

CITY OF MENDOTA

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2008**

CITY OF MENDOTA

June 30, 2008

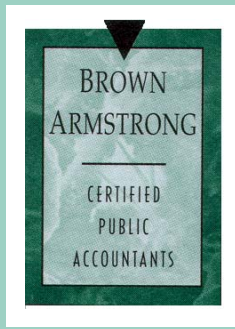
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Mendota, California

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mendota, California (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our 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, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008, on our consideration of the City's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 52 through 54, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
December 15, 2008

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

The management of the City of Mendota (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at close of the most recent fiscal year by \$14,462,536 (*net assets*). Of this amount, \$7,521,528 (unrestricted net assets) may be used to meet the City's ongoing obligation to citizens and creditors.
- The City's total net assets increased by \$785,225. Governmental activities increased the City's total net assets by \$715,443 and business-type activities increased by \$69,782.
- At June 30, 2008, the City's governmental funds reported combined ending fund balances of \$6,106,725, a decrease of \$91,306 in comparison with the prior year. Approximately 65 percent of this amount, \$3,941,245 is available to meet the City's current and future needs (unreserved fund balances).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$793,556 or 28 percent of the total general fund expenditures for the fiscal year.
- The City's total long-term debt decreased by \$262,868 in comparison with the prior year. The decrease resulted mainly from annual principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City included general government, public safety, municipal airport, highways and streets, sanitation, public works, building and planning, parks, and redevelopment and housing. The business-type activities of the City included water, sewer, refuse, and Mendota Joint Power Public Financing Authority.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

The City of Mendota Redevelopment Agency and Mendota Public Financing Authority, although legally separate, function for all practical purposes as departments of the City and, therefore, have been included as an integral part of the primary government. Separate financial statements of the Mendota Redevelopment Agency may be obtained from the City of Mendota, 643 Quince Street, Mendota, CA 93640.

The government-wide financial statements can be found on pages 17 through 19 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund finance statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, HOME Investment Partnership Program special revenue fund, Gas Tax special revenue fund, and RDA debt service fund. All of these are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22 and 25 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statement. The City uses enterprise funds to account for its water, sewer, sanitation and Public Financing Authority operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for its Public Financing Authority and for the water, sewer and sanitation operations, as all of these are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 26 to 28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 29 and 30 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Notes to the financial statements. The notes provide additional information that is essential to fully understand of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 to 50 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's infrastructure assets reported using the modified approach. The City adopts an annual appropriate budget for its general fund. Budgetary comparison statements have been provided for these three major funds to demonstrate compliance with this budget.

Required supplementary information can be found on pages 52 and 54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, and fiduciary funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 56 to 67.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$14,462,536 at June 30, 2008.

**City of Mendota
Condensed Statement of Net Assets
June 30, 2008 and 2007**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 7,514,087	\$ 7,444,055	\$ 4,037,581	\$ 6,472,303	\$ 11,551,668	\$ 13,916,358
Capital assets	4,559,147	3,561,509	13,042,466	10,755,866	17,601,613	14,317,375
Total assets	<u>\$ 12,073,234</u>	<u>\$ 11,005,564</u>	<u>\$ 17,080,047</u>	<u>\$ 17,228,169</u>	<u>\$ 29,153,281</u>	<u>\$ 28,233,733</u>
Long-term liabilities	6,644,560	6,693,381	504,954	518,534	7,149,514	7,211,915
Other liabilities	1,859,127	1,458,079	5,682,104	5,886,428	7,541,231	7,344,507
Total liabilities	<u>8,503,687</u>	<u>8,151,460</u>	<u>6,187,058</u>	<u>6,404,962</u>	<u>14,690,745</u>	<u>14,556,422</u>
Net assets:						
Invested in capital assets, net of related debt	(2,050,327)	(3,105,042)	7,950,308	8,076,562	5,899,981	4,971,520
Restricted	1,041,027	1,213,019	-	2,972,744	1,041,027	4,185,763
Unrestricted	4,578,847	4,746,127	2,942,681	(226,099)	7,521,528	4,520,028
Total net assets	<u>\$ 3,569,547</u>	<u>\$ 2,854,104</u>	<u>\$ 10,892,989</u>	<u>\$ 10,823,207</u>	<u>\$ 14,462,536</u>	<u>\$ 13,677,311</u>

The largest portion of the City's net assets of \$7,521,528 (52 percent) represents unrestricted net assets, which may be used to meet the City's ongoing obligations to citizens and creditors.

An additional portion of the City's net assets \$5,899,981 (41 percent) represents investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$1,041,027 (7 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net assets by \$715,443, accounting for 91 percent of the total growth in the net assets of the City of Mendota.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

**City of Mendota
Condensed Statement of Activities
For the Years Ended June 30, 2008 and 2007**

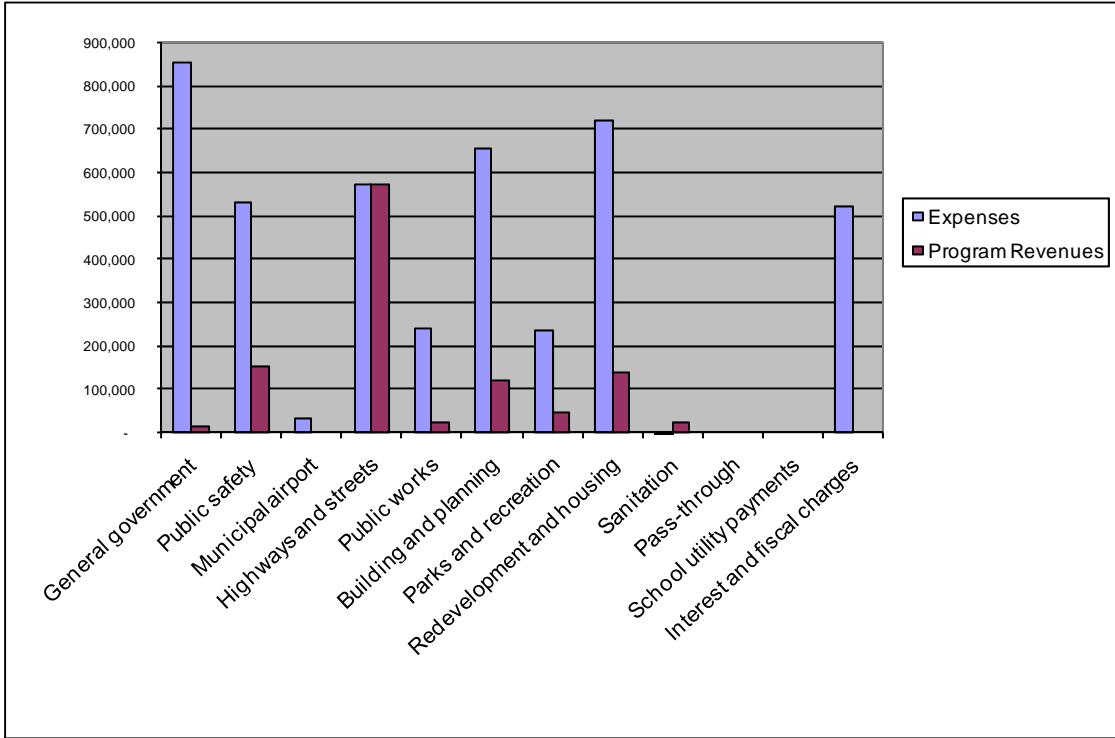
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 339,191	\$ 1,000,439	\$ 2,649,906	\$ 2,595,446	\$ 2,989,097	\$ 3,595,885
Operating grants and contributions	750,945	913,206	-	-	750,945	913,206
Capital grants and contributions	-	235,814	578,785	1,733,815	578,785	1,969,629
General revenues:						
Property taxes	1,160,010	1,042,160	-	-	1,160,010	1,042,160
Sales tax	541,933	408,098	-	-	541,933	408,098
Franchise taxes	104,734	74,981	-	-	104,734	74,981
Other taxes	133,174	95,431	-	-	133,174	95,431
Motor vehicle in-lieu	655,539	702,504	-	-	655,539	702,504
Earnings on investments	350,261	235,716	192,445	267,861	542,706	503,577
Miscellaneous	1,040,646	352,768	32,625	108,160	1,073,271	460,928
Total revenues	5,076,433	5,061,117	3,453,761	4,705,282	8,530,194	9,766,399
Expenses:						
General government	852,099	503,846	-	-	852,099	503,846
Public safety	528,589	413,444	-	-	528,589	413,444
Municipal airport	30,472	34,563	-	-	30,472	34,563
Highways and streets	573,358	523,565	-	-	573,358	523,565
Public works	240,838	185,998	-	-	240,838	185,998
Building and planning	654,638	478,781	-	-	654,638	478,781
Parks and recreation	236,132	223,063	-	-	236,132	223,063
Redevelopment and housing	721,559	162,417	-	-	721,559	162,417
Sanitation	17	5,569	-	-	17	5,569
Pass-through	-	105,648	-	-	-	105,648
School utility payments	-	283,720	-	-	-	283,720
Interest and fiscal charges	523,288	541,875	-	-	523,288	541,875
Water	-	-	1,398,611	1,169,012	1,398,611	1,169,012
Sewer	-	-	1,343,246	1,131,782	1,343,246	1,131,782
Refuse	-	-	610,961	570,403	610,961	570,403
Mendota Joint Power Financing Authority	-	-	31,161	47,461	31,161	47,461
Total expenses	4,360,990	3,462,489	3,383,979	2,918,658	7,744,969	6,381,147
Increase in net assets before transfers	715,443	1,598,628	69,782	1,786,624	785,225	3,385,252
Transfers	-	(564,028)	-	564,028	-	-
Increase in net assets	715,443	1,034,600	69,782	2,350,652	785,225	3,385,252
Net assets - beginning	2,854,104	1,160,170	10,823,207	8,472,555	13,677,311	9,632,725
Prior period adjustments	-	659,334	-	-	-	659,334
Net assets - ending	\$ 3,569,547	\$ 2,854,104	\$ 10,892,989	\$ 10,823,207	\$ 14,462,536	\$ 13,677,311

Key elements of the increase/decrease in revenue for governmental activities are as follows:

