

**CITY OF MENDOTA**

**FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2011**

CITY OF MENDOTA

June 30, 2011

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**June 30, 2011**

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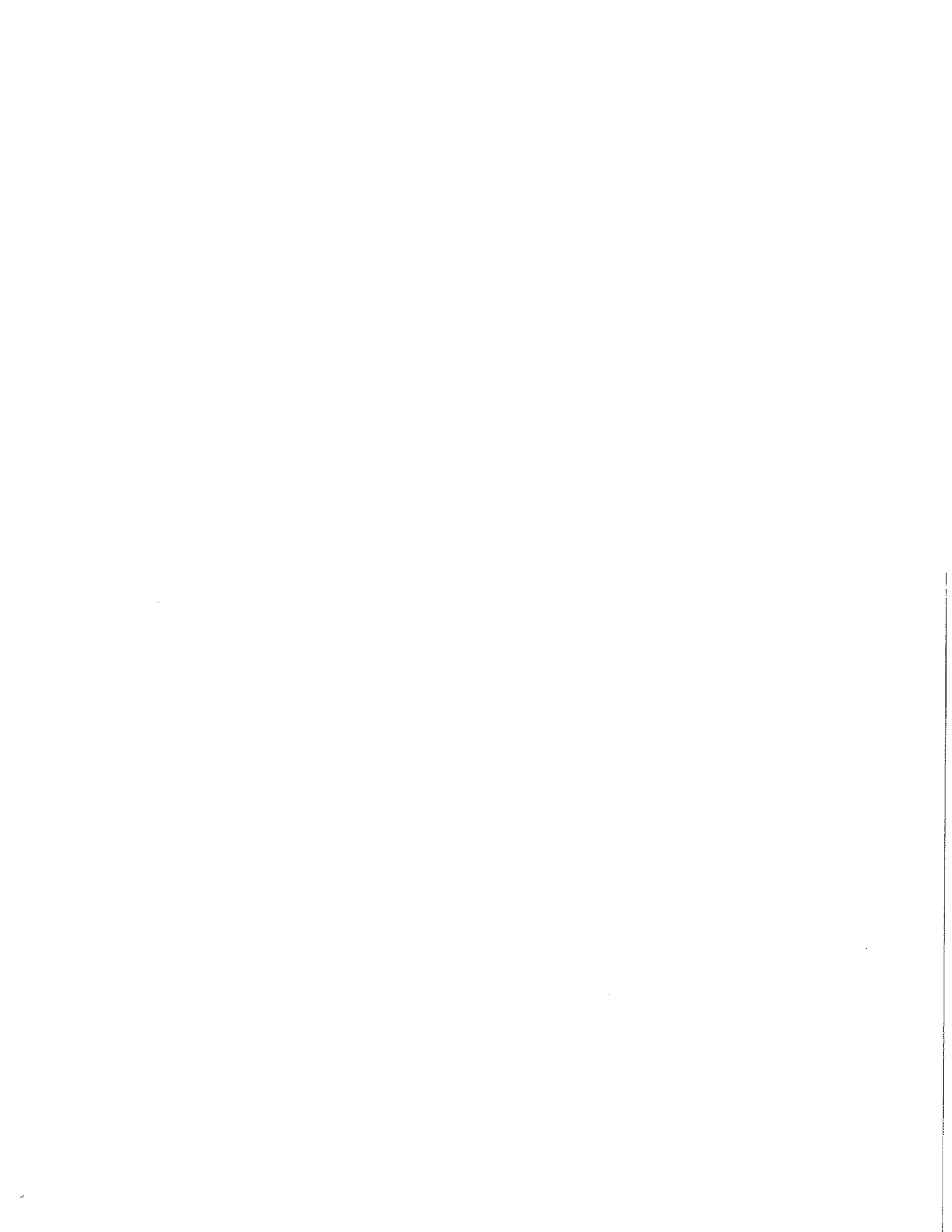
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## INDEPENDENT AUDITOR'S REPORT

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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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, 2011, 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 December 8, 2011, 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.

As explained further in Note 17, it is uncertain as to the future continuation of redevelopment agencies (a material component unit in the City's financial statements) in the State of California as a result of litigation initiated in response to certain legislative actions enacted by the California State Legislature.

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 60 through 64 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 and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Price Pange & Company*

Clovis, California  
December 14, 2011

**CITY OF MENDOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

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, 2011. 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 \$21,451,780 (*net assets*). Of this amount, \$2,120,349 (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 \$2,313,320. Governmental activities increased the City's total net assets by \$1,430,623 and business-type activities increased by \$882,697.

At June 30, 2011, the City's governmental funds reported combined ending fund balances of \$7,718,742, an increase of \$1,490,877 in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$522,842 or 27 percent of the total general fund expenditures for the fiscal year. In June 2011, the City transferred \$1,300,000 in unassigned General Fund balance to an assigned reserve to enhance the financial position of the City and control future spending during the budgeting process.

The City's total long-term debt increased by \$2,016,236 in comparison with the prior year. The increase resulted from the issuance of \$2,250,000 in certificates of participation bonds by the City for expansion of the wastewater treatment plant, offset by scheduled principal payments on the City's existing outstanding debt.

**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 Powers Public Financing Authority.

**CITY OF MENDOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

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 for 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 financial 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 18 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, Measure C Special Revenue Fund, RDA Low Income 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 to 29 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 30 to 32 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 33 and 34 of this report.



**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**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 58 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 60 to 64 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 66 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 \$21,451,780 at June 30, 2011.

**City of Mendota  
Condensed Statement of Net Assets  
June 30, 2011 and 2010**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 8,526,805	\$ 8,833,759	\$ 3,088,403	\$ 2,630,523	\$ 11,615,208	\$ 11,464,282
Capital assets	8,150,246	7,854,874	17,403,756	14,260,097	25,554,002	22,114,971
Total assets	<u>\$ 16,677,051</u>	<u>\$ 16,688,633</u>	<u>\$ 20,492,159</u>	<u>\$ 16,890,620</u>	<u>\$ 37,169,210</u>	<u>\$ 33,579,253</u>
Long-term liabilities	6,717,808	6,757,535	1,002,945	371,964	7,720,753	7,129,499
Other liabilities	1,256,221	2,658,699	6,740,456	4,652,595	7,996,677	7,311,294
Total liabilities	<u>7,974,029</u>	<u>9,416,234</u>	<u>7,743,401</u>	<u>5,024,559</u>	<u>15,717,430</u>	<u>14,440,793</u>
Net assets:						
Invested in capital assets, net of related debt	1,475,524	1,150,708	10,830,495	9,793,117	12,306,019	10,943,825
Restricted	6,153,306	1,503,292	872,106	785,044	7,025,412	2,288,336
Unrestricted	1,074,192	4,618,399	1,046,157	1,287,900	2,120,349	5,906,299
Total net assets	<u>\$ 8,703,022</u>	<u>\$ 7,272,399</u>	<u>\$ 12,748,758</u>	<u>\$ 11,866,061</u>	<u>\$ 21,451,780</u>	<u>\$ 19,138,460</u>

The largest portion of the City's net assets \$12,306,019 (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 \$2,120,349 (10 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 \$7,025,412 (33 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net assets by \$1,430,623 accounting for 62 percent of the total growth in the net assets of the City of Mendota.

