

CITY OF MENDOTA
FINANCIAL STATEMENTS
For the Year Ended
June 30, 2010

CITY OF MENDOTA

June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Mendota, California

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 the City of Mendota, California (the City), as of and for the year ended June 30, 2010, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 59 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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, 2010. 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 \$19,138,460 (*net assets*). Of this amount, \$5,906,299 (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 \$1,523,100. Governmental activities increased the City's total net assets by \$1,094,714 and business-type activities increased by \$428,386.
- At June 30, 2010, the City's governmental funds reported combined ending fund balances of \$6,227,865, a decrease of \$134,616 in comparison with the prior year. Approximately 41 percent of this amount, \$2,538,217, 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 \$346,274 or 18 percent of the total general fund expenditures for the fiscal year. In June, 2010, the City transferred \$1,300,000 in unreserved General Fund balance to a general reserve to enhance the financial position of the City and control future spending during the budgeting process.
- The City's total long-term debt decreased by \$871,808 in comparison with the prior year. The decrease resulted from scheduled principal payments on the City's outstanding debt and early retirement of a land acquisition note in the City's Sewer Enterprise Fund during the fiscal year.

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, 2010**

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 36 to 55 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 58 to 61 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 64 to 75.

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 \$19,138,460 at June 30, 2010.

**City of Mendota
Condensed Statement of Net Assets
June 30, 2010 and 2009**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 8,833,759	\$ 7,467,703	\$ 2,630,523	\$ 3,712,228	\$ 11,464,282	\$ 11,179,931
Capital assets	7,854,874	7,028,381	14,260,097	13,652,677	22,114,971	20,681,058
Total assets	\$ 16,688,633	\$ 14,496,084	\$ 16,890,620	\$ 17,364,905	\$ 33,579,253	\$ 31,860,989
Long-term liabilities	6,757,535	6,763,663	371,964	441,509	7,129,499	7,205,172
Other liabilities	2,658,699	1,554,736	4,652,595	5,485,721	7,311,294	7,040,457
Total liabilities	9,416,234	8,318,399	5,024,559	5,927,230	14,440,793	14,245,629
Net assets:						
Invested in capital assets, net of related debt	1,150,708	296,227	9,793,117	8,352,552	10,943,825	8,648,779
Restricted	1,503,292	1,300,722	785,044	476,997	2,288,336	1,777,719
Unrestricted	4,618,399	4,580,736	1,287,900	2,608,126	5,906,299	7,188,862
Total net assets	\$ 7,272,399	\$ 6,177,685	\$ 11,866,061	\$ 11,437,675	\$ 19,138,460	\$ 17,615,360

The largest portion of the City's net assets \$10,943,825 (57 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.

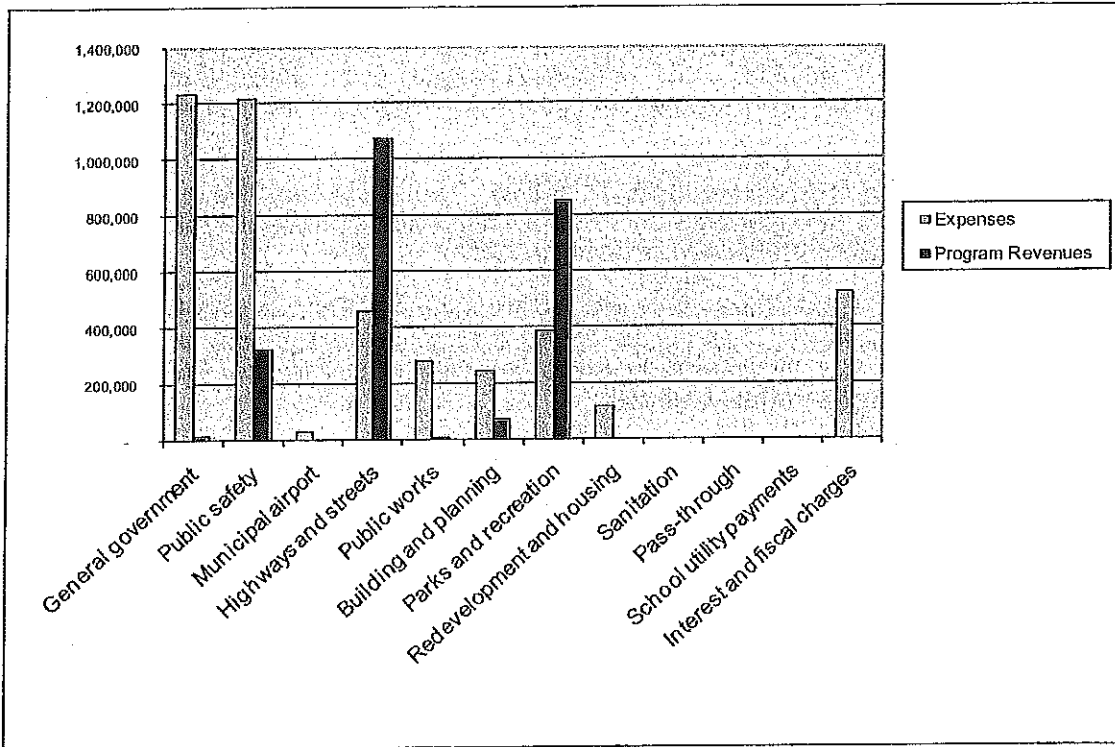
An additional portion of the City's net assets of \$5,906,299 (31 percent) represents unrestricted net assets, which may be used to meet the City's ongoing obligations to its citizens and creditors.

The remaining balance of \$2,288,336 (12 percent) represents resources that are subject to external restrictions on their use. This balance includes the \$1,300,000 general reserve described in the financial highlights.