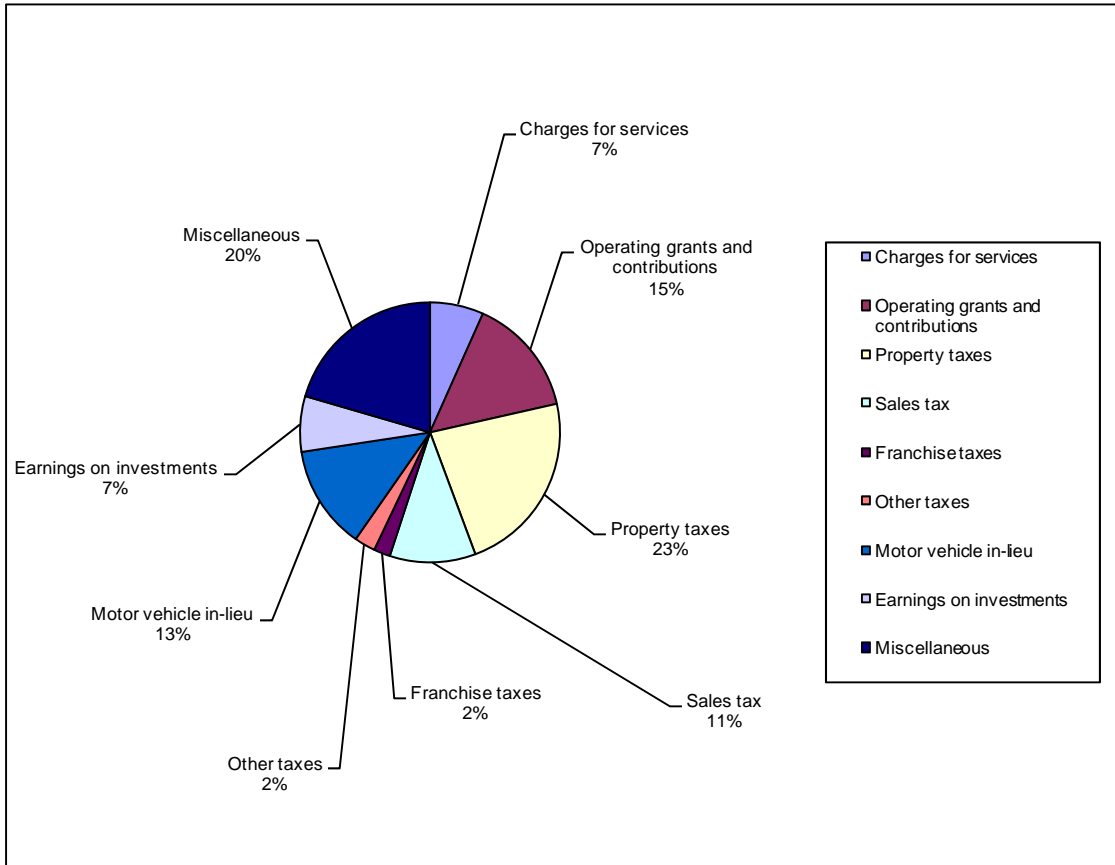
- Charges for services for governmental activities decreased by \$661,248 or 66 percent. The decrease due to the following:
 - \$64,540 of the decrease is due to the less collection of impact fees from developers.
 - The City has expended and received \$197,903 CDBG grant from the County of Fresno for the 7th Street Improvement project in prior year.
 - \$117,291 of the decrease is due to less revenues coming in for building permits and licenses
 - \$197,903 of the decrease is due to Measure C funding in prior year.
- Operating grants and contributions for governmental activities decreased by \$162,261 or 18 percent. The decrease was primarily due to there are several grants have expired at the end of fiscal year 2007.
- Miscellaneous revenues increased by \$687,878 or 195 percent. The increase was primarily due to the City receiving \$333,775 from Work Force Housing for renovations of the City Hall and \$423,446 from Prop 1B for street improvements in the current fiscal year and no such revenue in fiscal year 2007.
- Capital grants and contributions decreased \$235,814 or 100% due to City not receiving any capital grants during fiscal year 2008.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Key elements of the increase/decrease in expenses for governmental activities are as follows:

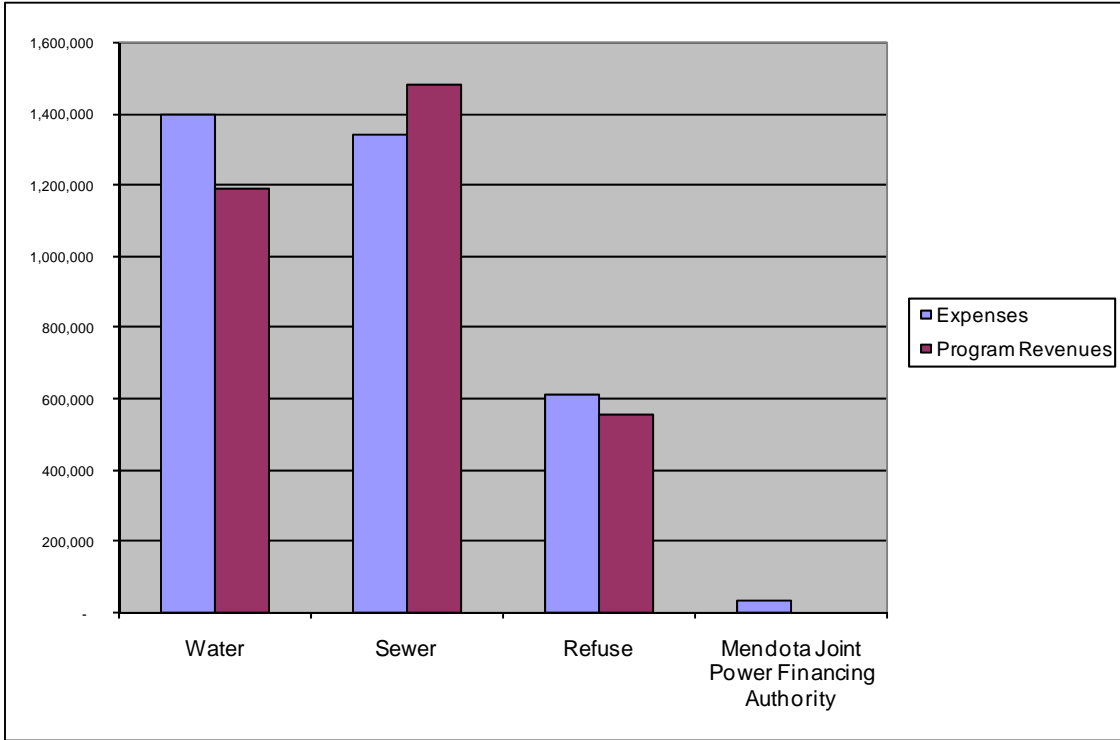
- Redevelopment and housing expense increased by \$559,142 or 344 percent. The increase was due to the following:
 - Increase in activities in the First-time Home Buyer program of \$310,406.
- Public safety expenses increased by \$115,145 or 28 percent. The increase was primarily due to the City having contract services for fire services in fiscal year 2008; however, there was no similar contract in fiscal year 2007.
- Building and planning expenses increased by \$175,857 or 37 percent. The increase was due to the City performing the building, planning and permits functions in-house versus outsourcing as in prior year. In addition, the increase is due to legal services, engineering and contractual expenses incurred for the new construction projects.
- School utility payments decreased by \$73,795 or 26 percent. The decrease was primarily due to the decrease in usage of the utilities in current fiscal year.

Business-type activities. Business-type activities increased the City's net assets by \$69,782, accounting for 9 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

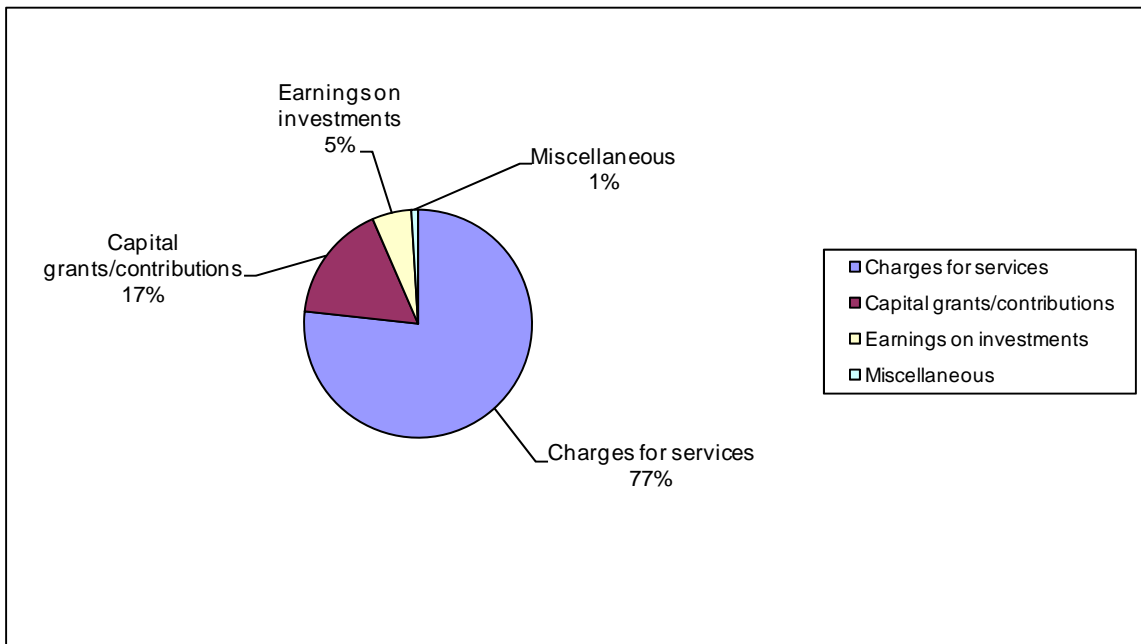
- Capital grants and contributions decreased by \$1,155,030 or 67 percent. The decreased was due to the City receiving \$1,303,423 contribution from the Federal Bureau of Prisons for it's share of the prison water and sewer project in fiscal year 2007.
- Water expense increased by \$229,599 or 20% due to services provided to the new federal prison in the City.
- Sewer expenses increased by \$211,464 or 19 percent from prior year. The increase was due to the following:
 - \$128,857 of the increase is due to the engineering fees incurred for the 27 acres wastewater treatment plant emergency.
 - \$16,630 of the increase is due to increase in salaries.
 - \$77,906 of the increase is due to depreciation expense recorded on the new sewer plant.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Expenses and Program Revenue – Business-Type Activities



Expenses and Program Revenue – Business-Type Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

FINANCIAL ANALYSIS OF CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,106,725, a decrease of \$91,306 in comparison with the prior year. Of this total amount \$1,852,274 is reserved to indicate that it is not available for appropriation because it had already been committed for various purposes. The unreserved fund balance of \$4,254,451 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At June 30, 2008, the unreserved fund balance of the General Fund was \$793,556, while total fund balance was \$854,876. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. At June 30, 2008, unreserved fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 13 percent of that same amount.

The fund balance of the City's General Fund increased by \$70,641 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year.