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**City of Mendota  
Condensed Statement of Activities  
For the Years Ended June 30, 2011 and 2010**

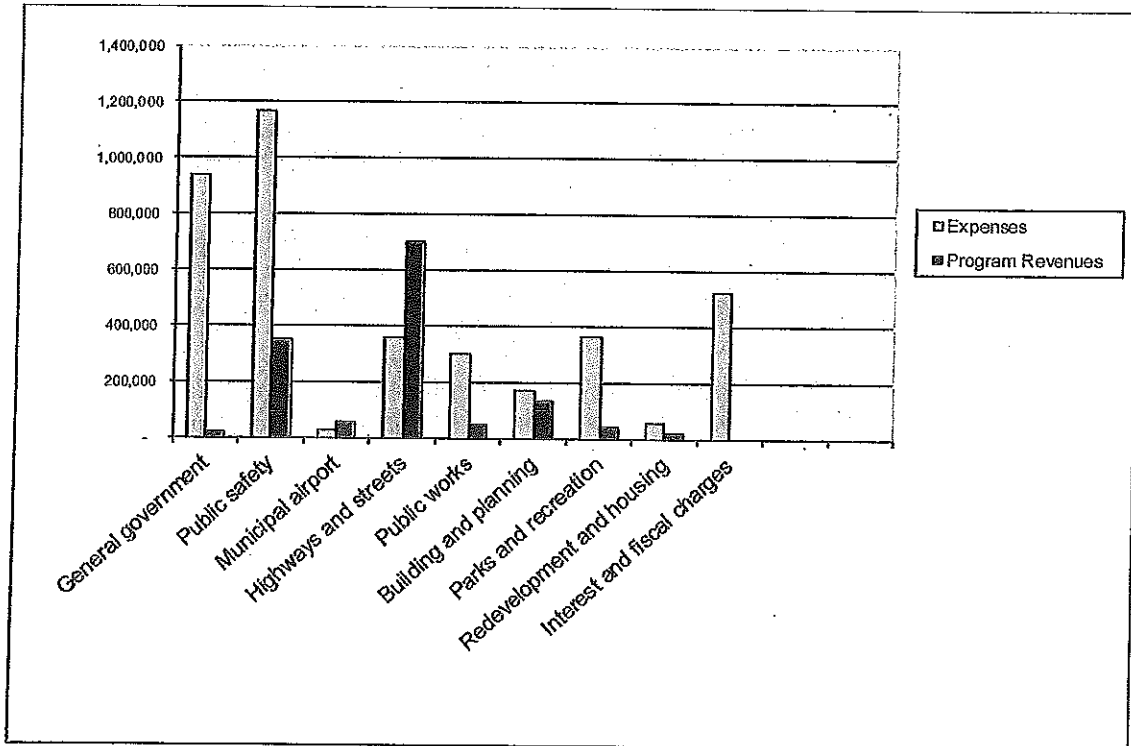
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 467,994	\$ 209,815	\$ 2,644,337	\$ 2,643,184	\$ 3,112,331	\$ 2,852,999
Operating grants and contributions	416,088	401,226	-	-	416,088	401,226
Capital grants and contributions	482,678	1,727,816	1,881,802	409,279	2,364,480	2,137,095
General revenues:						
Property taxes	1,159,809	1,180,960	-	-	1,159,809	1,180,960
Sales tax	451,755	561,265	-	-	451,755	561,265
Franchise taxes	120,184	95,029	-	-	120,184	95,029
Other taxes	548,908	470,589	-	-	548,908	470,589
Motor vehicle in-lieu	857,130	675,029	-	-	857,130	675,029
Earnings on investments	33,373	97,744	42,696	47,401	76,069	145,145
Miscellaneous	618,107	629,936	10,975	8,523	629,082	638,459
<b>Total revenues</b>	<b>5,156,026</b>	<b>6,049,409</b>	<b>4,579,810</b>	<b>3,108,387</b>	<b>9,735,836</b>	<b>9,157,796</b>
<b>Expenses:</b>						
General government	941,224	1,228,911	-	-	941,224	1,228,911
Public safety	1,164,241	1,217,408	-	-	1,164,241	1,217,408
Municipal airport	28,353	27,391	-	-	28,353	27,391
Highways and streets	354,671	457,670	-	-	354,671	457,670
Public works	299,061	276,851	-	-	299,061	276,851
Building and planning	170,978	240,263	-	-	170,978	240,263
Parks and recreation	360,683	383,983	-	-	360,683	383,983
Redevelopment and housing	57,266	111,958	-	-	57,266	111,958
Interest and fiscal charges	519,345	524,413	-	-	519,345	524,413
Water	-	-	1,597,701	1,497,937	1,597,701	1,497,937
Sewer	-	-	1,203,712	1,253,073	1,203,712	1,253,073
Refuse	-	-	648,932	666,622	648,932	666,622
Mendota Joint Power Financing Authority	-	-	25,349	27,286	25,349	27,286
<b>Total expenses</b>	<b>3,895,822</b>	<b>4,468,848</b>	<b>3,475,694</b>	<b>3,444,918</b>	<b>7,371,516</b>	<b>7,913,766</b>
Increase in net assets before transfers	1,260,204	1,580,561	1,104,116	(336,531)	2,364,320	1,244,030
Transfers	170,419	(764,917)	(170,419)	764,917	-	-
Increase in net assets	1,430,623	815,644	933,697	428,386	2,364,320	1,244,030
Net assets - beginning	7,272,399	6,177,685	11,866,061	11,437,675	19,138,460	17,615,360
Prior period adjustments	-	279,070	(51,000)	-	(51,000)	279,070
<b>Net assets - ending</b>	<b>\$ 8,703,022</b>	<b>\$ 7,272,399</b>	<b>\$ 12,748,758</b>	<b>\$ 11,866,061</b>	<b>\$ 21,451,780</b>	<b>\$ 19,138,460</b>