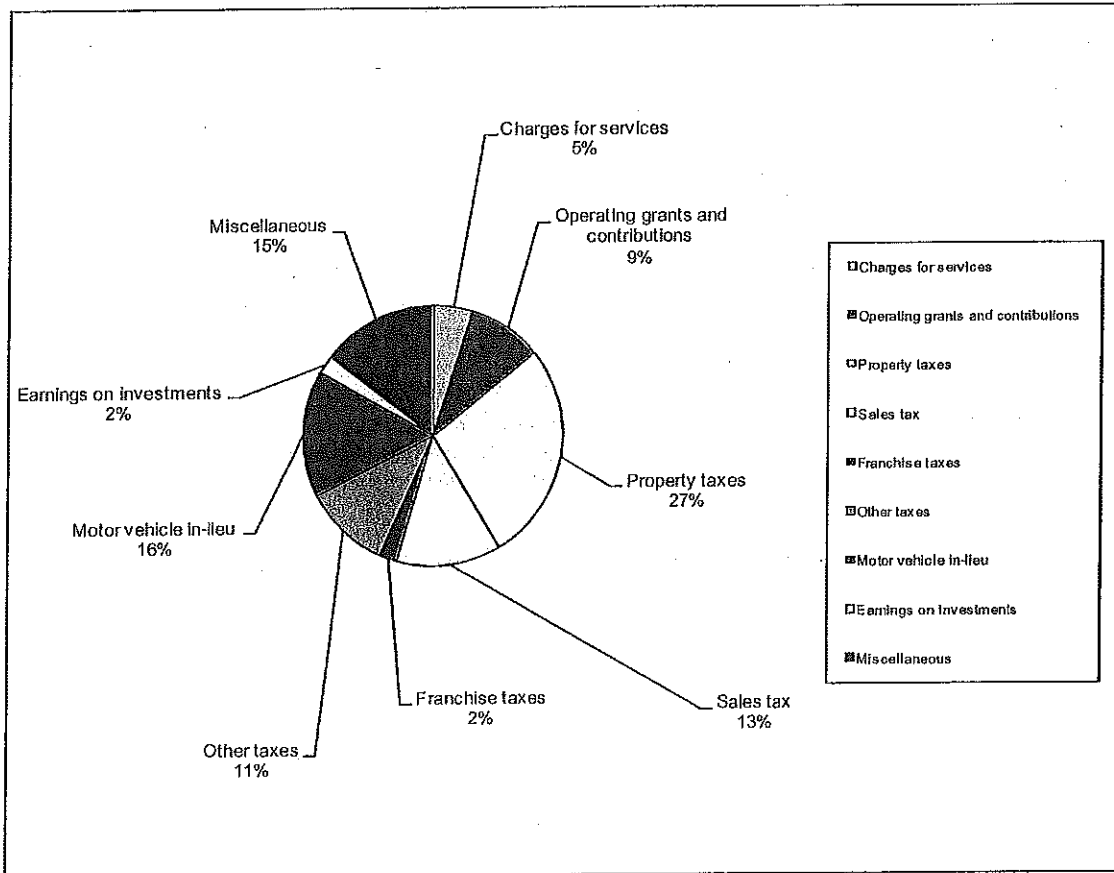
Governmental activities increased the City's net assets by \$1,094,714, accounting for 72 percent of the total growth in the net assets of the City of Mendota.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Expenses and Program Revenue – Governmental Activities