**Revenue by Source
GENERAL FUND**

	FY 2008		FY 2007		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes	\$ 920,628	41.57%	\$ 794,579	37.04%	\$ 126,049	178.44%
Licenses and permits	123,371	5.57%	276,735	12.90%	(153,364)	-217.10%
Intergovernmental	655,539	29.59%	702,022	32.73%	(46,483)	-65.80%
Charges for services	62,923	2.84%	60,945	2.84%	1,978	2.80%
Fines	8,940	0.40%	17,328	0.81%	(8,388)	-11.87%
Revenue from the use of money and property	53,831	2.43%	46,097	2.15%	7,734	10.95%
Miscellaneous	390,331	17.62%	68,693	3.20%	321,638	455.31%
Proceeds from capital lease	-	0.00%	178,523	8.32%	(178,523)	-252.72%
Total	\$ 2,215,563	100.00%	\$ 2,144,922	100.00%	\$ 70,641	100.00%

- Taxes increased by \$126,049 or 16 percent. The increase was primarily due to the City receiving an increased amount in teeter funds from the County.
- Intergovernmental decreased by \$46,483 or 7 percent. The decrease was primarily due to the following:
 - City has received \$516,301 VLF swap in prior fiscal year and no such revenue in fiscal year 2008.
 - There are several grants have expired at the end of fiscal year 2007.
 - Proceeds from capital lease of \$178,523 was received in prior year and no such proceeds in fiscal year 2008.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

The following provides an explanation of expenditures by function that charged significantly over the prior year:

**Expenditures by Function
GENERAL FUND**

	FY 2008		FY 2007		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	\$ 462,594	16.39%	\$ 492,674	24.94%	\$ (30,080)	-3.55%
Public safety	418,188	14.82%	295,894	14.98%	122,294	14.45%
Sanitation	-	0.00%	292	0.01%	(292)	-0.03%
Public works	84,549	3.00%	49,642	2.51%	34,907	4.12%
Building and planning	654,638	23.20%	478,781	24.23%	175,857	20.77%
Parks and recreation	216,648	7.68%	201,949	10.22%	14,699	1.74%
Capital outlay	914,103	32.39%	384,974	19.49%	529,129	62.51%
Debt Service	71,378	2.53%	71,378	3.61%	-	0.00%
Total	\$ 2,822,098	100.00%	\$ 1,975,584	100.00%	\$ 846,514	100.00%

- Public safety increased by \$122,294 or 14 percent. The increase was primarily due to the City having contract services for fire services in fiscal year 2008; however, there was no similar contract in fiscal year 2007.
- Building and planning increased by \$175,857 or 21 percent. The increase was due to the City performing the building, planning and permits functions in-house versus outsourcing as in prior year. In addition, the increase is due to legal service, engineering and contractual expenses incurred for the new construction projects.
- Capital outlay increased by \$529,129 or 63 percent. The increase was primarily due to the City completed construction of the new DMV building and EDD building.

The Home Investment Partnership Program Special Revenue Fund has a total fund balance of (\$8,214), all of which is unreserved. The net decrease in fund balance during the current year was \$8,327. This decrease in fund balance is due to increased spending in redevelopment and housing. It increased from \$3,487 in the prior year to \$8,354 in the current year, for a net change of \$4,867 or 140%.

The RDA Debt Service Fund has a total fund balance of \$20,355, of which \$366,515 is reserved for restricted cash and the remaining amount is unreserved. The net increase in fund balance during the current year was \$397,947. The following were factors to the increase in fund balance:

- Property taxes increased by \$193,132 or 23%
- Interest expense decreased by \$265,779 or 50%
- School utility payments decreased by \$265,779 or 26%

The Gas Tax Special Revenue Fund has a total fund balance of \$902,428, all of which is unreserved. The net increase in fund balance during the current year was \$338,379. The increase in fund balance was due to the receipt of Prop 1B funding of \$400,000 during the year.

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 already been addressed in the discussion of Government-Wide Financial Analysis of business-type activities.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, actual expenditures were \$722,593 higher than the final budgetary appropriations. The expenditure variances are primarily due to several unforeseeable expenditures incurred in the current fiscal year.

During the year, actual revenues were \$376,031 higher than the final budgetary estimates. While taxes, license and permits, fines, intergovernmental, charges for services, and miscellaneous revenue exceeded their estimates, revenue from the use of money and property is lower than estimated.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital assets. The City's investment in capital assets of its governmental and business-type activities as of June 30, 2008, amounts to \$17,601,613 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, building and improvements, and equipment. Total increase in the City's investments in capital assets for the current year is 22.94 percent.

City of Mendota's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 149,585	\$ 149,585	\$ 1,979,597	\$ 1,979,598	\$ 2,129,182	\$ 2,129,183
Construction in progress	987,349	203,754	-	648,797	987,349	852,551
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	1,429,569	1,429,569	3,167,729	2,518,932	4,597,298	3,948,501
Land improvements	1,381,364	1,367,068	-	-	1,381,364	1,367,068
Buildings and improvements	927,029	660,422	9,907,690	7,322,034	10,834,719	7,982,456
Equipment	1,072,699	942,041	2,303,816	2,155,034	3,376,515	3,097,075
Less: accumulated depreciation	<u>(1,388,448)</u>	<u>(1,190,930)</u>	<u>(4,377,791)</u>	<u>(3,929,954)</u>	<u>(5,766,239)</u>	<u>(5,120,884)</u>
Tota capital assets	<u>\$ 4,559,147</u>	<u>\$ 3,561,509</u>	<u>\$ 13,042,466</u>	<u>\$ 10,755,866</u>	<u>\$ 17,601,613</u>	<u>\$ 14,317,375</u>

This year's major additions included:

• Rojas-Pierce Park Project	\$ 904,194
• EDD Building	18,665
• Sidewalk	14,296
• Wells	36,500
• Prison Water Line Extension	20,500
• Sewer Interceptor and Lift Station	2,593,100
• Module for DMV	133,744
• City Hall Building Improvements	31,232
• Equipment and Vehicles	<u>177,363</u>
	<u>\$ 3,929,594</u>

For further information see Note 5 of the financial statements on pages 43 and 44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$12,326,664. Of this amount, \$6,644,560 is the liability of governmental activities and \$5,682,104 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue bonds payable	\$ 6,550,000	\$ 6,550,000	\$ 3,943,618	\$ 3,988,938	\$ 10,493,618	\$ 10,538,938
Loans payable	-	-	1,707,000	1,867,471	1,707,000	1,867,471
Capital leases	59,474	116,551	-	-	59,474	116,551
	<u>\$ 6,609,474</u>	<u>\$ 6,666,551</u>	<u>\$ 5,650,618</u>	<u>\$ 5,856,409</u>	<u>\$ 12,260,092</u>	<u>\$ 12,522,960</u>

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 45 to 47 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

ECONOMIC FACTORS AND NEXT FIVE YEARS' BUDGET AND RATES

In preparing the budget for the next fiscal year the following factors were taken into consideration:

- Employee salary adjustments of 2.5 percent
- Health care adjustments of less than 10 percent
- Increased in retirement costs of 5 percent.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the City's finances for those with an interest in this area. Any questions concerning the information found in this report or requests for additional information should be directed to the Director of Finance, City of Mendota, 643 Quince Street, Mendota, CA 93640.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF MENDOTA

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	Activities	Activities	
<u>Assets</u>			
Cash and cash equivalents	\$ 6,397,913	\$ 2,762,034	\$ 9,159,947
Receivables	1,088,264	331,389	1,419,653
Prepaid expenses	10,594	1,415	12,009
Internal balances	(349,199)	349,199	-
Restricted assets:			
Cash and cash equivalents	366,515	518,066	884,581
Unamortized costs of issuance	-	75,478	75,478
Capital assets:			
Non-depreciable	1,136,934	2,041,022	3,177,956
Depreciable (Net)	<u>3,422,213</u>	<u>11,001,444</u>	<u>14,423,657</u>
 Total assets	 <u>12,073,234</u>	 <u>17,080,047</u>	 <u>29,153,281</u>
<u>Liabilities</u>			
Accounts payable	662,074	221,889	883,963
Deposits	5,000	116,090	121,090
Deferred revenue	5,318	-	5,318
Accrued interest	1,186,735	166,975	1,353,710
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	24,104	26,028	50,132
Revenue bonds payable	815,000	50,000	865,000
Loans payable	-	148,499	148,499
Capital leases payable	59,474	-	59,474
Portion due or payable after one year:			
Compensated absences payable	10,982	5,458	16,440
Revenue bonds payable	5,735,000	3,893,618	9,628,618
Loans payable	<u>-</u>	<u>1,558,501</u>	<u>1,558,501</u>
 Total liabilities	 <u>8,503,687</u>	 <u>6,187,058</u>	 <u>14,690,745</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	(2,050,327)	7,950,308	5,899,981
Restricted for:			
Low and moderate income housing	1,041,027	-	1,041,027
Unrestricted	<u>4,578,847</u>	<u>2,942,681</u>	<u>7,521,528</u>
 Total net assets	 <u>\$ 3,569,547</u>	 <u>\$ 10,892,989</u>	 <u>\$ 14,462,536</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MENDOTA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 852,099	\$ 13,849	\$ -	\$ -
Public safety	528,589	53,639	100,000	-
Municipal airport	30,472	-	-	-
Highways and streets	573,358	14,553	558,096	-
Public works	240,838	22,887	-	-
Building and planning	654,638	120,712	-	-
Parks	236,132	45,664	-	-
Redevelopment and housing	721,559	43,495	92,849	-
Sanitation	17	24,392	-	-
Interest and fiscal charges	523,288	-	-	-
Total governmental activities	4,360,990	339,191	750,945	-
Business-Type Activities:				
Water	1,398,611	1,104,036	-	87,029
Sewer	1,343,246	987,742	-	491,756
Refuse	610,961	558,128	-	-
Mendota Joint Power Financing Authority	31,161	-	-	-
Total business-type activities	3,383,979	2,649,906	-	578,785
Total City of Mendota	\$ 7,744,969	\$ 2,989,097	\$ 750,945	\$ 578,785

General revenues:

Taxes:

Property taxes

Sales tax

Franchise taxes

Other taxes

Motor vehicle in-lieu

Earnings on investments

Miscellaneous

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (838,250)	\$ -	\$ (838,250)
(374,950)	-	(374,950)
(30,472)	-	(30,472)
(709)	-	(709)
(217,951)	-	(217,951)
(533,926)	-	(533,926)
(190,468)	-	(190,468)
(585,215)	-	(585,215)
24,375	-	24,375
<u>(523,288)</u>	<u>-</u>	<u>(523,288)</u>
<u>(3,270,854)</u>	<u>-</u>	<u>(3,270,854)</u>
-	(207,546)	(207,546)
-	136,252	136,252
-	(52,833)	(52,833)
<u>-</u>	<u>(31,161)</u>	<u>(31,161)</u>
<u>-</u>	<u>(155,288)</u>	<u>(155,288)</u>
<u>(3,270,854)</u>	<u>(155,288)</u>	<u>(3,426,142)</u>
1,160,010	-	1,160,010
541,933	-	541,933
104,734	-	104,734
133,174	-	133,174
655,539	-	655,539
350,261	192,445	542,706
<u>1,040,646</u>	<u>32,625</u>	<u>1,073,271</u>
<u>3,986,297</u>	<u>225,070</u>	<u>4,211,367</u>
715,443	69,782	785,225
<u>2,854,104</u>	<u>10,823,207</u>	<u>13,677,311</u>
<u>\$ 3,569,547</u>	<u>\$ 10,892,989</u>	<u>\$ 14,462,536</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF MENDOTA