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

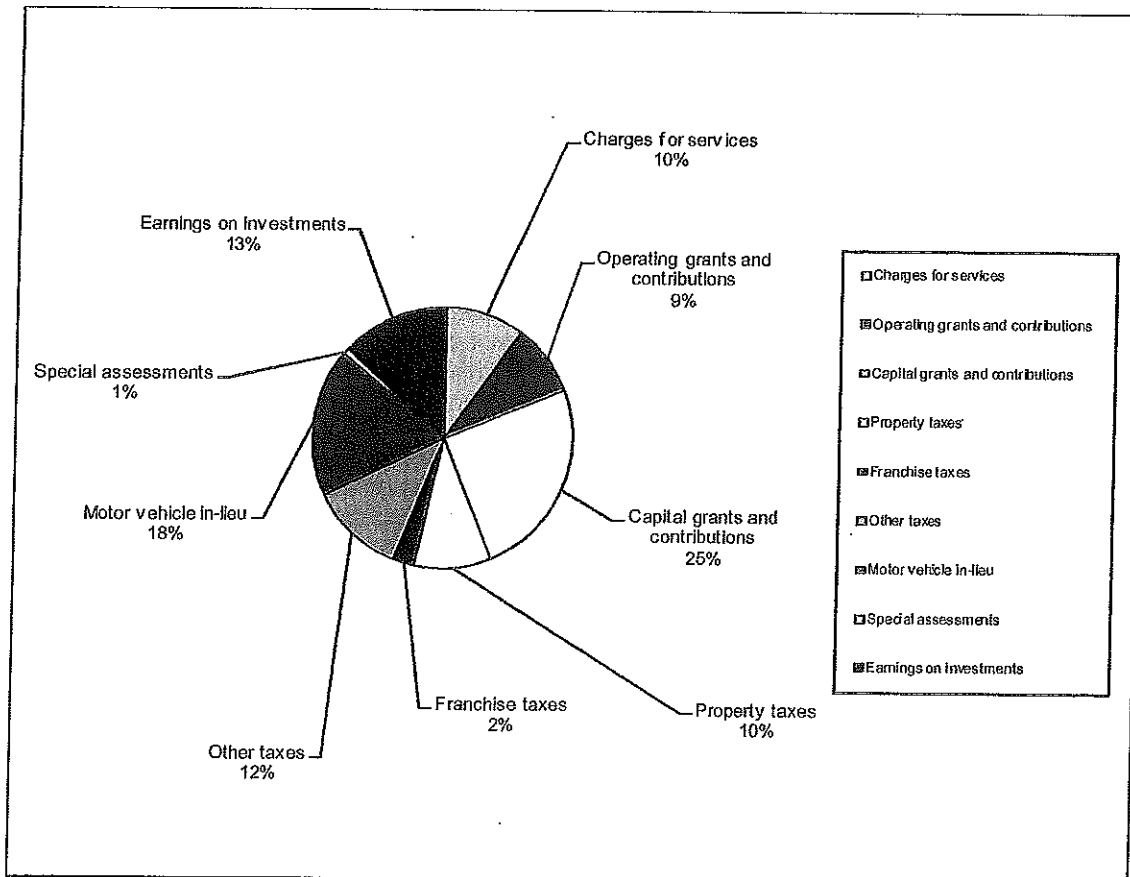
- Charges for services increased by \$258,179 to \$467,994 from the prior year due primarily to services provided by the City's police department, which completed its first full year of operation, in the form of traffic citations, fines and services.
- Governmental capital grants decreased by \$1,245,138 from the prior year. The decrease was due to a street signalization project in the prior year in which State of California provided financial assistance. The project was completed in the first quarter of the current fiscal year. Business capital grants increased by \$1,472,523 due primarily to a USDA grant for expansion of the City's wastewater treatment plant.
- Property tax revenue and sales tax revenue decreased by 2% and 20%, respectively, over the prior year due primarily to a reduction in assessed property values and the generally poor economic conditions currently evident in the state and local economy. Motor vehicle fees increased by \$182,101 or 27% due to an increase in DMV fees charged by the State of California and a one-time back payment from the state. Other Taxes increased \$78,319 or 17% due to an increase in federal highway user tax revenue over the prior year.
- Earnings on Investments decreased \$64,371 to \$33,373 in 2011. Average yields at the California Local Agency Investment Trust, which maintains a large percentage of the City's available cash, decreased from 0.651% for the fiscal year ended June 30, 2010 to 0.49% for the current fiscal year.

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Expenses and Program Revenue – Governmental Activities**



**Revenues by Source – Governmental Activities**



**CITY OF MENDOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

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

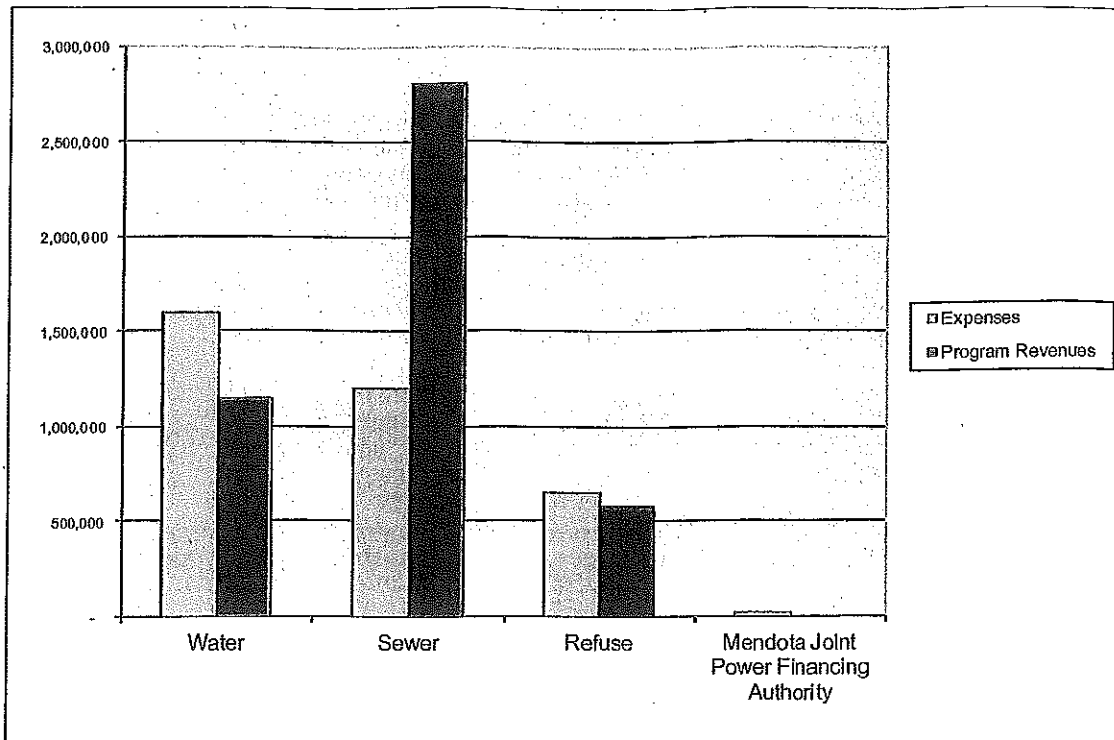
- General government expenses decreased \$287,687 to \$941,224 in 2011 due primarily to a \$247,042 reduction in the required payment under the Supplemental Educational Revenue Augmentation Fund (SERAF) legislation enacted by the State of California. Additional information regarding the SERAF payment can be found in Note 15 of the financial statements on page 56 of this report. In addition, there was a reduction in fees for fire protection services provided to the City during the year in the amount of approximately \$40,000.
- Public safety expenses decreased by \$53,167 or 4%. The City incurred numerous start-up costs in establishing its police department during the prior fiscal year. A reduction in these one-time start-up costs, offset by a full-year of officer salaries and benefits, was the primary reason for the overall decrease in public safety expenditures.
- Highways and streets expenditures decreased by \$102,999 to \$354,671. During the current fiscal year, the City concentrated its street and roads financial resources to large scale projects, which are considered capital outlay and included in the City's fixed assets. As a result of this shift of resources, the City performed fewer small street repair projects than in the previous fiscal year, resulting in lower non-capitalizable expenditures in the current year.
- Building and planning expenses decreased by \$69,285 or 29%. The decrease is due to the housing market collapse which began in 2008. There was no new significant building activity in the City during the fiscal year. Consequently, building and planning expenditures for legal service, engineering and other contractual items were reduced.
- Parks and recreation expenditures decreased by \$23,300 or 6%. Start-up costs related to the City's Rojas-Pierce Park incurred in the previous fiscal year was not incurred in the current fiscal year.
- Redevelopment and housing expenses decreased by \$54,692 or 49%. During the prior fiscal year, the City incurred professional fees related to updating its general redevelopment plan documents as required under state law.