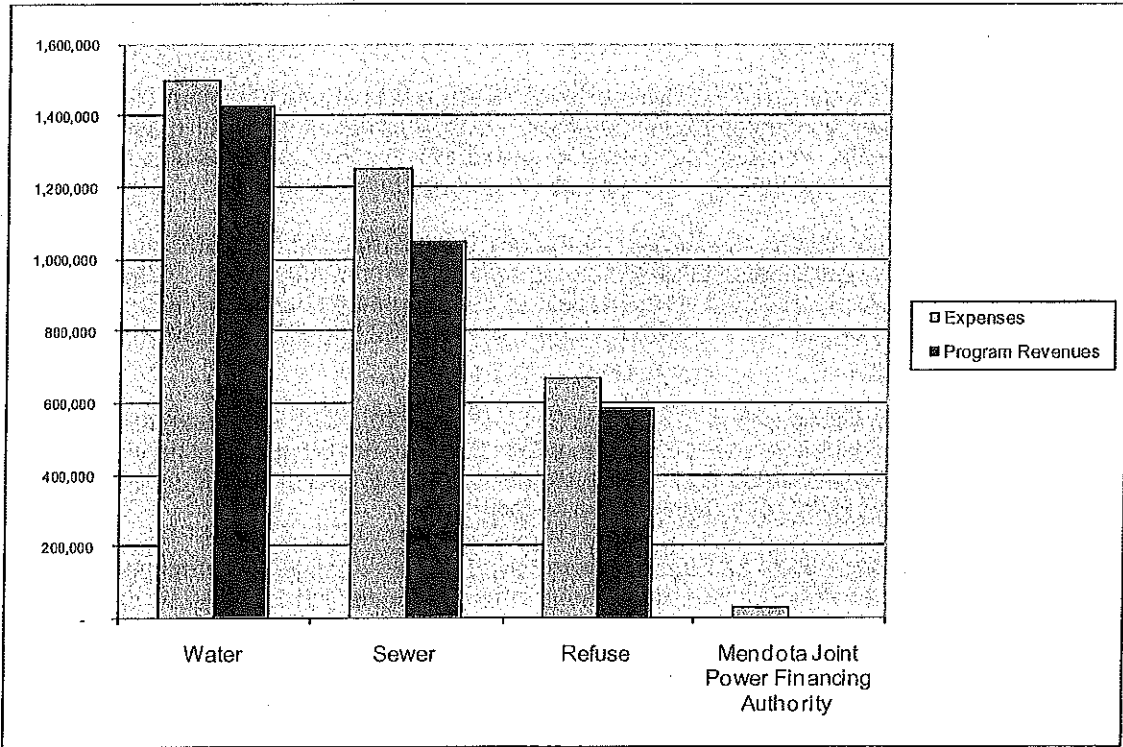


Revenues by Source – Governmental Activities

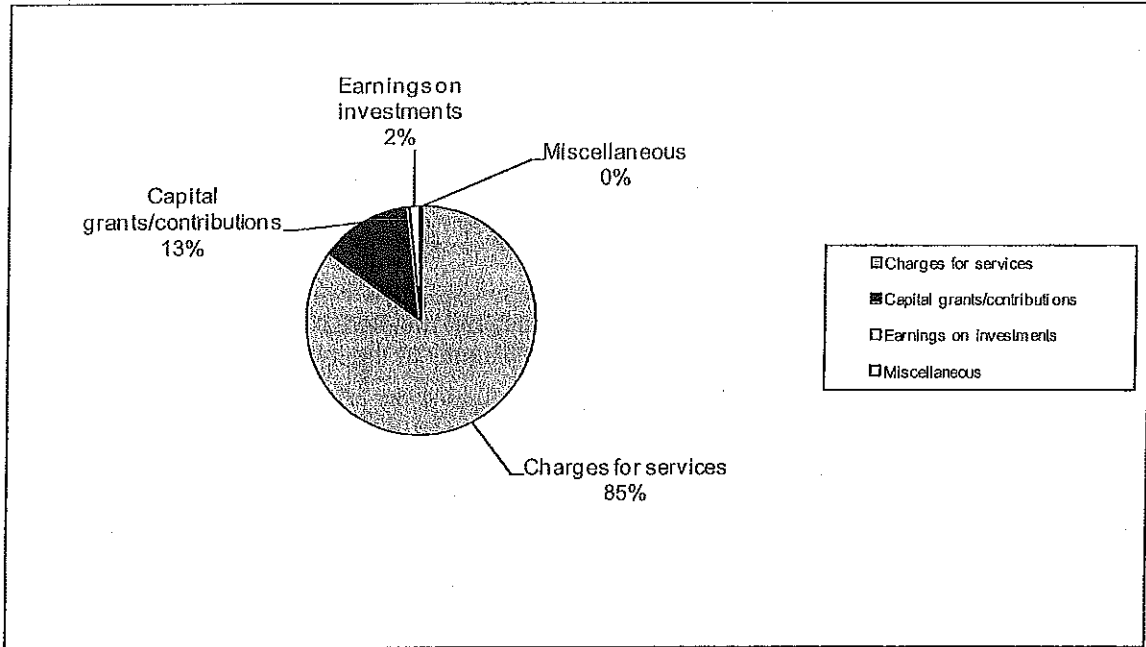


**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Expenses and Program Revenue – Business-Type Activities



Expenses and Program Revenue – Business-Type Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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

**Expenditures by Function
GENERAL FUND**

	FY 2010		FY 2009		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	\$ 477,468	24.64%	\$ 428,396	11.58%	\$ 49,072	2.78%
Public safety	714,287	36.86%	499,915	13.51%	214,372	12.16%
Public works	47,447	2.45%	76,301	2.06%	(28,854)	-1.64%
Building and planning	240,263	12.40%	339,579	9.18%	(99,316)	-5.64%
Parks and recreation	201,178	10.38%	239,823	6.48%	(38,645)	-2.19%
Capital outlay	211,310	10.91%	2,004,950	54.19%	(1,793,640)	-101.78%
Debt Service	45,672	2.36%	111,011	3.00%	(65,339)	-3.71%
Total	\$ 1,937,625	100.00%	\$ 3,699,975	100.00%	\$(1,762,350)	100.00%

- Public safety increased by \$214,372 or 12 percent. The City's newly formed police department commenced operations in September, 2009. The increase is due to operational expenses, including salaries and benefits, for the new department.
- Building and planning expenditures decreased by \$99,316 or 6 percent. The decrease is due almost entirely to the collapse of the new housing market during the prior two fiscal years. There were no new housing developments of any significance started during the fiscal year ended June 30, 2010, resulting in lower legal, engineering and permit costs incurred by the City.
- Capital outlay decreased by \$1,793,640 or 102 percent. Last year's capital outlay included costs for the construction of the Rojas-Pierce Park and expansion of City Hall. Current year expenditures were primarily related to acquisition of assets for the City's newly formed police department.

The Home Investment Partnership Program Special Revenue Fund has a total fund deficit of \$8,715, all of which is unreserved. The net increase in fund balance during the current year was \$4. The fund had virtually no activity during the current fiscal year due to lack of new funding and the overall poor housing market in which to operate in. The City expects to once again expand the program in the near future.

The Measure C Special Revenue Fund has a total fund balance of \$19,762, all of which is unreserved. The net decrease in fund balance during the current fiscal year was \$521,761. Total revenues increased by \$132,830 during the current fiscal year due to partial reimbursement received from the County of Fresno for installation of a new traffic signal. Capital outlay increased by \$796,164 over the prior fiscal year due to the above mentioned traffic signalization project, completion of the 7th Street beautification project commenced in the prior fiscal year and initial costs related to an alley improvement project which is expected to be completed in the next fiscal year.

The RDA Low Income Special Revenue Fund has a total fund balance of \$1,503,292, all of which is reserved for the development of future low and moderate income housing in the Redevelopment Agency's project areas. The current year increase of \$202,570 in fund balance is due almost entirely to the receipt of \$197,341, representing twenty percent of the Redevelopment Agency's incremental property tax revenue received for the fiscal year. The remaining increase represents interest earnings on funds, net of administrative costs incurred.