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2008

	General	HOME Investment Partnership Program	Gas Tax Special Revenue Fund	RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash and cash equivalents	\$ 1,125,574	\$ 1	\$ 833,537	\$ 1	\$ 4,438,800	\$ 6,397,913
Receivables	77,242	549,979	68,891	3,139	389,013	1,088,264
Due from other funds	388,022	-	-	-	53,309	441,331
Prepaid expenses	4,554	-	-	-	6,040	10,594
Restricted assets:						
Cash and cash equivalents	-	-	-	366,515	-	366,515
 Total assets	<u>\$ 1,595,392</u>	<u>\$ 549,980</u>	<u>\$ 902,428</u>	<u>\$ 369,655</u>	<u>\$ 4,887,162</u>	<u>\$ 8,304,617</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 583,849	\$ -	\$ 6,483	\$ 991	\$ 70,751	\$ 662,074
Deposits	5,000	-	-	-	-	5,000
Due to other funds	-	8,219	-	53,309	212,335	273,863
Advances from other funds	151,667	-	-	295,000	70,000	516,667
Deferred revenue	-	549,975	-	-	190,313	740,288
 Total liabilities	<u>740,516</u>	<u>558,194</u>	<u>6,483</u>	<u>349,300</u>	<u>543,399</u>	<u>2,197,892</u>
Fund balances:						
Reserved for:						
Capital improvements	61,320	-	-	-	696,618	757,938
Low and moderate income housing	-	-	-	-	1,041,027	1,041,027
Restricted cash	-	-	-	366,515	-	366,515
Unreserved:						
General fund	793,556	-	-	-	-	793,556
Special revenue funds	-	(8,214)	895,945	-	1,744,228	2,631,959
Debt service funds	-	-	-	(346,160)	(140,595)	(486,755)
Capital projects funds	-	-	-	-	1,002,485	1,002,485
 Total fund balances	<u>854,876</u>	<u>(8,214)</u>	<u>895,945</u>	<u>20,355</u>	<u>4,343,763</u>	<u>6,106,725</u>
 Total liabilities and fund balances	<u>\$ 1,595,392</u>	<u>\$ 549,980</u>	<u>\$ 902,428</u>	<u>\$ 369,655</u>	<u>\$ 4,887,162</u>	<u>\$ 8,304,617</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MENDOTA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

June 30, 2008

Total Fund Balances - Governmental Funds	\$ 6,106,725
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$5,947,595 and the accumulated depreciation is \$1,388,448.	4,559,147
Long-term receivables were not current available resources and, therefore, were offset by a deferred revenue amount equal to the net receivable in the governmental funds.	734,975
To recognize accrued interest at year-end.	(1,186,740)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Revenue bonds	\$ (6,550,000)
Capital leases payable	(59,474)
Compensated absences	<u>(35,086)</u>
	<u>(6,644,560)</u>
Total net assets - governmental activities	<u>\$ 3,569,547</u>

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2008

	General	HOME Investment Partnership Program	Gas Tax Special Revenue Fund	RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 920,628	\$ -	\$ -	\$ 1,019,223	\$ 535,179	\$ 2,475,030
Licenses and permits	123,371	-	-	-	143,957	267,328
Intergovernmental	655,539	-	167,227	-	100,000	922,766
Charges for services	62,923	-	-	-	-	62,923
Fines	8,940	-	-	-	-	8,940
Revenue from the use of money and property	53,831	27	17,241	33,840	193,855	298,794
Miscellaneous	390,331	-	424,283	-	15,907	830,521
Total revenues	2,215,563	27	608,751	1,053,063	988,898	4,866,302
Expenditures:						
Current:						
General government	462,594	-	-	-	-	462,594
Public safety	418,188	-	-	-	100,000	518,188
Municipal airport	-	-	-	-	11,787	11,787
Highways and streets	-	-	256,076	-	293,954	550,030
Public works	84,549	-	-	-	36,262	120,811
Building and planning	654,638	-	-	-	-	654,638
Parks and recreation	216,648	-	-	-	-	216,648
Redevelopment and housing	-	8,354	-	40,903	672,384	721,641
RDA Pass-through	-	-	-	145,038	-	145,038
School utility payments	-	-	-	209,925	-	209,925
Capital outlay	914,103	-	14,296	-	287,386	1,215,785
Debt service:						
Principal	57,077	-	-	-	-	57,077
Interest	14,301	-	-	265,330	3,950	283,581
Total expenditures	2,822,098	8,354	270,372	661,196	1,405,723	5,167,743
Excess (deficiency) of revenues over (under) expenditures	(606,535)	(8,327)	338,379	391,867	(416,825)	(301,441)
Other financing sources (uses):						
Other sources income	210	-	-	209,925	-	210,135
Transfers in	-	-	-	-	203,845	203,845
Transfers out	-	-	-	(203,845)	-	(203,845)
Total other financing sources (uses)	210	-	-	6,080	203,845	210,135
Net change in fund balance	(606,325)	(8,327)	338,379	397,947	(212,980)	(91,306)
Fund balances, July 1, 2007	1,461,201	113	557,566	(377,592)	4,556,743	6,198,031
Fund balances, June 30, 2008	\$ 854,876	\$ (8,214)	\$ 895,945	\$ 20,355	\$ 4,343,763	\$ 6,106,725

The notes to the financial statements are an integral part of this statement.

CITY OF MENDOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2008

Total net change in fund balances - governmental funds \$ (91,306)

Capital outlays are reported in governmental funds 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 depreciation expense (\$197,518) exceeds additions to capital outlay of \$1,195,156 in the current period.

997,638

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.

57,077

In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid).

(8,256)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(239,710)

Changes in net assets of governmental activities

\$ 715,443

CITY OF MENDOTA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008**

	Business-Type Activities -- Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,733,655	\$ 1,028,379	\$ -	\$ -	\$ 2,762,034
Accounts receivable, net	165,657	57,810	98,516	-	321,983
Interest receivable	4,867	4,539	-	-	9,406
Advances to other funds	-	-	151,667	596,650	748,317
Prepaid expenses	1,157	258	-	-	1,415
Total current assets	1,905,336	1,090,986	250,183	596,650	3,843,155
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	378,889	-	139,177	518,066
Unamortized costs of issuance	-	75,478	-	-	75,478
Capital assets:					
Non-depreciable	15,859	2,025,163	-	-	2,041,022
Depreciable (Net)	6,686,998	4,314,446	-	-	11,001,444
Total noncurrent assets	6,702,857	6,793,976	-	139,177	13,636,010
Total assets	8,608,193	7,884,962	250,183	735,827	17,479,165
Liabilities					
Current liabilities:					
Accounts payable	120,089	58,613	43,187	-	221,889
Deposits	116,090	-	-	-	116,090
Due to other funds	-	-	120,229	47,239	167,468
Accrued interest	19,733	134,326	-	12,916	166,975
Compensated absences payable	11,109	10,930	3,989	-	26,028
Revenue bonds payable	-	25,000	-	25,000	50,000
Loans payable	28,000	120,499	-	-	148,499
Total current liabilities	295,021	349,368	167,405	85,155	896,949
Noncurrent liabilities:					
Advances from other funds	231,650	-	-	-	231,650
Compensated absences payable	4,448	2,324	(1,314)	-	5,458
Revenue bonds payable	-	3,518,618	-	375,000	3,893,618
Loans payable	849,000	709,501	-	-	1,558,501
Total noncurrent liabilities	1,085,098	4,230,443	(1,314)	375,000	5,689,227
Total liabilities	1,380,119	4,579,811	166,091	460,155	6,586,176
Net Assets					
Invested in capital assets, net of related debt	5,594,207	2,356,101	-	-	7,950,308
Restricted for:					
Debt service	-	-	-	-	-
Capital improvements	-	-	-	-	-
Unrestricted	1,633,867	949,050	84,092	275,672	2,942,681
Total net assets	\$ 7,228,074	\$ 3,305,151	\$ 84,092	\$ 275,672	\$ 10,892,989

The notes to the financial statements are an integral part of this statement.

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2008**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Operating revenues:					
Charges for services	\$ 1,104,036	\$ 987,742	\$ 558,128	\$ -	\$ 2,649,906
Miscellaneous	13,917	-	5,000	-	18,917
Total operating revenues	<u>1,117,953</u>	<u>987,742</u>	<u>563,128</u>	<u>-</u>	<u>2,668,823</u>
Operating expenses:					
Wages and benefits	308,564	229,899	85,374	-	623,837
Maintenance and supplies	768,227	691,126	525,402	-	1,984,755
Depreciation	267,354	180,483	-	-	447,837
Amortization	-	7,475	-	-	7,475
Bad debt	3,101	1,333	185	-	4,619
Total operating expenses	<u>1,347,246</u>	<u>1,110,316</u>	<u>610,961</u>	<u>-</u>	<u>3,068,523</u>
Operating income	<u>(229,293)</u>	<u>(122,574)</u>	<u>(47,833)</u>	<u>-</u>	<u>(399,700)</u>
Non-operating revenue (expenses):					
Interest income	53,646	100,585	9,406	42,516	206,153
Interest expense	(51,365)	(232,930)	-	(31,161)	(315,456)
Total non-operating revenues (expenses)	<u>2,281</u>	<u>(132,345)</u>	<u>9,406</u>	<u>11,355</u>	<u>(109,303)</u>
Income before contributions and transfers	<u>(227,012)</u>	<u>(254,919)</u>	<u>(38,427)</u>	<u>11,355</u>	<u>(509,003)</u>
Capital contributions	<u>87,029</u>	<u>491,756</u>	<u>-</u>	<u>-</u>	<u>578,785</u>
Changes in net assets	<u>(139,983)</u>	<u>236,837</u>	<u>(38,427)</u>	<u>11,355</u>	<u>69,782</u>
Net assets, July 1, 2007	<u>7,368,057</u>	<u>3,068,314</u>	<u>122,519</u>	<u>264,317</u>	<u>10,823,207</u>
Net assets, June 30, 2008	<u>\$ 7,228,074</u>	<u>\$ 3,305,151</u>	<u>\$ 84,092</u>	<u>\$ 275,672</u>	<u>\$ 10,892,989</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MENDOTA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Cash flow from operating activities:					
Cash received from customers	\$ 1,111,007	\$ 1,007,314	\$ 550,099	\$ -	\$ 2,668,420
Cash payments to employees	(306,935)	(230,522)	(84,913)	-	(622,370)
Cash payments to suppliers	(787,752)	(670,011)	(553,199)	-	(2,010,962)
Other operating cash receipts	16,502	-	5,000	-	21,502
Net cash provided (used) by operating activities	32,822	106,781	(83,013)	-	56,590
Cash flow from non-capital financing activities:					
Operating transfers from (to) other funds	(12,300)	-	73,607	56,739	118,046
Net cash provided (used) by financing activities	(12,300)	-	73,607	56,739	118,046
Cash flow from capital and related financing activities:					
Cash received from capital grants	4,938	425,608	-	-	430,546
Cash received from developers	117,034	66,148	-	-	183,182
Principal and interest paid	(78,972)	(378,836)	-	(56,969)	(514,777)
Acquisition or construction of capital assets	-	(2,769,380)	-	-	(2,769,380)
Net cash provided (used) by financing activities	43,000	(2,656,460)	-	(56,969)	(2,670,429)
Cash flow from investing activities:					
Interest and dividends on investments	53,646	100,524	9,406	42,516	206,092
Net cash provided (used) by investing activities	53,646	100,524	9,406	42,516	206,092
Net increase (decrease) in cash	117,168	(2,449,155)	-	42,286	(2,289,701)
Cash and cash equivalents at, July 1, 2007	1,616,487	3,856,423	-	96,891	5,569,801
Cash and cash equivalents at June 30, 2008	\$ 1,733,655	\$ 1,407,268	\$ -	\$ 139,177	\$ 3,280,100

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities**

Operating income (loss)	\$ (229,293)	\$ (122,574)	\$ (47,833)	\$ -	\$ (399,700)
<i>Adjustments to reconcile operating income (loss) to net cash used by operating activities:</i>					
Depreciation	267,354	180,483	-	-	447,837
Amortization		7,475			7,475
<i>Change in assets and liabilities:</i>					
Decrease (increase) in receivables	(1,568)	20,905	(7,844)	-	11,493
Decrease (increase) in prepaid	(1,157)	(258)	14,166	-	12,751
Increase (decrease) in accounts payable	(18,368)	21,373	(41,963)	-	(38,958)
Increase (decrease) in compensated absences	1,629	(623)	461	-	1,467
Increase (decrease) in deposits and liabilities	14,225	-	-	-	14,225
Net cash provided (used) by operating activities	\$ 32,822	\$ 106,781	\$ (83,013)	\$ -	\$ 56,590

The notes to the financial statements are an integral part of this statement.

