242,030	234,293	7,737
Legal services	195,000	195,000	127,087	67,913
Non-Departmental	540,550	646,688	364,325	282,363
Public information services	46,000	51,000	240	50,760
Community development	410,525	412,106	481,208	(69,102)
Economic development	155,800	155,800	128,565	27,235
Public safety:				
Police	2,820,300	2,820,435	2,801,788	18,647
Public works:				
Streets	380,900	381,525	351,828	29,697
Engineering	206,250	207,779	96,071	111,708
Storm water	68,700	68,700	32,584	36,116
Park maintenance	220,550	222,325	165,299	57,026
Government buildings	88,550	108,096	112,610	(4,514)
Capital outlay	1,312,800	1,175,750	812,098	363,652
Debt service (other begin)	-	-	36,427	(36,427)
Transfers out	652,493	652,493	652,493	-
Total charges to appropriations	<u>7,765,868</u>	<u>7,789,052</u>	<u>6,836,446</u>	<u>952,606</u>
Fund Balance, June 30	<u>\$ 2,124,214</u>	<u>\$ 2,252,340</u>	<u>\$ 2,984,188</u>	<u>\$ 711,848</u>

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

Note to RSI

For the Fiscal Year Ended June 30, 2015

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:	\$ 9,800,634
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	(3,171,847)
Transfers in are a budgetary resource but are not a current year revenue for financial reporting purposes	<u>(566,975)</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 6,061,812</u></u>

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 6,836,446
Differences - budget to GAAP:	
Transfers out are a budgetary use but are not a current year expenditures for financial reporting purposes	<u>(652,493)</u>
	<u><u>\$ 6,183,953</u></u>

Required Supplementary Information
CITY OF COTATI
Budgetary Comparison Schedule - Inclusionary Housing Special Revenue Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 3,431,714	\$ 3,437,189	\$ 3,437,189	\$ -
Resources (inflows):				
Charges for services:				
Housing in lieu fees	-	-	1,165	1,165
Interest	6,800	6,800	8,660	1,860
Amounts available for charges to appropriations	<u>3,438,514</u>	<u>3,443,989</u>	<u>3,447,014</u>	<u>3,025</u>
Charges to appropriations:				
Community Development:				
Current:				
Administration:				
Legal	5,000	5,000	1,425	3,575
Subsidy costs	-	-	165,986	(165,986)
Housing fee and housing element updates	63,000	63,000	38,000	25,000
Total charges to appropriations	<u>68,000</u>	<u>68,000</u>	<u>205,411</u>	<u>(137,411)</u>
Fund Balance, June 30	<u>\$ 3,370,514</u>	<u>\$ 3,375,989</u>	<u>\$ 3,241,603</u>	<u>\$ (134,386)</u>

Note A.

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

Actual amounts available for appropriation:	\$ 3,447,014
The fund balance at the beginning of the year is a budgetary financial resource, but is not current revenue for financial reporting purposes	<u>(3,437,189)</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances	<u>\$ 9,825</u>

Required Supplementary Information
CITY OF COTATI
Other Post Employment Benefits Other Than Pensions
Schedule of Funding Progress
June 30, 2016
 (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
Schedule of The City of Cotati's Proportionate Share of the Net Pension Liability
(Last Ten Fiscal Years)
As of June 30, 2015

	Plan Measurement Year June 30, 2014	
	(First Tier)	(Second Tier)
Miscellaneous Plan		
Plan's proportion of the net pension liability	0.06261%	0.00019%
Plan's proportionate share of the net pension liability	\$ 3,896,150	\$ 11,697
Plan's covered employee payroll	\$ 1,139,150	\$ 318,283
Plan's proportionate share of the net pension liability as a percentage of covered employee payroll	342.02%	3.68%
Plan's fiduciary net position (City's proportionate share)	\$ 10,698,713	\$ 57,227
Plan's fiduciary net position as a percentage of the total pension liability	73.30%	83.03%
Safety Plan		
Plan's proportion of the net pension liability	0.05687%	0.00016%
Plan's proportionate share of the net pension liability	\$ 3,538,662	\$ 9,911
Plan's covered employee payroll	\$ 659,728	\$ 107,837
Plan's proportionate share of the net pension liability as a percentage of covered employee payroll	536.38%	9.19%
Plan's fiduciary net position	\$ 9,036,488	\$ 43,430
Plan's fiduciary net position as a percentage of the total pension liability	71.86%	81.42%

Notes to the schedule:

Benefit changes: In fiscal 2015 there were no benefit changes.

Changes in assumptions: In fiscal 2015, there were no changes in assumptions.