The Water and Sewer Capital Projects Fund has a total fund deficit of \$170,419, all of which is reserved for capital improvements. The fund's net decrease of \$762,532 during the current fiscal year is due entirely to capital expenditures related to expansion of the City's waste water treatment facility, offset by \$2,385 in interest earnings received the year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$11,317,146. Of this amount, \$6,704,166 is the liability of governmental activities and \$4,612,980 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds payable	\$ 6,550,000	\$ 6,550,000	\$ 3,792,980	\$ 3,898,299	\$ 10,342,980	\$ 10,448,299
Loans payable	154,166	182,154	820,000	1,558,501	974,166	1,740,655
	<u>\$ 6,704,166</u>	<u>\$ 6,732,154</u>	<u>\$ 4,612,980</u>	<u>\$ 5,456,800</u>	<u>\$ 11,317,146</u>	<u>\$ 12,188,954</u>

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 48 to 51 of this report

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:

- No employee salary adjustments for the current year.
- Health care adjustments of less than 7.5 percent.
- Reductions in intergovernmental revenue to be received on various programs from the State of California.
- Property tax revenue reduction due to reassessment of property at lower valuations, and appropriation of a portion of the City's property tax revenue by the State of California.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MENDOTA

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 6,599,694	\$ 1,424,353	\$ 8,024,047
Receivables	1,838,233	299,783	2,138,016
Prepaid expenses	51,198	7,067	58,265
Internal balances	(6,889)	6,889	-
Restricted assets:			
Cash and cash equivalents	351,523	785,044	1,136,567
Unamortized costs of issuance	-	107,387	107,387
Capital assets:			
Non-depreciable	921,200	3,208,858	4,130,058
Depreciable (Net)	<u>6,933,674</u>	<u>11,051,239</u>	<u>17,984,913</u>
 Total assets	 <u>16,688,633</u>	 <u>16,890,620</u>	 <u>33,579,253</u>
<u>Liabilities</u>			
Accounts payable	1,464,478	126,970	1,591,448
Deposits	5,000	128,597	133,597
Deferred revenue	5,313	-	5,313
Accrued interest	1,183,908	116,397	1,300,305
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	41,705	30,228	71,933
Revenue bonds payable	1,230,000	110,000	1,340,000
Loans payable	29,444	30,000	59,444
Portion due or payable after one year:			
Compensated absences payable	11,664	9,387	21,051
Revenue bonds payable	5,320,000	3,682,980	9,002,980
Loans payable	<u>124,722</u>	<u>790,000</u>	<u>914,722</u>
 Total liabilities	 <u>9,416,234</u>	 <u>5,024,559</u>	 <u>14,440,793</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,150,708	9,793,117	10,943,825
Restricted for:			
Low and moderate income housing	1,503,292	-	1,503,292
Debt service	-	785,044	785,044
Unrestricted	<u>4,618,399</u>	<u>1,287,900</u>	<u>5,906,299</u>
 Total net assets	 <u>\$ 7,272,399</u>	 <u>\$ 11,866,061</u>	 <u>\$ 19,138,460</u>

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
\$ (1,215,918)	\$ -	\$ (1,215,918)
(897,380)	-	(897,380)
(27,391)	-	(27,391)
619,984	-	619,984
(269,950)	-	(269,950)
(169,222)	-	(169,222)
466,257	-	466,257
(111,958)	-	(111,958)
(524,413)	-	(524,413)
<u>(2,129,991)</u>	<u>-</u>	<u>(2,129,991)</u>
-	(75,798)	(75,798)
-	(203,557)	(203,557)
-	(85,814)	(85,814)
-	(27,286)	(27,286)
<u>-</u>	<u>(392,455)</u>	<u>(392,455)</u>
<u>(2,129,991)</u>	<u>(392,455)</u>	<u>(2,522,446)</u>
1,180,960	-	1,180,960
561,265	-	561,265
95,029	-	95,029
470,589	-	470,589
675,029	-	675,029
97,744	47,401	145,145
629,936	8,523	638,459
(764,917)	764,917	-
<u>2,945,635</u>	<u>820,841</u>	<u>3,766,476</u>
815,644	428,386	1,244,030
<u>6,177,685</u>	<u>11,437,675</u>	<u>17,615,360</u>
<u>279,070</u>	<u>-</u>	<u>279,070</u>
<u>\$ 7,272,399</u>	<u>\$ 11,866,061</u>	<u>\$ 19,138,460</u>

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

FUND FINANCIAL STATEMENTS

Water and Sewer Capital Projects Fund	RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 368,606	\$ 61,366	\$ 3,061,776	\$ 6,599,694
282	93	515,106	1,838,233
-	-	91,201	690,602
-	311,559	-	622,652
-	-	5,776	51,199
-	351,523	-	351,523
<u>\$ 368,888</u>	<u>\$ 724,541</u>	<u>\$ 3,673,859</u>	<u>\$ 10,153,903</u>
\$ 539,307	\$ 73,400	\$ 15,913	\$ 1,464,478
-	-	-	5,000
-	91,201	163,809	263,726
-	576,093	50,000	1,056,417
-	-	190,313	1,136,417
<u>539,307</u>	<u>740,694</u>	<u>420,035</u>	<u>3,926,038</u>
	-	223,274	223,274
-	-	-	1,300,000
-	-	-	1,503,292
-	351,523	-	351,523
-	311,559	-	311,559
-	-	-	346,274
-	-	2,157,920	2,168,967
-	(679,235)	(147,094)	(826,329)
<u>(170,419)</u>	<u>-</u>	<u>1,019,724</u>	<u>849,305</u>
<u>(170,419)</u>	<u>(16,153)</u>	<u>3,253,824</u>	<u>6,227,865</u>
<u>\$ 368,888</u>	<u>\$ 724,541</u>	<u>\$ 3,673,859</u>	<u>\$ 10,153,903</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, 2010

Total Fund Balances - Governmental Funds	\$ 6,227,865
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 \$9,967,406 and the accumulated depreciation is \$2,112,532.	7,854,874
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.	1,131,103
To recognize accrued interest at year-end.	(1,183,908)
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)
Loans payable	(154,166)
Compensated absences	<u>(53,369)</u>
	<u>(6,757,535)</u>
Total net assets - governmental activities	<u>\$ 7,272,399</u>