CITY OF MENDOTA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2008

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 793,335	\$ -	\$ 793,335
Accounts receivable	<u>-</u>	<u>98,299</u>	<u>98,299</u>
Total assets	<u>793,335</u>	<u>98,299</u>	<u>891,634</u>
<u>Liabilities</u>			
Cash overdraft	<u>-</u>	<u>98,299</u>	<u>98,299</u>
Total liabilities	<u>-</u>	<u>98,299</u>	<u>98,299</u>
<u>Net assets</u>	<u>\$ 793,335</u>	<u>\$ -</u>	<u>\$ 793,335</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MENDOTA

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended June 30, 2008

	<u>Pension Trust Fund</u>
Additions:	
Interest	\$ (30,643)
Employer contributions	29,197
Employee contributions	<u>38,041</u>
 Total revenues	 <u>36,595</u>
Deductions:	
Current:	
Plan fees	(65)
Forfeitures and withdrawals	<u>73,374</u>
 Total expenditures	 <u>73,309</u>
 Excess (deficiency) of revenues over (under) expenditures	 (36,714)
 Net assets, July 1, 2007	 <u>830,049</u>
 Net assets, June 30, 2008	 <u><u>\$ 793,335</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of City of Mendota (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting principles are described below.

Reporting Entity

The City was incorporated in 1942 as a general law city of the State of California and, as such, can exercise the powers specified by the constitution and laws of the State of California. The City is governed by an elected five-member City Council under the administration of an appointed City Manager. The City provides the following services: public safety; community services; planning and zoning; street construction and maintenance; water; refuse collection and disposal; sewer; street cleaning and general administrative services.

As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government’s operations. Further, the City Council has significant influence over the operations of the component units and data from these units are combined with data of the primary government. The blended component units have a June 30 year-end.

Blended Component Units

Mendota Redevelopment Agency (the “Agency”): The Agency was established by the Mendota City Council to handle the City’s redevelopment activities. The City Council at that time established itself as the Agency Board and appointed the City Manager as the Agency’s Executive Director. City staff provides support services and charges these services back to the Agency on a revenue/expenditure basis. The annual budget is approved by the City Council sitting as the Agency Board. The City is not obligated for any of the Agency’s debt. Separate financial statements of the Mendota Redevelopment Agency may be obtained from the City of Mendota, 643 Quince Street, Mendota, CA 93640.

Mendota Joint Powers Financing Authority (the “Authority”): The Authority was established by the Mendota City Council to facilitate the issuance of the City’s debt. The activity of the Mendota Joint Powers Financing Authority is reported in these financial statements as an enterprise fund.

Basis of Presentation

Management’s Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

HOME Investment Partnership Program Special Revenue Fund: This fund is used to account for grant funds received from the Federal Government for the purpose of developing viable urban communities and for the City's rehabilitation program

RDA Debt Service Fund: This fund is used to account for the Redevelopment Agency and fiscal agent's accumulation of resources for the payment of the Agency's long-term debt.

Gas Tax Special Revenue Fund: This fund is used to account for the revenue from the off-highway users fees since the fee can only be used for off-road facilities.

The City reports the following major enterprise funds:

Water Fund: This fund is used to account for the activities of the City's water distribution operations.

Sewer Fund: This fund is used to account for the activities of the City's wastewater utility.

Sanitation Fund: This fund is used to account for the activities of the City's sanitation services.

Mendota Joint Power Financing Authority Fund: This fund is used to account for the 1989 Series A Revenue Bonds which were issued to provide funds for the acquisition of various obligations of the City of Mendota and the Mendota Redevelopment Agency and to finance certain public projects located within the City and various redevelopment projects located in the Project Area.

The City reports the following fiduciary fund types:

Agency Funds: These funds are used to account for assets that the City holds on behalf of others as their agent.

Pension Trust Funds: These funds are used to account for the City's pension plan.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, as well as compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Assets, Liabilities and Equity

Cash and Cash Equivalents

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. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

Restricted Assets

Certain proceeds of general obligation debt and enterprise debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. "Cash with Fiscal Agent" is used to report resources set aside for potential deficiencies in the repayment ability of the debt service fund and enterprise funds, and for payment of construction projects undertaken by the City.

Interfund Transactions

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 noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Inventories

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g. roads, sidewalks, traffic lights and signals, street lights and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

City's policy has set the capitalization threshold for reporting capital assets as follows:

Capital Assets	Minimum Threshold
Land	\$ 100,000
Land improvements	\$ 5,000
Buildings	\$ 100,000
Building improvements	\$ 5,000
Vehicles	\$ 5,000
Equipment/machinery	\$ 5,000
Infrastructure	\$ 100,000
Utility systems	\$ 100,000
Information technology equipment	\$ 5,000

For capital assets, depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Capital Assets	Useful Life
Land improvements	10-20 years
Buildings	25-40 years
Building improvements	25-40 years
Vehicles	5-10 years
Equipment/machinery	5-10 years
Infrastructure	20-40 years
Utility systems	25-40 years
Information technology equipment	3-5 years

The City has decided not to capitalize general infrastructure assets retroactively as allowed under paragraph 148 of GASB Statement No. 34.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2008.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the fund financial statements, proprietary fund types recognize the interest payable when the liability is incurred.

Deferred Revenue

In the government-wide financial statement, deferred revenue is recognized for transactions for which revenue has not yet been earned. Typically, transactions recorded as deferred revenue in the government-wide financial statements are long-term loans receivable and prepaid charges for services.

In the fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrued basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available.

Compensated Absences

Compensated absences are recorded in accordance with GASB. Vested or accumulated compensated absences that are expected to be liquidated with current financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated compensated absences that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities of the government-wide financial statements. Vested or accumulated compensated absences of proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees.

Net Assets and Fund Equity

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). All other net assets are considered unrestricted.

In fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represents tentative management plans that are subject to change.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Equity (continued)

Property Tax Calendar

Secured property taxes become a lien on the property as of January 1 and are levied in two equal installments: the first due November 1, and delinquent on December 11, and the second due February 1 and delinquent April 11. Property taxes on unsecured property are due on the lien date of March 1 and become delinquent on September 1. The County of Fresno is responsible for the assessment, collection and apportionment for all jurisdictions within the County, including the City of Mendota.

The City accounts for property taxes in conformance with NCGA Interpretation 3 which requires that: (1) taxes relating to the current budget and collected within 60 days after the year end of the budget period be recognized as revenue currently; and (2) a property tax assessment made during the current year, for the purpose of financing the budget of the following fiscal period, be recorded as receivable and the related revenue deferred to the period for which it was levied.

Budgets and Budgetary Accounting

The official budget was prepared for adoption for the General Fund, Special Revenue Fund and Debt Service Fund. The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

1. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
3. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a 4/5ths vote of the members of the City Council. As required by law, such amendments are made after fiscal year-end. All budget appropriations lapse at year-end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 9,159,947
Cash and cash equivalents - restricted	884,581
Fiduciary Funds Statement of Net Assets	<u>695,036</u>
Total cash and investments	<u>\$ 10,739,564</u>

Cash and investments as of June 30, 2008, consist of the following:

Cash on hand	\$ 800
Bank deposits	5,703,320
City of Mendota 401(k) Profit Sharing Plan	793,335
Investments	<u>4,242,109</u>
Total cash and investments	<u>\$ 10,739,564</u>

The City of Mendota maintains a cash and investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments. The City apportions interest earnings to all funds based on their monthly cash balances.

Investments Authorized by the City's Investment Policy

The City of Mendota's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF). The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provision of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	180 days
Commercial Paper	270 days
Money Market Mutual Funds	N/A

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

Investment Type		Remaining Maturity Date
State investment pool	\$ 3,357,528	12 months or less
Held by fiscal agents:		
Money market	884,573	12 months or less
Municipal obligation	<u>8</u>	12 months or less
 Total	 <u>\$ 4,242,109</u>	

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF Presented below is actual rating as of year-end for each investment type:

Investment Type		Ratings as of Year-End	
		AAA	Not Rated
State investment pool	\$ 3,357,528	\$ -	\$ 3,357,528
Held by fiscal agents:			
Money market	884,573	505,692	378,881
Municipal obligation	<u>8</u>	<u>-</u>	<u>8</u>
 Total	 <u>\$ 4,242,109</u>	 <u>\$ 505,692</u>	 <u>\$ 3,736,417</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City holds investments in JP Morgan US Treasury Plus Premier and First American Treasury Obligation Money Market Fund that represent 5 percent or more of total City's investments.

Investments in any one issuer that represent 5 percent or more of total investments by reporting unit (primary government, governmental activities, major funds, nonmajor funds in aggregate, etc.) are as follows:

\$366,516 of cash and investments (including amounts held by bond trustee) reported in the Redevelopment Agency Debt Service Fund are held in the form of the above-described money market funds.

\$378,889 of cash and investments (including amounts held by bond trustee) reported in the Water Fund, respectively, are held in the form of the above-described money market funds.

\$139,176 of cash and investments (including amounts held by bond trustee) reported in the Mendota Joint Power Financing Authority Fund, respectively, are held in the form of the above-described money market funds.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

\$5,788,789 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (i.e. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amount based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based in the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2008, the City had \$3,357,528 invested in LAIF which had invested 3.60% of the pool investment funds in Structured Notes and Assets-Backed Securities. The LAIF fair value factor of 0.999950219 was used to calculate the fair value of the investments in LAIF.