Last Ten Years: Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF COTATI
Schedule of The City of Cotati's Contributions
Public Employee's Retirement Plans
(Last Ten Fiscal Years)
As of June 30, 2015

	PLAN Measurement Year June 30, 2014	
	First Tier	Second Tier
<u>Miscellaneous Plan</u>		
Contractually required contribution	\$ 371,451	\$ 32,064
Contributions in relation to the contractually required contribution	\$ (371,451)	\$ (32,064)
Contribution deficiency (excess)	\$ -	\$ -
City's covered employee payroll	\$ 1,139,150	\$ 318,283
Contributions as a percentage of covered employee payroll	32.61%	10.07%
<u>Safety Plan</u>		
Contractually required contribution	\$ 456,138	\$ 29,600
Contributions in relation to the contractually required contribution	\$ (456,138)	\$ (29,600)
Contribution deficiency (excess)	\$ -	\$ -
City's covered employee payroll	\$ 659,728	\$ 107,837
Contributions as a percentage of covered employee payroll	69.14%	27.45%

Notes to the schedule:

Plan valuation date: June 30, 2013

Last Ten Years: Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

OPTIONAL SUPPLEMENTARY INFORMATION
NONMAJOR FUNDS' COMBINING FINANCIAL STATEMENTS

City of Cotati
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

		Special Revenue Funds								
		City Low								
		Moderate								
		Income								
		Housing								
			Gas Tax	Parks and Recreation	Park In Lieu	Community Service	MTC Street	Traffic Mitigation	Recycling	CDBG
Assets										
Cash and investments	\$ 145,161	\$ 10,896	\$ 25,025	\$ 2,108	\$ 653,133	\$ -	\$ 285	\$ 171,670	\$ 115,283	\$ 1,653
Receivables:										
From other governments	1,393	-	-	-	-	-	12,397	-	-	29,543
Notes receivable	-	550,697	-	-	-	-	-	-	-	-
Total assets	\$ 146,554	\$ 561,593	\$ 25,025	\$ 2,108	\$ 653,133	\$ -	\$ 12,682	\$ 171,670	\$ 115,283	\$ 31,196
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ 1,411	\$ 265	\$ -	\$ -	\$ 16,875	\$ -	\$ -	\$ 3,573	\$ -	\$ 150
Due other governments	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	29,543
Total liabilities	1,411	265	-	-	16,875	-	-	3,573	-	29,653
Deferred inflows of resources:										
Long-term notes receivable		550,697								
Fund balances:										
Restricted for streets	145,143	-	25,025	-	-	-	12,682	168,097	-	-
Restricted for public education	-	-	-	2,108	-	-	-	-	-	-
Restricted for parks	-	-	-	-	-	-	-	-	115,283	-
Restricted for recycling	-	-	-	-	-	-	-	-	-	-
Restricted for public safety	-	-	-	-	-	-	-	-	-	-
Restricted for housing	-	10,641	-	-	-	-	-	-	-	-
Restricted for capital projects	-	-	-	-	636,258	-	-	-	-	1,503
Committed for capital projects	-	-	-	-	-	-	-	-	-	-
Total fund balances	145,143	10,641	25,025	2,108	636,258	-	12,682	168,097	115,283	1,503
Total liabilities, deferred inflows of resources and fund balances	\$ 146,554	\$ 561,593	\$ 25,025	\$ 2,108	\$ 653,133	\$ -	\$ 12,682	\$ 171,670	\$ 115,283	\$ 31,196

City of Cotati
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue							Capital Projects			Total Nonmajor Governmental Funds
	Grant Fund	Police Volunteer	Public Safety	Asset Forfeiture	K-9 Program	Police Explorer	PEG	Vehicle Replacement	City Capital Projects		
Assets											
Cash and investments	\$ 717,753	\$ 1,267	\$ 22,193	\$ 420,539	\$ 7,794	\$ 2,960	\$ 69,793	\$ 74,438	\$ 578,216	\$	\$ 3,020,167
Receivables:											
Receivables from other governments	175,114	-	14,174	-	-	-	4,652	-	25,040	-	262,213
Notes receivable	-	-	-	-	-	-	-	-	-	-	550,697
Total assets	\$ 892,867	\$ 1,267	\$ 36,367	\$ 420,539	\$ 7,794	\$ 2,960	\$ 74,345	\$ 74,438	\$ 603,256	\$	\$ 3,833,077
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$ 111,013	\$ -	\$ -	\$ 584	\$ 135	\$ -	\$ 72,013	\$ 18,730	\$ -	\$ -	\$ 224,739
Due other governments	-	-	-	423,788	-	-	-	-	-	-	423,788
Due to other funds	396,335	-	-	-	-	-	-	-	-	-	425,978
Total liabilities	507,348	-	-	424,372	135	-	72,013	18,730	-	-	1,074,405
Deferred inflows of resources:											
Long-term notes receivable	-	-	-	-	-	-	-	-	-	-	550,697
Fund balances:											
Restricted for streets	-	-	-	-	-	-	-	-	-	-	350,947
Restricted for public education	-	-	-	-	-	-	2,332	-	-	-	2,332
Restricted for parks	-	-	-	-	-	-	-	-	-	-	2,108
Restricted for recycling	-	-	-	-	-	-	-	-	-	-	115,283
Restricted for public safety	-	1,267	36,367	(3,833)	7,659	2,960	-	-	-	-	44,420
Restricted for housing	-	-	-	-	-	-	-	-	-	-	10,641
Restricted for capital projects	-	-	-	-	-	-	-	-	-	-	637,761
Committed for capital projects	385,519	-	-	-	-	-	-	55,708	603,256	-	1,044,483
Total fund balances	385,519	1,267	36,367	(3,833)	7,659	2,960	2,332	55,708	603,256	-	2,207,975
Total liabilities, deferred inflows of resources and fund balances	\$ 892,867	\$ 1,267	\$ 36,367	\$ 420,539	\$ 7,794	\$ 2,960	\$ 74,345	\$ 74,438	\$ 603,256	\$	\$ 3,833,077