**Business-type activities.** Business-type activities increased the City's net assets by \$882,697, accounting for 38 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

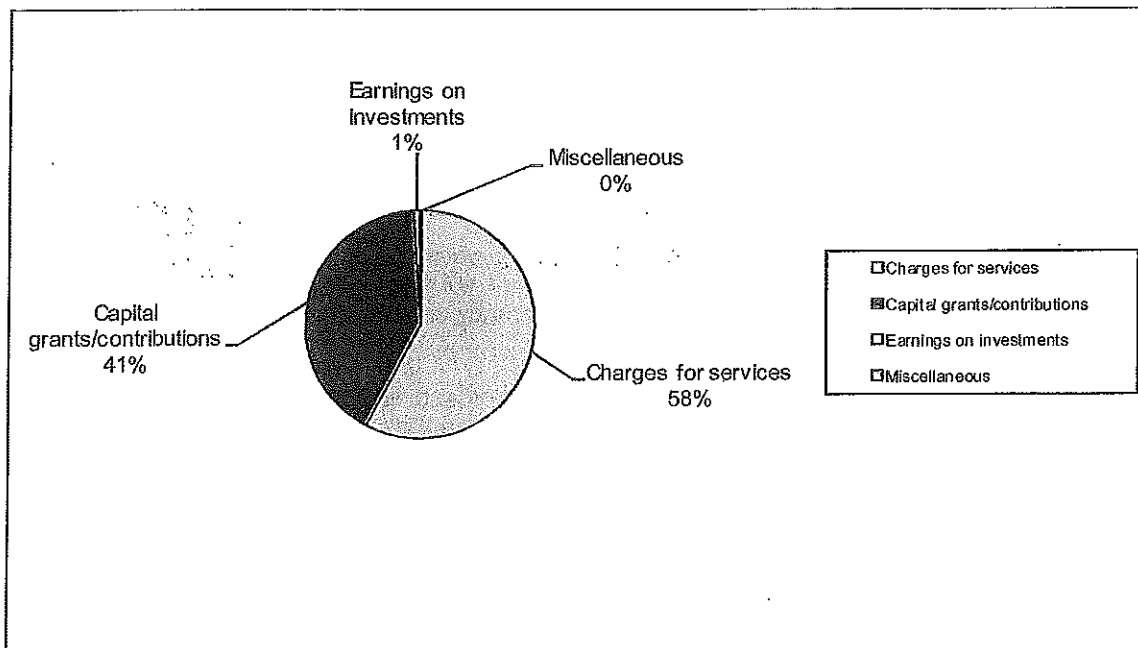
- Capital grants and contributions increased by \$1,472,523 to \$1,881,802 at June 30, 2011. The increase was primarily due to receipt of \$1,190,606 in grant proceeds from the United States Department of Agriculture rural services division for expansion of the City's existing wastewater treatment plant. The total grant awarded to the City totals \$1,800,000 and the balance of the grant is expected to be received in the next fiscal year. In addition, the City received a \$586,620 payment from the Federal Bureau of Prisons for its share of construction costs related to the wastewater plant expansion. The receipt of the above grant and contribution was offset by lower private sector developer fees and contributions due to the slowdown in housing.
- Earnings on investments decreased by \$4,705 or 10% due to lower rates earned on cash and investments during the year. The California Local Agency Investment Trust, which maintains a significant percentage of the water and sewer funds, reduced its average yield from 0.651% during the fiscal year ended June 30, 2010 to an average yield of only 0.49% during the current fiscal year.
- Expenses of the Water Enterprise Fund increased by \$99,764 to \$1,597,701 during the year. The increase is due primarily to a past due water well lease payment of \$55,113 and higher costs for engineering, maintenance and supplies.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

Expenses and Program Revenue – Business-Type Activities



Expenses and Program Revenue – Business-Type Activities



**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**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, the unassigned 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 \$7,718,742, an increase of \$1,490,877 in comparison with the prior year. Of this total amount, \$7,898,938 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund deficit of \$180,196 at June 30, 2011.

The General Fund is the chief operating fund of the City. At June 30, 2011, the unassigned fund balance of the General Fund was \$522,842. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. At June 30, 2011, unassigned fund balance represents 27 percent of total general fund expenditures.

The fund balance of the City's General Fund increased by \$259,341 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 2011		FY 2010		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes	\$ 736,841	34.05%	\$ 862,407	29.08%	\$ (125,566)	-15.68%
Licenses and permits	81,573	3.77%	62,401	2.10%	19,172	2.39%
Intergovernmental	915,905	42.30%	1,589,719	53.60%	(673,814)	-84.16%
Charges for services	78,173	3.61%	28,992	0.98%	49,181	6.14%
Fines	170,806	7.89%	82,151	2.77%	88,655	11.07%
Revenue from the use of money and property	80,283	3.71%	80,917	2.73%	(634)	-0.08%
Miscellaneous	101,425	4.68%	259,096	8.74%	(157,671)	-19.69%
<b>Total</b>	<b>\$ 2,165,006</b>	<b>100.00%</b>	<b>\$ 2,965,683</b>	<b>100.00%</b>	<b>\$ (800,677)</b>	<b>100.00%</b>

- Taxes decreased by \$125,566 or 15 percent. Decreases in property tax revenue caused by continuing devaluation of assessed properties by the County Assessor, coupled with the continuing economic slowdown effecting sales tax revenue, contributed significantly to the overall decrease over the prior fiscal year.
- Intergovernmental revenue decreased by \$673,814 or 42 percent. During the prior fiscal year, the City received \$836,595 to complete construction of the Rojas-Pierce Park from various state agencies. This decrease in park construction funds was offset by an increase in motor vehicle fees received from the State of California.
- Fines revenue increased by \$88,655 or 108%. The large increase in revenue from fines is due entirely to the City's police department, which completed its first full year of operation during the fiscal year ended June 30, 2011.
- Revenue from the Use of Money and Property decreased by \$634. Lower interest earnings on General Fund cash and investments was offset by higher rental income received during the year on City-owned properties.
- Miscellaneous revenue in fiscal year 2010 included several one-time funding items not present in the current fiscal year, including a large experience refund from the City's self-insured insurance carrier.