Pension Trust Fund

The City is the plan administrator for the City's 401(K) Profit Sharing Plan. The market value of plan assets at June 30, 2008, is \$793,335.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – RECEIVABLES

Accounts receivable as of June 30, 2008, consist of the following:

	General Fund	HOME Investment Partnership Program	RDA Debt Service Fund	Gas Tax Special Revenue Fund	Other Governmental Funds	Total
Receivables:						
Taxes	\$ 7,666	\$ -	\$ -	\$ 56,578	\$ -	\$ 64,244
Accounts	66,665	-	-	10,070	77,894	154,629
Interest	2,911	4	3,139	2,243	26,119	34,416
Loans	-	549,975	-	-	285,000	834,975
Receivables, net	<u>\$ 77,242</u>	<u>\$ 549,979</u>	<u>\$ 3,139</u>	<u>\$ 68,891</u>	<u>\$ 389,013</u>	<u>\$ 1,088,264</u>

	Water Fund	Sewer Fund	Sanitation Fund	Total
Receivables:				
Accounts	\$ 765,263	\$ 377,472	\$ 386,560	\$ 1,529,295
Interest	4,867	4,539	-	9,406
Allowance for uncollectible	<u>(599,606)</u>	<u>(319,662)</u>	<u>(288,044)</u>	<u>(1,207,312)</u>
Receivables, net	<u>\$ 170,524</u>	<u>\$ 62,349</u>	<u>\$ 98,516</u>	<u>\$ 331,389</u>

NOTE 4 – INTERFUND ACTIVITY

Interfund Receivables and Payables

The City had the following interfund receivables and payables as of June 30, 2008:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 388,022	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,219
RDA Debt Service Fund	-	53,309
Sanitation Fund	-	120,229
Mendota Joint Power Finance Authority	-	47,239
Non Major Funds:		
JHBP Special Revenue Fund	-	12,691
Safe Route Special Revenue Fund	-	91,901
Aviation Assistance Special Revenue Fund	-	25,177
Community Development Block Grant Special Revenue Fund	-	1,614
Leakey Pipe Special Revenue Fund	-	10,357
General Bond Debt Service Fund	-	70,595
RDA Capital Projects Fund	<u>53,309</u>	<u>-</u>
Total	<u>\$ 441,331</u>	<u>\$ 441,331</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 4 – INTERFUND ACTIVITY (continued)

Interfund Receivables and Payables (continued)

	<u>Advances To</u>	<u>Advances From</u>
Major Funds:		
General Fund	\$ -	\$ 151,667
RDA Debt Service Fund	-	295,000
Water Fund	-	231,650
Sanitation Fund	151,667	-
Public Finance Authority	596,650	-
Non Major Funds:		
General Bond Debt Service Fund	<u>-</u>	<u>70,000</u>
Total	<u>\$ 748,317</u>	<u>\$ 748,317</u>

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Interfund transfers for the year ended June 30, 2008, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
RDA Debt Service Fund	\$ -	\$ 203,845
Non Major Funds:		
RDA Low Income Special Revenue Fund	<u>203,845</u>	<u>-</u>
Total	<u>\$ 203,845</u>	<u>\$ 203,845</u>

The transfer of \$203,845 is required by the California Health and Safety Code to deposit 20% of allocated incremental property tax revenue (or 20% of net bond proceeds plus 20% of tax incremental revenues in excess of debt service payment of the bond) into a Low and Moderate Income Housing Fund.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2008, is as follows:

	Balances July 1, 2007	Acquisitions	Dispositions	Balances June 30, 2008
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 149,585	\$ -	\$ -	\$ 149,585
Construction in progress	<u>203,754</u>	<u>904,194</u>	<u>(120,599)</u>	<u>987,349</u>
Total capital assets, not being depreciated	<u>353,339</u>	<u>904,194</u>	<u>(120,599)</u>	<u>1,136,934</u>
Capital assets, being depreciated:				
Infrastructure	1,429,569	-	-	1,429,569
Land improvements	1,367,068	14,296	-	1,381,364
Buildings and improvements	660,422	266,607	-	927,029
Equipment	<u>942,041</u>	<u>130,658</u>	-	<u>1,072,699</u>
Total capital assets, being depreciated	<u>4,399,100</u>	<u>411,561</u>	-	<u>4,810,661</u>
Less: accumulated depreciation	<u>1,190,930</u>	<u>197,518</u>	-	<u>1,388,448</u>
Total capital assets, being depreciated, net	<u>3,208,170</u>	<u>214,043</u>	-	<u>3,422,213</u>
Governmental activity capital assets, net	<u>\$ 3,561,509</u>	<u>\$ 1,118,237</u>	<u>\$ (120,599)</u>	<u>\$ 4,559,147</u>
	Balances July 1, 2007	Acquisitions	Dispositions	Balances June 30, 2008
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,979,597	\$ -	\$ -	\$ 1,979,597
Construction in progress	648,797		(648,797)	-
Infrastructure	<u>61,425</u>	-	-	<u>61,425</u>
Total capital assets, not being depreciated	<u>2,689,819</u>	-	<u>(648,797)</u>	<u>2,041,022</u>
Capital assets, being depreciated:				
Infrastructure	2,518,932	648,797	-	3,167,729
Buildings and improvements	7,322,034	2,585,656	-	9,907,690
Equipment	<u>2,155,034</u>	<u>148,782</u>	-	<u>2,303,816</u>
Total capital assets, being depreciated	<u>11,996,000</u>	<u>3,383,235</u>	-	<u>15,379,235</u>
Less: accumulated depreciation	<u>3,929,954</u>	<u>447,837</u>	-	<u>4,377,791</u>
Total capital asset, being depreciated, net	<u>8,066,046</u>	<u>2,935,398</u>	-	<u>11,001,444</u>
Business-type activities capital assets, net	<u>\$ 10,755,865</u>	<u>\$ 2,935,398</u>	<u>\$ (648,797)</u>	<u>\$ 13,042,466</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 5 – CAPITAL ASSETS (continued)

Depreciation expense was charged to the following functions on the statement of activities:

Governmental Activities:

General government	\$	23,269
Public safety		10,401
Municipal airport		18,426
Highways and streets		85,616
Public works		40,304
Parks and recreation		<u>19,502</u>

Total depreciation expense - governmental activities \$ 197,518

Business-Type Activities:

Water	\$	267,354
Sewer		<u>180,483</u>

Total depreciation expense - business-type activities \$ 447,837

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2008, is as follows:

	<u>Outstanding July 1, 2007</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Outstanding June 30, 2008</u>	<u>Due Within One Year</u>
Governmental Activities:					
1994 Redevelopment Tax Allocation bonds payable in annual principal reductions from \$100,000 to \$585,000, interest payable semi-annually at 7.4% per annum.	\$ 6,550,000	\$ -	\$ -	\$ 6,550,000	\$ 815,000
Capital Lease, payable in three annual payments of \$61,972 through November 1, 2008, including interest at 4.20% per annum. The lease agreement contains a bargain purchase option.	116,551	-	(57,077)	59,474	59,474
Compensated absences	<u>26,830</u>	<u>44,449</u>	<u>(36,193)</u>	<u>35,086</u>	<u>24,104</u>
Total general obligations long-term debt	<u>\$ 6,693,381</u>	<u>\$ 44,449</u>	<u>\$ (93,270)</u>	<u>\$ 6,644,560</u>	<u>\$ 898,578</u>
Business-Type Activities:					
1989 Finance Authority Revenue Bonds, payable in annual principal reductions from \$30,000 to \$160,000, interest payable semi-annually at 7.75% per annum.	\$ 425,000	\$ -	\$ (25,000)	\$ 400,000	\$ 25,000
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum.	904,000	-	(27,000)	877,000	28,000
Sewer Fund Note Payable, payable in seven annual payments of \$166,149, including interest at 5.5% beginning July 1, 2007 and ending July 1, 2013. This note payable is secured by the deed of trust.	963,471	-	(133,471)	830,000	120,499
Compensated absences	<u>30,019</u>	<u>43,034</u>	<u>(41,567)</u>	<u>31,486</u>	<u>26,028</u>
Subtotal	2,322,490	43,034	(227,038)	2,138,486	199,527
Mendota Joint Powers Financing Authority Wastewater Revenue Bonds, Series 2005, payable in annual principal reductions from \$30,000 to \$200,000, interest payable on January 1 and July 1; serial bonds with annual maturities on July 1 beginning in 2006, in amounts from \$30,000 to \$135,000, with interest rates from 3.00% to 4.75%; term bonds in the amount of \$620,000 at 5.10% maturing July 1, 2024, and in the amount of \$1,725,000 at 5.25% maturing July 1, 2035, with annual payments ranging from \$135,000 to \$200,000 beginning 2024.	3,695,000	-	(25,000)	3,670,000	25,000
Less: unamortized bond discount	<u>(131,062)</u>	<u>-</u>	<u>4,681</u>	<u>(126,382)</u>	<u>-</u>
	<u>3,563,938</u>	<u>-</u>	<u>(20,319)</u>	<u>3,543,618</u>	<u>25,000</u>
Total enterprise obligation long-term debt	<u>\$ 5,886,428</u>	<u>\$ 43,034</u>	<u>\$ (247,357)</u>	<u>\$ 5,682,104</u>	<u>\$ 224,527</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 6 – LONG-TERM DEBT (continued)

As of June 30, 2008, annual debt service requirements for governmental activities are as follows:

City of Mendota Redevelopment Agency Lease Revenue Bonds

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 815,000	\$ 483,772	\$ 1,298,772
2010	200,000	483,772	683,772
2011	215,000	483,772	698,772
2012	230,000	483,772	713,772
2013-2017	1,425,000	2,418,863	3,843,863
2018-2022	2,035,000	2,418,863	4,453,863
2023-2025	<u>1,630,000</u>	<u>1,209,431</u>	<u>2,839,431</u>
Total	<u>\$ 6,550,000</u>	<u>\$ 7,982,245</u>	<u>\$ 14,532,245</u>

Capital Lease

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 59,474	\$ 2,498	\$ 61,972
Total	<u>\$ 59,474</u>	<u>\$ 2,498</u>	<u>\$ 61,972</u>

As of June 30, 2008, annual debt service requirements for business-type activities are as follows:

1989 Finance Authority Revenue Bonds

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 25,000	\$ 30,031	\$ 55,031
2010	25,000	28,094	53,094
2011	25,000	26,156	51,156
2012	30,000	24,025	54,025
2013-2017	170,000	83,313	253,313
2018-2020	<u>125,000</u>	<u>14,920</u>	<u>139,920</u>
Total	<u>\$ 400,000</u>	<u>\$ 206,539</u>	<u>\$ 606,539</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 6 – LONG-TERM DEBT (continued)

USDA Water Improvement Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 28,000	\$ 38,835	\$ 66,835
2010	29,000	37,553	66,553
2011	30,000	36,225	66,225
2012	32,000	34,830	66,830
2013-2017	183,000	150,638	333,638
2018-2022	230,000	104,400	334,400
2023-2027	285,000	46,733	331,733
2028	<u>60,000</u>	<u>1,350</u>	<u>61,350</u>
Total	<u>\$ 877,000</u>	<u>\$ 450,564</u>	<u>\$ 1,327,564</u>

Mendota Joint Powers Financing Authority

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 25,000	\$ 176,915	\$ 201,915
2010	85,000	174,884	259,884
2011	85,000	171,633	256,633
2012	95,000	168,123	263,123
2013-2017	410,000	778,201	1,188,201
2018-2022	770,000	644,760	1,414,760
2023-2027	720,000	468,074	1,188,074
2028-2032	740,000	289,688	1,029,688
2033-2035	<u>740,000</u>	<u>78,795</u>	<u>818,795</u>
Subtotal	3,670,000	2,951,073	6,621,073
Less: unamortized discount	<u>(126,382)</u>	<u>-</u>	<u>(126,382)</u>
Total	<u>\$ 3,543,618</u>	<u>\$ 2,951,073</u>	<u>\$ 6,494,691</u>

Sewer Fund Note Payable

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 120,499	\$ 45,650	\$ 166,149
2010	127,126	39,023	166,149
2011	134,118	32,031	166,149
2012	141,495	24,654	166,149
2013-2014	<u>306,762</u>	<u>25,534</u>	<u>332,296</u>
Total	<u>\$ 830,000</u>	<u>\$ 166,892</u>	<u>\$ 996,892</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other government entities in the State as a member of the Central San Joaquin Valley Risk Management Authority (RMA). RMA is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to RMA for its above insurance coverage. The agreement for the formation of RMA provides that RMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance.