CITY OF COTATI
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds											
	City Low	Moderate	Income	Housing	Gas Tax	Parks and Recreation	Park in Lieu	Community Service	MTC Street	Traffic Mitigation	Recycling	CDBG
Revenues:												
Intergovernmental												
Sales taxes	\$ -	\$ -	\$ 196,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,529	\$ -	\$ 5,000	\$ -
Fines and forfeitures												
Charges for services	46,569	1,986	-	1,650	-	59,826	-	-	-	1,250	-	-
Interest	-	30	67	5	-	1,744	-	-	1	459	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	46,569	2,016	196,496	1,655		61,570			51,530	1,709	5,000	
Expenditures:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Public works	22,062	-	-	-	-	-	-	-	-	3,573	5,000	-
Community development	-	590	-	-	-	-	-	19	-	-	-	-
Capital outlay	-	-	-	-	-	58,788	-	-	-	-	-	1,840
Total expenditures	22,062	680	-	-	-	58,788	19	19	-	3,573	5,000	1,840
Excess (deficiency) of revenues over (under) expenditures	24,507	1,336	196,496	1,655		2,782	(19)	(19)	51,530	(1,864)	-	(1,840)
Other financing sources (uses):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	3,343
Transfers out	(1,350)	-	(210,000)	-	-	-	-	-	(190,125)	-	-	-
Total other financing sources (uses)	(1,350)	-	(210,000)	-	-	-	-	-	(190,125)	-	-	3,343
Net change in fund balances	23,177	1,336	(13,504)	1,655		2,782	(19)	(19)	(138,595)	(1,864)	-	1,503
Fund balances, July 1	121,966	9,305	38,529	453		633,476	19	19	151,277	169,961	115,283	-
Fund balances, June 30	\$ 145,143	\$ 10,641	\$ 25,025	\$ 2,108		\$ 636,258	\$ -	\$ -	\$ 12,682	\$ 168,097	\$ 115,283	\$ 1,503

CITY OF COTATI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	Special Revenue										Capital Projects		Total Nonmajor Governmental Funds	
	Grant Fund	Police Volunteer	Public Safety	Asset Forfeiture	K-9 Program	Police Explorer	PEG	Vehicle Replacement	City Capital Projects					
Revenues:														
Intergovernmental	\$ 136,500	-	\$ 118,148	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 456,077
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	51,529
Fines and forfeitures	-	-	-	12,732	-	-	-	-	-	-	-	-	-	12,732
Charges for services	-	-	-	-	-	-	17,707	-	-	150,241	-	-	-	279,249
Interest	-	-	-	1,123	-	-	186	-	-	-	226	-	-	3,841
Miscellaneous	-	-	-	588	2,680	-	-	-	-	-	-	-	-	3,249
Total revenues	136,500	-	118,148	14,444	2,660	-	17,893	226	-	150,241	-	-	-	806,677
Expenditures:														
Current:														
Public safety	-	-	-	21,514	1,725	-	6,804	-	-	-	-	-	-	30,043
Public works	30,000	-	-	-	-	-	-	-	-	-	-	-	-	60,635
Community development	-	-	-	-	-	-	-	-	-	-	-	-	-	699
Capital outlay	286,664	-	-	42,920	-	-	74,292	153,261	-	-	-	-	-	617,765
Total expenditures	316,664	-	-	64,434	1,725	-	81,096	153,261	-	-	-	-	-	709,142
Excess (deficiency) of revenues over (under) expenditures	(180,164)	-	118,148	(49,990)	935	-	(63,203)	(153,035)	-	150,241	-	-	-	97,535
Other financing sources (uses):														
Transfers in	558,260	500	-	-	-	1,000	-	133,400	-	-	-	-	-	697,493
Transfers out	-	-	(100,000)	(15,000)	-	-	-	-	-	-	-	-	-	(516,475)
Total other financing sources (uses)	558,260	500	(100,000)	(15,000)	-	1,000	-	133,400	-	-	-	-	-	181,018
Net change in fund balances	379,096	500	18,148	(64,990)	935	1,000	(63,203)	(19,636)	-	150,241	-	-	-	278,553
Fund balances, July 1	6,433	767	18,219	61,157	6,724	1,980	65,535	75,343	-	453,015	-	-	-	1,928,422
Fund balances, June 30	\$ 385,519	\$ 1,267	\$ 36,367	\$ (3,833)	\$ 7,659	\$ 2,960	\$ 2,332	\$ 55,708	\$ -	\$ 603,256	\$ -	\$ -	\$ -	2,207,975