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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

**Expenditures by Function  
GENERAL FUND**

	FY 2011		FY 2010		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	\$ 430,861	22.55%	\$ 477,468	24.64%	\$ (46,607)	-170.94%
Public safety	966,835	50.61%	714,287	36.86%	252,548	926.27%
Public works	55,008	2.88%	47,447	2.45%	7,561	27.73%
Building and planning	170,978	8.95%	240,263	12.40%	(69,285)	-254.12%
Parks and recreation	205,937	10.78%	201,178	10.38%	4,759	17.45%
Capital outlay	36,437	1.91%	211,310	10.91%	(174,873)	-641.38%
Debt Service	44,304	2.32%	45,672	2.36%	(1,368)	-5.02%
<b>Total</b>	<b>\$ 1,910,360</b>	<b>100.00%</b>	<b>\$ 1,937,625</b>	<b>100.00%</b>	<b>\$ (27,265)</b>	<b>100.00%</b>

- Public safety increased by \$252,548 to \$966,835. During the current fiscal year, the City utilized more General Fund financial resources in paying expenditures of the City's police department. In the prior fiscal year, resources were available from two of the City's special revenue funds devoted to public safety to cover a substantial portion of the police department operation and initial start-up. As discussed earlier, government-wide expenditures for public safety decreased slightly from the previous fiscal year.
- Building and planning expenditures decreased by \$69,285. The decrease is due almost entirely to the collapse of the new housing market during the prior three fiscal years. There were no new housing developments of any significance started during the fiscal year ended June 30, 2011, resulting in lower legal, engineering and permit related costs incurred by the City.
- Capital outlay decreased by \$174,873 to \$36,437. Last year's capital outlay included final completion costs for the construction of the Rojas-Pierce Park. Current year expenditures were primarily related to reconstruction of a bathroom facility at Rojas-Pierce Park and purchase of a used police vehicle.

The Home Investment Partnership Program Special Revenue Fund has a total unassigned fund deficit of \$8,713. The net increase in fund balance during the current year was \$2. 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 \$793,216, virtually all of which is restricted. The net increase in fund balance during the current fiscal year was \$773,454. Total revenues increased by \$410,411 during the current fiscal year due to partial reimbursement received from the State of California for installation of a new traffic signal during the prior fiscal year. Capital outlay decreased by \$863,114 over the prior year due to completion of the above mentioned signalization project. This decrease was offset by the Naples Avenue and Belmont Avenue street projects which began this year.

The RDA Low Income Special Revenue Fund has a total fund balance of \$1,701,574, all of which is restricted for the development of future low and moderate income housing in the Redevelopment Agency's project areas. The current year increase of \$198,282 in fund balance is due almost entirely to the receipt of \$194,740, which represents 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 Gas Tax Special Revenue Fund has a total fund balance of \$781,671, all of which is restricted. The net decrease in fund balance during the current fiscal year was \$204,568. Intergovernmental revenue, received from the State of California, increased by \$100,404 over the prior year. However, capital outlay increased by \$389,914 due to the City utilizing Gas Tax funds for completion of the traffic signalization project described in the Measure C paragraph above.

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

The RDA Debt Service Fund has an overall fund balance of \$17,293, all of which is restricted. The net increase in fund balance during the current year was \$33,446. Incremental property tax revenue of \$973,701 decreased \$13,006 or 1% from last year due primarily to a decline in assessed valuations for properties within the RDA project areas. Overall expenses of the fund decreased \$264,103 over the prior year due primarily to a reduction in the SERAF payment from \$311,093 in 2010 to \$64,049 in 2011. As discussed previously, the SERAF payment represents a redistribution of property tax incremental revenue to school districts in the City's RDA project area imposed by the State of California due to budget short-fall at the state level for education.

**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.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

At the end of the fiscal year, actual expenditures were \$144,008 higher than the final budgetary appropriations. The higher expenditure variance is due primarily to the General Fund's unexpected higher share of public safety expenditures related to its police department during the year.

During the year, actual revenues were \$627,292 higher than the final budgetary estimates. The higher revenue variance is due primarily to intergovernmental revenue received by the State of California for motor vehicle fees that was not anticipated, higher revenue from police fines and forfeitures than anticipated, and the receipt of various one-time miscellaneous revenue that was not budgeted for.

**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, 2011, amounts to \$25,554,002 (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 16 percent.

**City of Mendota's Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 247,947	\$ 200,322	\$ 2,098,220	\$ 2,098,220	\$ 2,346,167	\$ 2,298,542
Construction in progress	154,690	720,878	4,655,864	1,049,213	4,810,554	1,770,091
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	3,370,410	2,076,474	3,789,766	3,789,766	7,160,176	5,866,240
Land improvements	4,329,887	4,329,887	-	-	4,329,887	4,329,887
Buildings and improvements	1,316,778	1,316,778	10,258,915	10,258,915	11,575,693	11,575,693
Equipment	1,330,317	1,323,067	2,361,236	2,347,977	3,691,553	3,671,044
Less: accumulated depreciation	(2,599,783)	(2,112,532)	(5,821,670)	(5,345,419)	(8,421,453)	(7,457,951)
<b>Tota capital assets</b>	<b>\$ 8,150,246</b>	<b>\$ 7,854,874</b>	<b>\$ 17,403,756</b>	<b>\$ 14,260,097</b>	<b>\$ 25,554,002</b>	<b>\$ 22,114,971</b>

This year's major additions included:

• Completion of the Bass Street signalization project	\$ 433,619
• Completion of the street alley improvement project	141,892
• Airport runway and taxiway improvement project	34,500
• Traffic signalization project at Belmont Avenue	107,176
• Commencement of Naples Ave reconstruction project	29,000
• Reconstruction of Rojas-Pierce Park bathroom	29,187
• Water distribution improvement project	17,283
• Expansion of waste water treatment plant	<u>3,589,368</u>
	<b>\$ 4,382,025</b>

For further information see Note 5 of the financial statements on pages 48 and 49 of this report.