Current levels of coverage are \$10,000,000 liability, \$1,000,000 workers compensation, and applicable assessed value in property coverage. Losses in excess of \$10,000 are pooled with other members of the association.

NOTE 8 – PENSION PLAN

The City contributes and acts as plan administrator to the City's 401(K) Profit Sharing Plan, a defined contribution pension plan. Plan provisions and contribution requirements are established and may be amended by the Mendota City Council. All full-time employees with six months service may participate. The plan, as amended, provides that the City's rate of contribution is 5 percent with an additional 3 percent to 15 percent being contributed by the employees. The plan is independently administered by Wachovia and all investments are self-directed by each individual employee. During the current fiscal year the City contributed \$35,385 and the employees contributed \$46,006. All plan assets are stated at market value as determined by the administrator.

Statement of Net Plan Assets of the
City of Mendota 401(K) Profit Sharing Plan
6/30/2008

Mutual Funds	\$	736,116
Note/Master Participant Loan		<u>57,219</u>
Net Assets	\$	<u>793,335</u>

NOTE 9 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2008, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
General Government	\$ 72,129
Building and planning	122,855
Economic development and assistance	22,159
Capital outlay	701,603
Principal	57,077
Interest	14,301
Public Works	3,708
HOME Investment Partnership Program Special Revenue Fund:	
Redevelopment and Housing	8,354
Gas Tax Special Revenue Fund:	
Highways and streets	80,155

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE 10 – DEFICIT EQUITY BALANCES

The following funds had deficit fund equity at June 30, 2008:

Major Funds:

HOME Investment Partnership Program	\$	8,214
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Non-major Governmental Funds:

Community Development Block Grants Special Revenue Fund	6,889
JHBP Special Revenue Fund	12,691
Safe Routes Special Revenue Fund	91,860
Leaky Pipes Special Revenue Fund	10,357
General Bond Debt Service Fund	140,595
Aviation Assistance Special Revenue Fund	19,659

NOTE 11 – COMMITMENTS

Loan-Default

Since August 2003, the Mendota Redevelopment Agency has not been making the required debt service payments in accordance with the payment schedule for the 1994 Redevelopment Tax Allocation Bonds. In accordance with the scheduled payments, the Agency should have made payments of principal and interest in the amount of \$3,053,385 as of June 30, 2008. The Agency has only made \$1,451,318 of those payments leaving a balance of \$1,602,067 of principal and interest that is currently in default.

School Utility Payments Agreement

The Redevelopment Agency, the City and a local school district entered into an agreement whereby the Redevelopment Agency agreed to pay the school district utility payments to the City in lieu of paying pass-throughs to the school district. Total current year payments to the City from the Redevelopment Agency totaled \$209,924. During the current and prior years, the Redevelopment Agency has been unable to make the entire scheduled contractual payments to the City leaving an outstanding balance owed to the City of \$1,169,418.

NOTE 12 – CONTINGENCIES

River Ranch Matter

The City and River Ranch, Inc. have entered into a settlement agreement in which the lawsuit will be dismissed. The legal matter is still not fully resolved and, therefore, is still ongoing litigation of which details of the matter are discussed in closed session.

NOTE 13 – HACIENDA GARDENS SPECIAL ASSESSMENT DISTRICT

The Hacienda Gardens special assessment bonds have been in default for several years. In August 1999 the City initiated a judicial foreclosure action. The City has no direct financial obligation other than to assist in the foreclosure proceedings.

NOTE 14 – PASS-THROUGH PAYMENTS

Tax Sharing

The Redevelopment Agency and the County of Fresno entered into a tax sharing agreement under which the Redevelopment Agency would pay a portion of tax increment revenue generated in Mendota Project Area #1 and Mendota Project Area #2 (the County Pass-through Payment).

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ 752,531	\$ 752,531	\$ 920,628	\$ 168,097
Licenses and permits	261,000	261,000	123,371	(137,629)
Intergovernmental	406,000	406,000	655,539	249,539
Charges for services	56,500	56,500	62,923	6,423
Fines	10,600	10,600	8,940	(1,660)
Revenue from the use of money and property	60,300	60,300	53,831	(6,469)
Miscellaneous	<u>292,601</u>	<u>292,601</u>	<u>390,331</u>	<u>97,730</u>
 Total revenues	 <u>1,839,532</u>	 <u>1,839,532</u>	 <u>2,215,563</u>	 <u>376,031</u>
 Expenditures:				
Current:				
General government	390,465	390,465	462,594	(72,129)
Public safety	689,427	689,427	418,188	271,239
Public works	80,841	80,841	84,549	(3,708)
Building and planning	531,783	531,783	654,638	(122,855)
Parks	194,489	194,489	216,648	(22,159)
Capital outlay	212,500	212,500	914,103	(701,603)
Debt service:				
Principal	-	-	57,077	(57,077)
Interest	<u>-</u>	<u>-</u>	<u>14,301</u>	<u>(14,301)</u>
 Total expenditures	 <u>2,099,505</u>	 <u>2,099,505</u>	 <u>2,822,098</u>	 <u>(722,593)</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(259,973)</u>	 <u>(259,973)</u>	 <u>(606,535)</u>	 <u>(346,562)</u>
 Other financing sources (uses):				
Other sources of income	-	-	210	210
Transfers in	<u>159,973</u>	<u>159,973</u>	<u>-</u>	<u>(159,973)</u>
 Total other financing sources (uses)	 <u>159,973</u>	 <u>159,973</u>	 <u>210</u>	 <u>(159,973)</u>
 Net change in fund balance	 (100,000)	 (100,000)	 (606,325)	 (506,535)
 Fund balance, July 1, 2007	 <u>1,461,201</u>	 <u>1,461,201</u>	 <u>1,461,201</u>	 <u>-</u>
 Fund balance, June 30, 2008	 <u>\$ 1,361,201</u>	 <u>\$ 1,361,201</u>	 <u>\$ 854,876</u>	 <u>\$ (506,535)</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
HOME INVESTMENT PARTNERSHIP PROGRAM SPECIAL REVENUE FUND
For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Revenue from the use of money and property	\$ -	\$ -	\$ 27	\$ 27
Total revenues	<u>-</u>	<u>-</u>	<u>27</u>	<u>27</u>
Expenditures:				
Redevelopment and housing	<u>-</u>	<u>-</u>	<u>8,354</u>	<u>(8,354)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>8,354</u>	<u>(8,354)</u>
Net change in fund balance	-	-	(8,327)	(8,327)
Fund balances, July 1, 2007	<u>113</u>	<u>113</u>	<u>113</u>	<u>-</u>
Fund balances, June 30, 2008	<u>\$ 113</u>	<u>\$ 113</u>	<u>\$ (8,214)</u>	<u>\$ (8,327)</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GAS TAX SPECIAL REVENUE FUND
For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Gas Tax Special Revenue Fund</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 156,172	\$ 156,172	\$ 167,227	\$ 11,055
Revenue from the use of money and property	-	-	17,241	17,241
Miscellaneous	-	-	424,283	424,283
Total revenues	<u>156,172</u>	<u>156,172</u>	<u>608,751</u>	<u>452,579</u>
Expenditures:				
Current:				
Highways and streets	175,921	175,921	256,076	(80,155)
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>14,296</u>	<u>5,704</u>
Total expenditures	<u>195,921</u>	<u>195,921</u>	<u>270,372</u>	<u>(74,451)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,749)</u>	<u>(39,749)</u>	<u>338,379</u>	<u>378,128</u>
Net change in fund balance	(39,749)	(39,749)	338,379	378,128
Fund balances, July 1, 2007	<u>557,566</u>	<u>557,566</u>	<u>557,566</u>	-
Fund balances, June 30, 2008	<u>\$ 517,817</u>	<u>\$ 517,817</u>	<u>\$ 895,945</u>	<u>\$ 378,128</u>

SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2008

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 2,793,617	\$ -	\$ 1,645,183	\$ 4,438,800
Receivables	388,402	-	611	389,013
Due from other funds	-	-	53,309	53,309
Prepaid expenses	<u>6,040</u>	<u>-</u>	<u>-</u>	<u>6,040</u>
Total assets	<u>\$ 3,188,059</u>	<u>\$ -</u>	<u>\$ 1,699,103</u>	<u>\$ 4,887,162</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 70,751	\$ -	\$ -	\$ 70,751
Due to other funds	141,740	70,595	-	212,335
Advances from other funds	-	70,000	-	70,000
Deferred revenue	<u>190,313</u>	<u>-</u>	<u>-</u>	<u>190,313</u>
Total liabilities	<u>402,804</u>	<u>140,595</u>	<u>-</u>	<u>543,399</u>
Fund balances:				
Reserved for:				
Capital improvements	-	-	696,618	696,618
Low and moderate income housing	1,041,027	-	-	1,041,027
Unreserved	<u>1,744,228</u>	<u>(140,595)</u>	<u>1,002,485</u>	<u>2,606,118</u>
Total fund balances	<u>2,785,255</u>	<u>(140,595)</u>	<u>1,699,103</u>	<u>4,343,763</u>
Total liabilities and fund balances	<u>\$ 3,188,059</u>	<u>\$ -</u>	<u>\$ 1,699,103</u>	<u>\$ 4,887,162</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
Revenues:				
Taxes	\$ 535,179	\$ -	\$ -	\$ 535,179
Licenses and permits	143,957	-	-	143,957
Intergovernmental	100,000	-	-	100,000
Revenue from the use of money and property	179,596	-	14,259	193,855
Miscellaneous	15,907	-	-	15,907
Total revenues	<u>974,639</u>	<u>-</u>	<u>14,259</u>	<u>988,898</u>
Expenditures:				
Current:				
Public safety	100,000	-	-	100,000
Municipal airport	11,787	-	-	11,787
Highways and streets	293,954	-	-	293,954
Public works	5,893	-	30,369	36,262
Redevelopment and housing	672,384	-	-	672,384
Capital outlay	287,386	-	-	287,386
Debt service:				
Interest	-	3,950	-	3,950
Total expenditures	<u>1,371,404</u>	<u>3,950</u>	<u>30,369</u>	<u>1,405,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(396,765)</u>	<u>(3,950)</u>	<u>(16,110)</u>	<u>(416,825)</u>
Other financing sources (uses):				
Transfers in	203,845	-	-	203,845
Total other financing sources (uses)	<u>203,845</u>	<u>-</u>	<u>-</u>	<u>203,845</u>
Net change in fund balance	<u>(192,920)</u>	<u>(3,950)</u>	<u>(16,110)</u>	<u>(212,980)</u>
Fund balances, July 1, 2007	<u>2,978,175</u>	<u>(136,645)</u>	<u>1,715,213</u>	<u>4,556,743</u>
Fund balances, June 30, 2008	<u>\$ 2,785,255</u>	<u>\$ (140,595)</u>	<u>\$ 1,699,103</u>	<u>\$ 4,343,763</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2008**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 221,145	\$ -	\$ 978,818	\$ 212,855
Receivables	555	-	3,271	60,498
Prepaid expenses	<u>-</u>	<u>5,776</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 221,700</u>	<u>\$ 5,776</u>	<u>\$ 982,089</u>	<u>\$ 273,353</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ 258	\$ 36,841	\$ 14,760
Due to other funds	-	25,177	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>25,435</u>	<u>36,841</u>	<u>14,760</u>
Fund balances:				
Reserved for:				
Low and moderate income housing	-	-	-	-
Unreserved	<u>221,700</u>	<u>(19,659)</u>	<u>945,248</u>	<u>258,593</u>
Total fund balances	<u>221,700</u>	<u>(19,659)</u>	<u>945,248</u>	<u>258,593</u>
Total liabilities and fund balances	<u>\$ 221,700</u>	<u>\$ 5,776</u>	<u>\$ 982,089</u>	<u>\$ 273,353</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2008**