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

Water and Sewer Capital Projects Fund	RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 986,707	\$ 206,916	\$ 2,307,845
-	-	36,270	98,671
-	-	401,226	2,410,288
-	-	-	28,992
-	-	-	82,151
2,385	2,288	73,296	167,749
-	-	39,821	298,917
<u>2,385</u>	<u>988,995</u>	<u>757,529</u>	<u>5,394,613</u>
-	-	-	477,468
-	-	462,551	1,176,838
-	-	8,965	8,965
-	-	273,772	436,075
-	-	53,195	100,642
-	-	-	240,263
-	-	24,127	225,305
-	93,346	15,354	111,028
-	311,093	-	311,093
-	145,800	-	145,800
-	233,366	-	233,366
764,917	-	38,995	2,047,140
-	-	-	27,988
-	504,310	3,000	524,994
<u>764,917</u>	<u>1,287,915</u>	<u>879,959</u>	<u>6,066,965</u>
<u>(762,532)</u>	<u>(298,920)</u>	<u>(122,430)</u>	<u>(672,352)</u>
-	233,366	-	258,666
-	-	120,530	317,871
-	(197,341)	(5,001)	(317,871)
-	36,025	115,529	258,666
(762,532)	(262,895)	(6,901)	(413,686)
<u>592,113</u>	<u>246,742</u>	<u>2,981,655</u>	<u>6,362,481</u>
-	-	279,070	279,070
<u>\$ (170,419)</u>	<u>\$ (16,153)</u>	<u>\$ 3,253,824</u>	<u>\$ 6,227,865</u>

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, 2010

Total net change in fund balances - governmental funds	\$ (413,686)
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 additions to capital outlay (\$1,260,629) exceeds depreciation expense (\$434,136) in the current period.	826,493
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.	27,988
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).	(21,861)
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.	581
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	<u>396,129</u>
Changes in net assets of governmental activities	<u>\$ 815,644</u>

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2010**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Operating revenues:					
Charges for services	\$ 1,067,733	\$ 994,643	\$ 580,808	\$ -	\$ 2,643,184
Miscellaneous	3,058	277	5,188	-	8,523
Total operating revenues	<u>1,070,791</u>	<u>994,920</u>	<u>585,996</u>	<u>-</u>	<u>2,651,707</u>
Operating expenses:					
Wages and benefits	441,079	413,441	100,178	-	954,698
Maintenance and supplies	716,026	449,147	566,444	-	1,731,617
Depreciation	290,133	192,628	-	-	482,761
Amortization	-	7,476	-	-	7,476
Bad debt	3,749	-	-	-	3,749
Total operating expenses	<u>1,450,987</u>	<u>1,062,692</u>	<u>666,622</u>	<u>-</u>	<u>3,180,301</u>
Operating income	<u>(380,196)</u>	<u>(67,772)</u>	<u>(80,626)</u>	<u>-</u>	<u>(528,594)</u>
Non-operating revenue (expenses):					
Interest income	6,094	643	7,076	33,587	47,400
Interest expense	(46,950)	(190,381)	-	(27,286)	(264,617)
Total non-operating revenues (expenses)	<u>(40,856)</u>	<u>(189,738)</u>	<u>7,076</u>	<u>6,301</u>	<u>(217,217)</u>
Income before capital contributions	<u>(421,052)</u>	<u>(257,510)</u>	<u>(73,550)</u>	<u>6,301</u>	<u>(745,811)</u>
Capital contributions	<u>354,407</u>	<u>819,790</u>	<u>-</u>	<u>-</u>	<u>1,174,197</u>
Changes in net assets	<u>(66,645)</u>	<u>562,280</u>	<u>(73,550)</u>	<u>6,301</u>	<u>428,386</u>
Net assets, July 1, 2009	<u>7,151,637</u>	<u>3,966,577</u>	<u>33,994</u>	<u>285,467</u>	<u>11,437,675</u>
Net assets, June 30, 2010	<u>\$ 7,084,992</u>	<u>\$ 4,528,857</u>	<u>\$ (39,556)</u>	<u>\$ 291,768</u>	<u>\$ 11,866,061</u>

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, 2010

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 873,776	\$ -	\$ 873,776
Accounts receivable	-	98,299	98,299
Total assets	<u>873,776</u>	<u>98,299</u>	<u>972,075</u>
<u>Liabilities</u>			
Cash overdraft	-	98,299	98,299
Total liabilities	-	98,299	98,299
<u>Net assets</u>	<u>\$ 873,776</u>	<u>\$ -</u>	<u>\$ 873,776</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, 2010

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

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.

Measure C Special Revenue Fund: This fund is used to account for apportioned local sales tax revenues to be used exclusively for maintenance and improvement of the City's streets and roads.

RDA Low Income Special Revenue Fund: This fund is used to account for incremental property taxes specifically allocated by state statute for the purpose of developing low and moderate income housing within the Agency's project areas.

Sewer and Water Capital Projects Fund: This fund is used to account for capital expenditures related to the City's sewer and water enterprise funds.

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.

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, 2010

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:

<u>Capital Assets</u>	<u>Minimum Threshold</u>
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:

<u>Capital Assets</u>	<u>Useful Life</u>
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, 2010.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

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 4/5th 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, 2010

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:

<u>Investment Type</u>		<u>Remaining Maturity Date</u>
State investment pool	\$ 3,987,134	12 months or less
Held by fiscal agents:		
Money market	<u>1,136,567</u>	12 months or less
Total	<u>\$ 5,123,701</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. Presented below is actual rating as of year-end for each investment type:

<u>Investment Type</u>		<u>Ratings as of Year-End</u>	
		<u>AAA</u>	<u>Not Rated</u>
State investment pool	\$ 3,987,134	\$ -	\$ 3,987,134
Held by fiscal agents:			
Money market	<u>1,136,567</u>	<u>785,044</u>	<u>351,523</u>
Total	<u>\$ 5,123,701</u>	<u>\$ 785,044</u>	<u>\$ 4,338,657</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 U.S. Bank Money Market Account that represents 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:

\$351,523 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.

\$493,459 of cash and investments (including amounts held by bond trustee) reported in the Water Fund are held in the form of the above-described money market funds.