**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Long-term debt.** At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$13,384,382. Of this amount, \$6,674,722 is the liability of governmental activities and \$6,709,660 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue bonds payable	\$ 6,550,000	\$ 6,550,000	\$ 5,919,660	\$ 3,843,980	\$ 12,469,660	\$ 10,393,980
Loans payable	124,722	154,166	790,000	820,000	914,722	974,166
	<u>\$ 6,674,722</u>	<u>\$ 6,704,166</u>	<u>\$ 6,709,660</u>	<u>\$ 4,663,980</u>	<u>\$ 13,384,382</u>	<u>\$ 11,368,146</u>
Compensated absences	43,086	53,369	30,795	39,615	73,881	92,984
Total long-term liabilities	<u>\$ 6,717,808</u>	<u>\$ 6,757,535</u>	<u>\$ 6,740,455</u>	<u>\$ 4,703,595</u>	<u>\$ 13,458,263</u>	<u>\$ 11,461,130</u>

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 50 to 54 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 5.0 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.

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CITY OF MENDOTA

**STATEMENT OF NET ASSETS**  
June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 6,820,130	\$ 1,823,298	\$ 8,643,428
Receivables	1,263,681	367,576	1,631,257
Prepaid expenses	46,925	5,334	52,259
Internal balances	83,541	(83,541)	-
Restricted assets:			
Cash and cash equivalents	312,528	872,106	1,184,634
Unamortized costs of issuance	-	103,630	103,630
Capital assets:			
Non-depreciable	402,637	6,815,509	7,218,146
Depreciable (Net)	<u>7,747,609</u>	<u>10,588,247</u>	<u>18,335,856</u>
 Total assets	 <u>16,677,051</u>	 <u>20,492,159</u>	 <u>37,169,210</u>
<u>Liabilities</u>			
Accounts payable	62,775	714,222	776,997
Deposits	5,000	130,918	135,918
Deferred revenue	5,313	-	5,313
Accrued interest	1,183,133	157,805	1,340,938
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	33,642	24,202	57,844
Revenue bonds payable	1,460,000	150,000	1,610,000
Loans payable	30,976	32,000	62,976
Portion due or payable after one year:			
Compensated absences payable	9,444	6,593	16,037
Revenue bonds payable	5,090,000	5,769,661	10,859,661
Loans payable	<u>93,746</u>	<u>758,000</u>	<u>851,746</u>
 Total liabilities	 <u>7,974,029</u>	 <u>7,743,401</u>	 <u>15,717,430</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,475,524	10,830,495	12,306,019
Restricted for:			
Redevelopment and housing	3,294,550	-	3,294,550
Public safety	462,650	-	462,650
Highways and streets	2,129,721	-	2,129,721
Parks and recreation	249,092	-	249,092
Debt service reserve	17,293	872,106	889,399
Unrestricted	<u>1,074,192</u>	<u>1,046,157</u>	<u>2,120,349</u>
 Total net assets	 <u>\$ 8,703,022</u>	 <u>\$ 12,748,758</u>	 <u>\$ 21,451,780</u>

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

**CITY OF MENDOTA**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 941,224	\$ 19,955	\$ -	\$ -
Public safety	1,164,241	209,108	100,000	39,325
Municipal airport	28,353	-	39,475	13,300
Highways and streets	354,671	14,562	257,993	430,053
Public works	299,061	48,577	-	-
Building and planning	170,978	134,857	-	-
Parks	360,683	40,935	-	-
Redevelopment and housing	57,266	-	18,620	-
Interest and fiscal charges	519,345	-	-	-
<b>Total governmental activities</b>	<b>3,895,822</b>	<b>467,994</b>	<b>416,088</b>	<b>482,678</b>
<b>Business-Type Activities:</b>				
Water	1,597,701	1,055,655	-	92,973
Sewer	1,203,712	1,013,427	-	1,788,829
Refuse	648,932	575,255	-	-
Mendota Joint Power Financing Authority	25,349	-	-	-
<b>Total business-type activities</b>	<b>3,475,694</b>	<b>2,644,337</b>	<b>-</b>	<b>1,881,802</b>
<b>Total City of Mendota</b>	<b>\$ 7,371,516</b>	<b>\$ 3,112,331</b>	<b>\$ 416,088</b>	<b>\$ 2,364,480</b>

General revenues:

Taxes:

Property taxes

Sales tax

Franchise taxes

Other taxes

Motor vehicle in-lieu

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning

Prior period adjustments

Net assets - ending

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

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (921,269)	\$ -	\$ (921,269)
(815,808)	-	(815,808)
24,422	-	24,422
347,937	-	347,937
(250,484)	-	(250,484)
(36,121)	-	(36,121)
(319,748)	-	(319,748)
(38,646)	-	(38,646)
(519,345)	-	(519,345)
<u>(2,529,062)</u>	<u>-</u>	<u>(2,529,062)</u>
-	(449,073)	(449,073)
-	1,598,544	1,598,544
-	(73,677)	(73,677)
-	(25,349)	(25,349)
<u>-</u>	<u>1,050,445</u>	<u>1,050,445</u>
<u>(2,529,062)</u>	<u>1,050,445</u>	<u>(1,478,617)</u>
1,159,809	-	1,159,809
451,755	-	451,755
120,184	-	120,184
548,908	-	548,908
857,130	-	857,130
33,373	42,696	76,069
618,107	10,975	629,082
170,419	(170,419)	-
<u>3,959,685</u>	<u>(116,748)</u>	<u>3,842,937</u>
1,430,623	933,697	2,364,320
7,272,399	11,866,061	19,138,460
<u>-</u>	<u>(51,000)</u>	<u>(51,000)</u>
<u>\$ 8,703,022</u>	<u>\$ 12,748,758</u>	<u>\$ 21,451,780</u>

The notes to the basic 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, 2011**

	<u>General</u>	<u>HOME Investment Partnership Program</u>	<u>Measure C Special Revenue Fund</u>	<u>RDA Low Income Special Revenue Fund</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 1,581,778	\$ -	\$ 787,094	\$ 1,198,973
Receivables	138,719	549,975	17,788	127,459
Due from other funds	597,428	-	-	-
Advances to other funds	-	-	-	375,142
Prepaid expenses	46,647	-	278	-
Restricted assets:				
Cash and cash equivalents	-	-	-	-
 Total assets	 <u>\$ 2,364,572</u>	 <u>\$ 549,975</u>	 <u>\$ 805,160</u>	 <u>\$ 1,701,574</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts payable	\$ 39,503	\$ -	\$ 11,944	\$ -
Deposits	5,000	-	-	-
Due to other funds	-	8,713	-	-
Advances from other funds	414,454	-	-	-
Deferred revenue	-	549,975	-	-
 Total liabilities	 <u>458,957</u>	 <u>558,688</u>	 <u>11,944</u>	 <u>-</u>
Fund balances:				
Nonspendable:				
Prepays	46,647	-	278	-
Restricted for:				
Redevelopment and housing	-	896	-	1,701,574
Public safety	-	-	-	-
Highways and streets	-	-	792,938	-
Parks and recreation	-	-	-	-
Debt service reserve	-	-	-	-
Committed to:				
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Assigned to:				
Highways and streets	32,896	-	-	-
Other	3,230	-	-	-
Unassigned	1,822,842	(9,609)	-	-
 Total fund balances	 <u>1,905,615</u>	 <u>(8,713)</u>	 <u>793,216</u>	 <u>1,701,574</u>
 Total liabilities and fund balances	 <u>\$ 2,364,572</u>	 <u>\$ 549,975</u>	 <u>\$ 805,160</u>	 <u>\$ 1,701,574</u>