	<u>Measure C</u>	<u>Police Grants</u>	<u>RDA Low Income</u>	<u>Community Development Block Grant</u>	<u>JHBP</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 308,807	\$ 145,856	\$ 921,210	\$ -	\$ -
Receivables	18,800	369	119,817	185,038	-
Prepaid expenses	<u>264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 327,871</u>	<u>\$ 146,225</u>	<u>\$ 1,041,027</u>	<u>\$ 185,038</u>	<u>\$ -</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 853	\$ 18,039	\$ -	\$ -	\$ -
Due to other funds	-	-	-	1,614	12,691
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,313</u>	<u>-</u>
Total liabilities	<u>853</u>	<u>18,039</u>	<u>-</u>	<u>191,927</u>	<u>12,691</u>
Fund balances:					
Reserved for:					
Low and moderate income housing	-	-	1,041,027	-	-
Unreserved	<u>327,018</u>	<u>128,186</u>	<u>-</u>	<u>(6,889)</u>	<u>(12,691)</u>
Total fund balances	<u>327,018</u>	<u>128,186</u>	<u>1,041,027</u>	<u>(6,889)</u>	<u>(12,691)</u>
Total liabilities and fund balances	<u>\$ 327,871</u>	<u>\$ 146,225</u>	<u>\$ 1,041,027</u>	<u>\$ 185,038</u>	<u>\$ -</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2008**

	<u>Safe Routes</u>	<u>Leaky Pipes</u>	<u>Park Bond Act</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ -	\$ 4,926	\$ 2,793,617
Receivables	41	-	13	388,402
Prepaid expenses	-	-	-	6,040
Total assets	<u>\$ 41</u>	<u>\$ -</u>	<u>\$ 4,939</u>	<u>\$ 3,188,059</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 70,751
Due to other funds	91,901	10,357	-	141,740
Deferred revenue	-	-	-	190,313
Total liabilities	<u>91,901</u>	<u>10,357</u>	<u>-</u>	<u>402,804</u>
Fund balances:				
Reserved for:				
Low and moderate income housing	-	-	-	1,041,027
Unreserved	(91,860)	(10,357)	4,939	1,744,228
Total fund balances	<u>(91,860)</u>	<u>(10,357)</u>	<u>4,939</u>	<u>2,785,255</u>
Total liabilities and fund balances	<u>\$ 41</u>	<u>\$ -</u>	<u>\$ 4,939</u>	<u>\$ 3,188,059</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2008

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 254,674
Licenses and permits	-	-	143,957	-
Intergovernmental	-	-	-	-
Revenue from the use of money and property	99,773	2	35,194	5,473
Miscellaneous	-	-	-	15,707
	<u>99,773</u>	<u>2</u>	<u>179,151</u>	<u>275,854</u>
Total revenues				
Expenditures:				
Current:				
Public safety	-	-	-	-
Municipal airport	-	11,787	-	-
Highways and streets	-	-	-	207,561
Public works	-	-	-	-
Redevelopment and housing	268,695	-	-	-
Capital outlay	-	8,987	251,951	13,224
	<u>268,695</u>	<u>20,774</u>	<u>251,951</u>	<u>220,785</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(168,922)</u>	<u>(20,772)</u>	<u>(72,800)</u>	<u>55,069</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balance	(168,922)	(20,772)	(72,800)	55,069
Fund balances, July 1, 2007	<u>390,622</u>	<u>1,113</u>	<u>1,018,048</u>	<u>203,524</u>
Fund balances, June 30, 2008	<u>\$ 221,700</u>	<u>\$ (19,659)</u>	<u>\$ 945,248</u>	<u>\$ 258,593</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2008**

	<u>Measure C</u>	<u>Police Grants</u>	<u>RDA Low Income</u>	<u>Community Development Block Grant</u>	<u>JHBP</u>
Revenues:					
Taxes	\$ 280,505	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	100,000	-	-	-
Revenue from the use of money and property	5,659	4,737	27,652	505	-
Miscellaneous	-	-	200	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>286,164</u>	<u>104,737</u>	<u>27,852</u>	<u>505</u>	<u>-</u>
Expenditures:					
Current:					
Public safety	-	100,000	-	-	-
Municipal airport	-	-	-	-	-
Highways and streets	86,393	-	-	-	-
Public works	5,893	-	-	-	-
Redevelopment and housing	-	-	403,689	-	-
Capital outlay	13,224	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>105,510</u>	<u>100,000</u>	<u>403,689</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>180,654</u>	<u>4,737</u>	<u>(375,837)</u>	<u>505</u>	<u>-</u>
Other financing sources (uses):					
Transfers in	-	-	203,845	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>203,845</u>	<u>-</u>	<u>-</u>
Net change in fund balance	180,654	4,737	(171,992)	505	-
Fund balances, July 1, 2007	<u>146,364</u>	<u>123,449</u>	<u>1,213,019</u>	<u>(7,394)</u>	<u>(12,691)</u>
Fund balances, June 30, 2008	<u>\$ 327,018</u>	<u>\$ 128,186</u>	<u>\$ 1,041,027</u>	<u>\$ (6,889)</u>	<u>\$ (12,691)</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2008**

	<u>Safe Routes</u>	<u>Leaky Pipes</u>	<u>Park Bond Act</u>	<u>Total</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 535,179
Licenses and permits	-	-	-	143,957
Intergovernmental	-	-	-	100,000
Revenue from the use of money and property	459	-	142	179,596
Miscellaneous	-	-	-	15,907
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	459	-	142	974,639
Expenditures:				
Current:				
Public safety	-	-	-	100,000
Municipal airport	-	-	-	11,787
Highways and streets	-	-	-	293,954
Public works	-	-	-	5,893
Redevelopment and housing	-	-	-	672,384
Capital outlay	-	-	-	287,386
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	-	1,371,404
Excess (deficiency) of revenues over (under) expenditures	<hr/> 459	<hr/> -	<hr/> 142	<hr/> (396,765)
Other financing sources (uses):				
Transfers in	-	-	-	203,845
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	203,845
Net change in fund balance	459	-	142	(192,920)
Fund balances, July 1, 2007	<hr/> (92,319)	<hr/> (10,357)	<hr/> 4,797	<hr/> 2,978,175
Fund balances, June 30, 2008	<hr/> <u>\$ (91,860)</u>	<hr/> <u>\$ (10,357)</u>	<hr/> <u>\$ 4,939</u>	<hr/> <u>\$ 2,785,255</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS**

June 30, 2008

	<u>General Bond</u>
<u>Assets</u>	
Cash and cash equivalents	\$ -
Total assets	<u>\$ -</u>
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Due to other funds	\$ 70,595
Advances from other funds	<u>70,000</u>
Total liabilities	<u>140,595</u>
Fund balances:	
Reserved for:	
Unreserved	<u>(140,595)</u>
Total fund balances	<u>(140,595)</u>
Total liabilities and fund balances	<u>\$ -</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS**

For the Year Ended June 30, 2008

	<u>General Bond</u>
Revenues:	
Taxes	\$ _____ -
Total revenues	_____ -
Expenditures:	
Debt service:	
Interest	_____ 3,950
Total expenditures	_____ 3,950
Net change in fund balance	(3,950)
Fund balances, July 1, 2007	_____ (136,645)
Fund balances, June 30, 2008	<u>\$ (140,595)</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
June 30, 2008**

	CDBG - Sewer and Drainage Projects	RDA Capital Projects	Water and Sewer Capital Projects	Street Capital Projects	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 82,989	\$ 949,175	\$ 582,155	\$ 30,864	\$ 1,645,183
Receivables	211	1	253	146	611
Due from other funds	<u>-</u>	<u>53,309</u>	<u>-</u>	<u>-</u>	<u>53,309</u>
 Total assets	 <u>\$ 83,200</u>	 <u>\$ 1,002,485</u>	 <u>\$ 582,408</u>	 <u>\$ 31,010</u>	 <u>\$ 1,699,103</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Fund balances:					
Reserved for:					
Capital improvements	83,200	-	582,408	31,010	696,618
Unreserved	<u>-</u>	<u>1,002,485</u>	<u>-</u>	<u>-</u>	<u>1,002,485</u>
 Total fund balances	 <u>83,200</u>	 <u>1,002,485</u>	 <u>582,408</u>	 <u>31,010</u>	 <u>1,699,103</u>
 Total liabilities and fund balances	 <u>\$ 83,200</u>	 <u>\$ 1,002,485</u>	 <u>\$ 582,408</u>	 <u>\$ 31,010</u>	 <u>\$ 1,699,103</u>

CITY OF MENDOTA

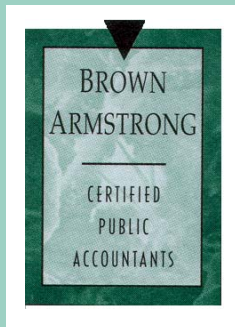
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2008**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>RDA Capital Projects</u>	<u>Water and Sewer Capital Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
Revenues:					
Revenue from the use of money and property	<u>\$ 2,454</u>	<u>\$ -</u>	<u>\$ 9,283</u>	<u>\$ 2,522</u>	<u>\$ 14,259</u>
Total revenues	<u>2,454</u>	<u>-</u>	<u>9,283</u>	<u>2,522</u>	<u>14,259</u>
Expenditures:					
Current:					
Public works	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,369</u>	<u>30,369</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,369</u>	<u>30,369</u>
Net change in fund balance	2,454	-	9,283	(27,847)	(16,110)
Fund balances, July 1, 2007	<u>80,746</u>	<u>1,002,485</u>	<u>573,125</u>	<u>58,857</u>	<u>1,715,213</u>
Fund balances, June 30, 2008	<u>\$ 83,200</u>	<u>\$ 1,002,485</u>	<u>\$ 582,408</u>	<u>\$ 31,010</u>	<u>\$ 1,699,103</u>

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OVERALL COMPLIANCE, INTERNAL CONTROLS AND
FEDERAL AWARDS SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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To the City Council
City of Mendota, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mendota, California (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
December 15, 2008