\$291,585 of cash and investments (including amounts held by bond trustee) reported in the Mendota Joint Power Financing Authority Fund are held in the form of the above-described money market funds.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – RECEIVABLES

Accounts receivable as of June 30, 2010, consist of the following:

	General Fund	HOME Investment Partnership Program	Measure C Special Revenue Fund	RDA Low Income Special Revenue Fund	Water and Sewer Capital Projects Fund	RDA Debt Service Fund	Other Governmental Funds	Total
Receivables:								
Taxes	\$ 24,946	\$ -	\$ 14,633	\$ -	\$ -	\$ -	\$ 47,039	\$ 86,618
Accounts	210,930	-	396,129	-	-	-	49,868	656,927
Interest	1,421	1	194	24,523	282	93	1,992	28,506
Loans	-	549,975	-	100,000	-	-	416,207	1,066,182
Receivables, net	<u>\$ 237,297</u>	<u>\$ 549,976</u>	<u>\$ 410,956</u>	<u>\$ 124,523</u>	<u>\$ 282</u>	<u>\$ 93</u>	<u>\$ 515,106</u>	<u>\$ 1,838,233</u>

	Water Fund	Sewer Fund	Sanitation Fund
Receivables:			
Accounts	\$ 1,018,743	\$ 443,933	\$ 501,827
Interest	919	104	-
Allowance for uncollectible	<u>(905,441)</u>	<u>(408,129)</u>	<u>(352,173)</u>
Receivables, net	<u>\$ 114,221</u>	<u>\$ 35,908</u>	<u>\$ 149,654</u>

NOTE 4 – INTERFUND ACTIVITY

Interfund Receivables and Payables

The City had the following interfund receivables and payables as of June 30, 2010:

	Due from	Due to
Major Funds:		
General Fund	\$ 599,401	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,716
RDA Debt Service Fund	-	91,201
Sewer Fund	-	10,999
Sanitation Fund	-	258,362
Mendota Joint Power Finance Authority	-	157,515
Non Major Funds:		
Aviation Assistance Special Revenue Fund	-	23,557
Police Grants Special Revenue Fund	-	43,158
General Bond Debt Service Fund	-	97,094
RDA Capital Projects Fund	<u>91,201</u>	<u>-</u>
Total	<u>\$ 690,602</u>	<u>\$ 690,602</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 4 – INTERFUND ACTIVITY (Continued)

Interfund Transfers (continued)

The transfer of \$197,341 between the RDA Debt Service Fund and the RDA Low Income Special Revenue Fund 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.

During the fiscal year ended June 30, 2010, the City initiated the closure of several inactive Special Revenue Funds listed above. The closure of these funds has resulted in a net transfer of \$115,529 from the City's General Fund to resolve their outstanding deficit fund balances.

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2010, is as follows:

	<u>Balances July 1, 2009</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balances June 30, 2010</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 153,287	\$ 47,035	\$ -	\$ 200,322
Construction in progress	<u>571,843</u>	<u>720,878</u>	<u>(571,843)</u>	<u>720,878</u>
Total capital assets, not being depreciated	<u>725,130</u>	<u>767,913</u>	<u>(571,843)</u>	<u>921,200</u>
Capital assets, being depreciated:				
Infrastructure	1,534,604	541,870	-	2,076,474
Land improvements	4,321,232	8,655	-	4,329,887
Buildings and improvements	970,204	346,574	-	1,316,778
Equipment	<u>1,155,607</u>	<u>167,460</u>	<u>-</u>	<u>1,323,067</u>
Total captal assets, being depreciated	<u>7,981,647</u>	<u>1,064,559</u>	<u>-</u>	<u>9,046,206</u>
Less: accumulated depreciation	<u>1,678,396</u>	<u>434,136</u>	<u>-</u>	<u>2,112,532</u>
Total capital assets, being depreciated, net	<u>6,303,251</u>	<u>630,423</u>	<u>-</u>	<u>6,933,674</u>
Governmental activity capital assets, net	<u>\$ 7,028,381</u>	<u>\$ 1,398,336</u>	<u>\$ (571,843)</u>	<u>\$ 7,854,874</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2010, is as follows:

	<u>Outstanding July 1, 2009</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Outstanding June 30, 2010</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	\$ 1,230,000
Westamerica Bank Loan, payable in monthly installments of \$3,050, including interest at 5.083%. Instrument matures on March 15, 2015 and is secured by a first trust deed on real property.	182,154	-	(27,988)	154,166	29,444
Compensated absences	<u>31,509</u>	<u>67,706</u>	<u>(45,846)</u>	<u>53,369</u>	<u>41,705</u>
Total general obligations long-term debt	<u>\$ 6,763,663</u>	<u>\$ 67,706</u>	<u>\$ (73,834)</u>	<u>\$ 6,757,535</u>	<u>\$ 1,301,149</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2010, 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>
2011	\$ 1,230,000	\$ 1,577,871	\$ 2,807,871
2012	230,000	388,100	618,100
2013	245,000	370,881	615,881
2014	265,000	352,394	617,394
2015	285,000	332,456	617,456
2016-2020	1,760,000	1,299,377	3,059,377
2021-2025	2,535,000	503,064	3,038,064
Total	<u>\$ 6,550,000</u>	<u>\$ 4,824,143</u>	<u>\$ 11,374,143</u>

Westamerica Bank Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 29,444	\$ 7,157	\$ 36,601
2012	30,976	5,625	36,601
2013	32,587	4,013	36,600
2014	34,283	2,317	36,600
2015	26,876	573	27,449
Total	<u>\$ 154,166</u>	<u>\$ 19,685</u>	<u>\$ 173,851</u>

1989 Finance Authority Revenue Bonds

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 25,000	\$ 26,156	\$ 51,156
2012	30,000	24,025	54,025
2013	30,000	21,700	51,700
2014	30,000	19,375	49,375
2015	35,000	55,414	90,414
2016-2020	200,000	1,744	201,744
Total	<u>\$ 350,000</u>	<u>\$ 148,414</u>	<u>\$ 498,414</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