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



Gas Tax Special Revenue Fund	RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 752,087	\$ 158,671	\$ 2,341,527	\$ 6,820,130
34,822	104	394,814	1,263,681
-	-	146,233	743,661
-	313,049	-	688,191
-	-	-	46,925
-	312,528	-	312,528
<u>\$ 786,909</u>	<u>\$ 784,352</u>	<u>\$ 2,882,574</u>	<u>\$ 9,875,116</u>
\$ 5,238	\$ 684	\$ 5,406	\$ 62,775
-	-	-	5,000
-	146,233	118,769	273,715
-	620,142	40,000	1,074,596
-	-	190,313	740,288
<u>5,238</u>	<u>767,059</u>	<u>354,488</u>	<u>2,156,374</u>
-	-	-	46,925
-	-	1,592,080	3,294,550
-	-	462,650	462,650
781,671	-	555,112	2,129,721
-	-	249,092	249,092
-	17,293	-	17,293
-	-	8,358	8,358
-	-	58,988	58,988
-	-	-	32,896
-	-	-	3,230
-	-	(398,194)	1,415,039
<u>781,671</u>	<u>17,293</u>	<u>2,528,086</u>	<u>7,718,742</u>
<u>\$ 786,909</u>	<u>\$ 784,352</u>	<u>\$ 2,882,574</u>	<u>\$ 9,875,116</u>

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

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CITY OF MENDOTA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2011**

Total Fund Balances - Governmental Funds		\$ 7,718,742
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 \$10,750,029 and the accumulated depreciation is \$2,599,783.		8,150,246
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.		(1,183,133)
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	(124,722)	
Compensated absences	(43,086)	(6,717,808)
Total net assets - governmental activities		<u>\$ 8,703,022</u>

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011**

	General	HOME Investment Partnership Program	Measure C Special Revenue Fund	RDA Low Income Special Revenue Fund
Revenues:				
Taxes	\$ 736,841	\$ -	\$ 262,271	\$ -
Licenses and permits	81,573	-	-	-
Intergovernmental	915,905	-	819,188	-
Charges for services	78,173	-	-	-
Fines	170,806	-	-	-
Revenue from the use of money and property	80,283	2	1,412	5,370
Miscellaneous	101,425	-	-	-
Total revenues	<u>2,165,006</u>	<u>2</u>	<u>1,082,871</u>	<u>5,370</u>
Expenditures:				
Current:				
General government	430,861	-	-	-
Public safety	966,835	-	-	-
Municipal airport	-	-	-	-
Highways and streets	-	-	140,613	-
Public works	55,008	-	-	-
Building and planning	170,978	-	-	-
Parks and recreation	205,937	-	-	-
Redevelopment and housing	-	-	-	1,828
SERAF expenditure	-	-	-	-
RDA Pass-through	-	-	-	-
School utility payments	-	-	-	-
Capital outlay	36,437	-	168,804	-
Debt service:				
Principal	29,444	-	-	-
Interest	14,860	-	-	-
Total expenditures	<u>1,910,360</u>	<u>-</u>	<u>309,417</u>	<u>1,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>254,646</u>	<u>2</u>	<u>773,454</u>	<u>3,542</u>
Other financing sources (uses):				
Other sources income	4,695	-	-	-
Transfers in	-	-	-	194,740
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>4,695</u>	<u>-</u>	<u>-</u>	<u>194,740</u>
Net change in fund balance	259,341	2	773,454	198,282
Fund balances, July 1, 2010	<u>1,646,274</u>	<u>(8,715)</u>	<u>19,762</u>	<u>1,503,292</u>
Fund balances, June 30, 2011	<u>\$ 1,905,615</u>	<u>\$ (8,713)</u>	<u>\$ 793,216</u>	<u>\$ 1,701,574</u>

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

Gas Tax Special Revenue Fund	RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 973,701	\$ 309,560	\$ 2,282,373
-	-	114,661	196,234
264,987	-	291,883	2,291,963
-	-	-	78,173
-	-	-	170,806
1,273	1,922	14,329	104,591
-	-	51,325	152,750
<u>266,260</u>	<u>975,623</u>	<u>781,758</u>	<u>5,276,890</u>
-	-	-	430,861
-	-	150,235	1,117,070
-	-	9,927	9,927
69,837	-	150,024	360,474
-	-	15,386	70,394
-	-	-	170,978
-	-	643	206,580
-	41,936	16,150	59,914
-	64,049	-	64,049
-	138,692	-	138,692
-	276,375	-	276,375
400,991	-	176,392	782,624
-	-	-	29,444
-	502,760	2,500	520,120
<u>470,828</u>	<u>1,023,812</u>	<u>521,257</u>	<u>4,237,502</u>
<u>(204,568)</u>	<u>(48,189)</u>	<u>260,501</u>	<u>1,039,388</u>
-	276,375	-	281,070
-	-	170,419	365,159
-	(194,740)	-	(194,740)
-	81,635	170,419	451,489
(204,568)	33,446	430,920	1,490,877
<u>986,239</u>	<u>(16,153)</u>	<u>2,097,166</u>	<u>6,227,865</u>
<u>\$ 781,671</u>	<u>\$ 17,293</u>	<u>\$ 2,528,086</u>	<u>\$ 7,718,742</u>

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

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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, 2011**

Total net change in fund balances - governmental funds	\$ 1,490,877
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 (\$782,623) exceeds depreciation expense (\$487,251) in the current period.	295,372
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.	29,444
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).	10,284
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.	775
Deferred revenues accrued in the government-wide statement of activities in the prior fiscal year are reported when received as revenues in the governmental funds in the current fiscal year	<u>(396,129)</u>
Changes in net assets of governmental activities	<u>\$ 1,430,623</u>