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 2010, 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 Wilmington Trust and all investments are self-directed by each individual employee. During the current fiscal year the City contributed \$33,738 and the employees contributed \$41,805. 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
6/30/2010

Mutual Funds	\$	749,207
Note/Master Participant Loan		<u>124,569</u>
Net Assets	\$	<u>873,776</u>

NOTE 9 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2010, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
General government	\$ 21,490
Public safety	81,238
Building and planning	47,692
Capital outlay	71,310
Principal	27,988
Interest	17,684
Measure C Special Revenue Fund:	
Capital outlay	1,031,918

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 15 – SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

The Supplemental Educational Revenue Augmentation Fund (SERAF) was enacted by California State Assembly Bill AB 26 4X to meet the mandatory funding requirements of California public schools under Proposition 98. The bill requires that \$2.05 billion in property tax increment, previously collected and remitted to redevelopment agencies across the state, be redirected to public schools which function within an Agency's redevelopment project area. The \$2.05 billion is payable in proportion by all California redevelopment agencies over a two year period, with \$1.70 billion payable by May 10, 2010 and \$350 million due by May 10, 2011. The California State Department of Finance has determined the amounts due from each of California's redevelopment agencies comprising the \$2.05 billion payment.

As determined by the Department of Finance, the Mendota Redevelopment Agency's SERAF payment of \$311,093 was transferred to the County of Fresno on May 10, 2010 for redistribution to the Mendota Unified School District. The expenditure was paid by the Agency's Debt Service Fund through an advance from the Agency's Low Income Special Revenue Fund. As required under state statute, the advance from the Agency's Low Income Fund is to be fully repaid on or before June 30, 2015.

For the fiscal year ended June 30, 2011, the SERAF payment for the Agency is projected to be \$63,987.

NOTE 16 – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of borrowing pertaining to the City of Mendota was \$75,794.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the property tax reduction. All transaction costs of the issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and, accordingly, property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were book value and, as a result, no gain or loss was recorded.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

BUDGETARY COMPARISON SCHEDULE
HOME INVESTMENT PARTNERSHIP PROGRAM SPECIAL REVENUE FUND
For the Year Ended June 30, 2010

	<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	\$ -	\$ -	\$ 4	\$ 4
Total revenues	-	-	4	4
Expenditures:				
Current:				
Redevelopment and housing	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	4	4
Fund balances, July 1, 2009	(8,719)	(8,719)	(8,719)	-
Fund balances, June 30, 2010	<u>\$ (8,719)</u>	<u>\$ (8,719)</u>	<u>\$ (8,715)</u>	<u>\$ 4</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
 RDA LOW INCOME SPECIAL REVENUE FUND
 For the Year Ended June 30, 2010**

	<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	<u>32,000</u>	<u>32,000</u>	<u>7,557</u>	<u>(24,443)</u>
Total revenues	<u>32,000</u>	<u>32,000</u>	<u>7,557</u>	<u>(24,443)</u>
Expenditures:				
Current:				
Redevelopment and housing	<u>61,100</u>	<u>61,100</u>	<u>2,328</u>	<u>58,772</u>
Total expenditures	<u>61,100</u>	<u>61,100</u>	<u>2,328</u>	<u>58,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,100)</u>	<u>(29,100)</u>	<u>5,229</u>	<u>34,329</u>
Other financing sources (uses):				
Transfers in	<u>200,982</u>	<u>200,982</u>	<u>197,341</u>	<u>(3,641)</u>
Total other financing sources (uses)	<u>200,982</u>	<u>200,982</u>	<u>197,341</u>	<u>(3,641)</u>
Net change in fund balance	<u>171,882</u>	<u>171,882</u>	<u>202,570</u>	<u>30,688</u>
Fund balance, July 1, 2009	<u>1,300,722</u>	<u>1,300,722</u>	<u>1,300,722</u>	<u>-</u>
Fund balance, June 30, 2010	<u>\$ 1,472,604</u>	<u>\$ 1,472,604</u>	<u>\$ 1,503,292</u>	<u>\$ 30,688</u>

SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
Revenues:				
Taxes	\$ 206,916	\$ -	\$ -	\$ 206,916
Licenses and permits	36,270	-	-	36,270
Intergovernmental	311,730	-	89,496	401,226
Revenue from the use of money and property	68,561	-	4,735	73,296
Miscellaneous	39,821	-	-	39,821
Total revenues	663,298	-	94,231	757,529
Expenditures:				
Current:				
Public safety	462,551	-	-	462,551
Municipal airport	8,965	-	-	8,965
Highways and streets	273,772	-	-	273,772
Public works	-	-	53,195	53,195
Parks and recreation	24,127	-	-	24,127
Redevelopment and housing	15,354	-	-	15,354
Capital outlay	38,995	-	-	38,995
Debt service:				
Interest	-	3,000	-	3,000
Total expenditures	823,764	3,000	53,195	879,959
Excess (deficiency) of revenues over (under) expenditures	(160,466)	(3,000)	41,036	(122,430)
Other financing sources (uses):				
Transfers in	120,530	-	-	120,530
Transfers out	(5,001)	-	-	(5,001)
Total other financing sources (uses)	115,529	-	-	115,529
Net change in fund balance	(44,937)	(3,000)	41,036	(6,901)
Fund balances, July 1, 2009	1,923,787	(144,094)	1,201,962	2,981,655
Prior period adjustment	279,070	-	-	279,070
Fund balances, June 30, 2010	\$ 2,157,920	\$ (147,094)	\$ 1,242,998	\$ 3,253,824

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2010**

	<u>Police Grants</u>	<u>Community Development Block Grant</u>	<u>Mendota CFD</u>	<u>Gas Tax</u>
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 112,124	\$ 73,031	\$ 978,221
Receivables	8,962	416,272	475	16,521
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 8,962</u>	<u>\$ 528,396</u>	<u>\$ 73,506</u>	<u>\$ 994,742</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,005	\$ 8,503
Due to other funds	43,158	-	-	-
Deferred revenue	-	190,313	-	-
Total liabilities	<u>43,158</u>	<u>190,313</u>	<u>1,005</u>	<u>8,503</u>
Fund balances:				
Unreserved	<u>(34,196)</u>	<u>338,083</u>	<u>72,501</u>	<u>986,239</u>
Total fund balances	<u>(34,196)</u>	<u>338,083</u>	<u>72,501</u>	<u>986,239</u>
Total liabilities and fund balances	<u>\$ 8,962</u>	<u>\$ 528,396</u>	<u>\$ 73,506</u>	<u>\$ 994,742</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, 2010**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 115,323
Licenses and permits	-	-	36,270	-
Intergovernmental	-	-	-	-
Revenue from the use of money and property	916	-	2,539	649
Miscellaneous	<u>6,444</u>	<u>2</u>	<u>-</u>	<u>1,152</u>
Total revenues	<u>7,360</u>	<u>2</u>	<u>38,809</u>	<u>117,124</u>
Expenditures:				
Current:				
Public safety	-	-	6,638	-
Municipal airport	-	8,965	-	-
Highways and streets	-	-	31,139	140,491
Parks and recreation	-	-	24,127	-
Redevelopment and housing	15,354	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,918</u>
Total expenditures	<u>15,354</u>	<u>8,965</u>	<u>61,904</u>	<u>168,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,994)</u>	<u>(8,963)</u>	<u>(23,095)</u>	<u>(51,285)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(7,994)	(8,963)	(23,095)	(51,285)
Fund balances, July 1, 2009	<u>224,860</u>	<u>(9,043)</u>	<u>415,411</u>	<u>255,402</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 216,866</u>	<u>\$ (18,006)</u>	<u>\$ 392,316</u>	<u>\$ 204,117</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, 2010**

	<u>Safe Routes</u>	<u>Leaky Pipes</u>	<u>JHBP</u>	<u>Park Bond Act</u>	<u>Total</u>
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 206,916
Licenses and permits	-	-	-	-	36,270
Intergovernmental	-	-	-	-	311,730
Revenue from the use of money and property	-	-	-	-	68,561
Miscellaneous	-	-	-	-	39,821
Total revenues	-	-	-	-	663,298
Expenditures:					
Current:					
Public safety	-	-	-	-	462,551
Municipal airport	-	-	-	-	8,965
Highways and streets	-	-	-	-	273,772
Parks and recreation	-	-	-	-	24,127
Redevelopment and housing	-	-	-	-	15,354
Capital outlay	-	-	-	-	38,995
Total expenditures	-	-	-	-	823,764
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	(160,466)
Other financing sources (uses):					
Transfers in	91,743	10,357	12,691	-	120,530
Transfers out	-	-	-	(5,001)	(5,001)
Total other financing sources (uses)	91,743	10,357	12,691	(5,001)	115,529
Net change in fund balance	91,743	10,357	12,691	(5,001)	(44,937)
Fund balances, July 1, 2009	(91,743)	(10,357)	(12,691)	5,001	1,923,787
Prior period adjustment	-	-	-	-	279,070
Fund balances, June 30, 2010	\$ -	\$ -	\$ -	\$ -	\$ 2,157,920

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, 2010**

	<u>General Bond</u>
Revenues:	
Taxes	\$ -
Revenue from the use of money and property	<u>-</u>
Total revenues	<u>-</u>
Expenditures:	
Debt service:	
Interest	<u>3,000</u>
Total expenditures	<u>3,000</u>
Net change in fund balance	(3,000)
Fund balances, July 1, 2009	<u>(144,094)</u>
Fund balances, June 30, 2010	<u>\$ (147,094)</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, 2010**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>RDA Capital Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
Revenues:				
Intergovernmental	-	-	89,496	89,496
Revenue from the use of money and property	357	3,943	435	4,735
Miscellaneous	-	-	-	-
Total revenues	<u>357</u>	<u>3,943</u>	<u>89,931</u>	<u>94,231</u>
Expenditures:				
Current:				
Public works	-	-	53,195	53,195
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>53,195</u>	<u>53,195</u>
Net change in fund balance	357	3,943	36,736	41,036
Fund balances, July 1, 2009	<u>84,481</u>	<u>1,015,781</u>	<u>101,700</u>	<u>1,201,962</u>
Fund balances, June 30, 2010	<u>\$ 84,838</u>	<u>\$ 1,019,724</u>	<u>\$ 138,436</u>	<u>\$ 1,242,998</u>

OVERALL COMPLIANCE, INTERNAL CONTROLS AND
FEDERAL AWARDS SECTION

PRICE PAIGE & COMPANY

ACCOUNTANCY CORPORATION

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

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2010. 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 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or direct and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that we might be deficiencies, 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

CITY OF MENDOTA

**SCHEDULE OF CURRENT YEAR FINDINGS
YEAR ENDED JUNE 30, 2010**

I. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified
that are not considered to be
material weakness(es)?

_____ Yes X No

Noncompliance material to financial statements
noted?

_____ Yes X No

II. Findings – Financial Statement Audit

None

III. Findings – Compliance Audit

Finding 2010-1: Redevelopment Agency Five-Year Implementation Plan

Criteria:

In accordance with the California Health & Safety Code §33490 and §33413(b), the Redevelopment Agency must produce Implementation Plans for each project area every five years.

Condition:

The Agency did not produce Implementation Plans for each project area every five years.

Effect:

The Agency is out of compliance with the above Health and Safety Code.

Cause:

The Agency unaware that Implementation Plans is required for each project area every five years.

Recommendation:

We recommend that the Agency produce Implementation Plans for each project area every five years.

Management Response:

Mendota Redevelopment Agency has no current activity. City of Mendota is currently looking into requirements related to the five-year implantation plan.