**CITY OF MENDOTA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 1,238,178	\$ 585,120	\$ -	\$ -	\$ 1,823,298
Accounts receivable, net	113,196	86,510	166,799	-	366,505
Interest receivable	658	413	-	-	1,071
Advances to other funds	-	-	101,405	473,600	575,005
Prepaid expenses	1,093	4,241	-	-	5,334
<b>Total current assets</b>	<b>1,353,125</b>	<b>676,284</b>	<b>268,204</b>	<b>473,600</b>	<b>2,771,213</b>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	564,790	-	307,316	872,106
Unamortized costs of issuance	-	103,630	-	-	103,630
Capital assets:					
Non-depreciable	92,453	6,723,056	-	-	6,815,509
Depreciable (Net)	6,436,913	4,151,334	-	-	10,588,247
<b>Total noncurrent assets</b>	<b>6,529,366</b>	<b>11,542,810</b>	<b>-</b>	<b>307,316</b>	<b>18,379,492</b>
<b>Total assets</b>	<b>7,882,491</b>	<b>12,219,094</b>	<b>268,204</b>	<b>780,916</b>	<b>21,150,705</b>
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	92,031	575,850	46,341	-	714,222
Deposits	130,918	-	-	-	130,918
Due to other funds	-	-	322,381	147,565	469,946
Accrued interest	17,775	129,535	-	10,495	157,805
Compensated absences payable	10,044	10,267	3,891	-	24,202
Revenue bonds payable	-	120,000	-	30,000	150,000
Loans payable	32,000	-	-	-	32,000
<b>Total current liabilities</b>	<b>282,768</b>	<b>835,652</b>	<b>372,613</b>	<b>188,060</b>	<b>1,679,093</b>
Noncurrent liabilities:					
Advances from other funds	188,600	-	-	-	188,600
Compensated absences payable	3,590	392	2,611	-	6,593
Revenue bonds payable	-	5,474,661	-	295,000	5,769,661
Loans payable	758,000	-	-	-	758,000
<b>Total noncurrent liabilities</b>	<b>950,190</b>	<b>5,475,053</b>	<b>2,611</b>	<b>295,000</b>	<b>6,722,854</b>
<b>Total liabilities</b>	<b>1,232,958</b>	<b>6,310,705</b>	<b>375,224</b>	<b>483,060</b>	<b>8,401,947</b>
<u>Net Assets</u>					
Invested in capital assets, net of related debt	5,550,766	5,279,729	-	-	10,830,495
Restricted for:					
Debt service	-	564,790	-	307,316	872,106
Unrestricted	1,098,767	63,870	(107,020)	(9,460)	1,046,157
<b>Total net assets</b>	<b>\$ 6,649,533</b>	<b>\$ 5,908,389</b>	<b>\$(107,020)</b>	<b>\$ 297,856</b>	<b>\$ 12,748,758</b>

The notes to the basic 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, 2011**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Operating revenues:					
Charges for services	\$ 1,055,655	\$ 1,013,427	\$ 575,255	\$ -	\$ 2,644,337
Miscellaneous	10,381	594	-	-	10,975
Total operating revenues	<u>1,066,036</u>	<u>1,014,021</u>	<u>575,255</u>	<u>-</u>	<u>2,655,312</u>
Operating expenses:					
Wages and benefits	450,538	337,811	94,129	-	882,478
Maintenance and supplies	808,645	502,496	553,217	-	1,864,358
Depreciation	291,259	184,992	-	-	476,251
Amortization	-	8,438	-	-	8,438
Bad debt	1,759	-	1,586	-	3,345
Total operating expenses	<u>1,552,201</u>	<u>1,033,737</u>	<u>648,932</u>	<u>-</u>	<u>3,234,870</u>
Operating income (loss)	<u>(486,165)</u>	<u>(19,716)</u>	<u>(73,677)</u>	<u>-</u>	<u>(579,558)</u>
Non-operating revenue (expenses):					
Interest income	3,233	1,813	6,213	31,437	42,696
Interest expense	(45,500)	(169,975)	-	(25,349)	(240,824)
Total non-operating revenues (expenses)	<u>(42,267)</u>	<u>(168,162)</u>	<u>6,213</u>	<u>6,088</u>	<u>(198,128)</u>
Income (loss) before capital contributions	<u>(528,432)</u>	<u>(187,878)</u>	<u>(67,464)</u>	<u>6,088</u>	<u>(777,686)</u>
Capital contributions	92,973	1,788,829	-	-	1,881,802
Transfers out	-	(170,419)	-	-	(170,419)
Changes in net assets	<u>(435,459)</u>	<u>1,430,532</u>	<u>(67,464)</u>	<u>6,088</u>	<u>933,697</u>
Net assets, July 1, 2010	7,084,992	4,528,857	(39,556)	291,768	11,866,061
Prior period adjustment	-	(51,000)	-	-	(51,000)
Net assets, June 30, 2011	<u>\$ 6,649,533</u>	<u>\$ 5,908,389</u>	<u>\$ (107,020)</u>	<u>\$ 297,856</u>	<u>\$ 12,748,758</u>

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

**CITY OF MENDOTA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2011**

	Business-Type Activities -- Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
<b>Cash flow from operating activities:</b>					
Cash received from customers	\$ 1,056,323	\$ 1,012,810	\$ 556,524	\$ -	\$ 2,625,657
Cash payments to employees	(455,786)	(343,608)	(91,904)	-	(891,298)
Cash payments to suppliers	(771,443)	(445,056)	(552,212)	-	(1,768,711)
Other operating cash receipts	10,642	594	-	-	11,236
<b>Net cash provided (used) by operating activities</b>	<b>(160,264)</b>	<b>224,740</b>	<b>(87,592)</b>	<b>-</b>	<b>(23,116)</b>
<b>Cash flow from non-capital financing activities:</b>					
Operating transfers from (to) other funds	(15,400)	(181,418)	81,379	35,450	(79,989)
<b>Net cash provided (used) by financing activities</b>	<b>(15,400)</b>	<b>(181,418)</b>	<b>81,379</b>	<b>35,450</b>	<b>(79,989)</b>
<b>Cash flow from capital and related financing activities:</b>					
Cash received from capital grants	24,922	1,140,517	-	-	1,165,439
Cash received from developers	68,051	598,223	-	-	666,274
Principal and interest paid	(76,175)	(274,633)	-	(51,156)	(401,964)
Issuance of certificates of participation	-	2,199,000	-	-	2,199,000
Acquisition or construction of capital assets	(30,542)	(3,051,482)	-	-	(3,082,024)
<b>Net cash provided (used) by financing activities</b>	<b>(13,744)</b>	<b>611,625</b>	<b>-</b>	<b>(51,156)</b>	<b>546,725</b>
<b>Cash flow from investing activities:</b>					
Interest and dividends on investments	3,233	1,504	6,213	31,437	42,387
<b>Net cash provided by investing activities</b>	<b>3,233</b>	<b>1,504</b>	<b>6,213</b>	<b>31,437</b>	<b>42,387</b>
<b>Net increase (decrease) in cash</b>	<b>(186,175)</b>	<b>656,451</b>	<b>-</b>	<b>15,731</b>	<b>486,007</b>
Cash and cash equivalents at, July 1, 2010	1,424,353	493,459	-	291,585	2,209,397
Cash and cash equivalents at June 30, 2011	\$ 1,238,178	\$ 1,149,910	\$ -	\$ 307,316	\$ 2,695,404

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

Operating income (loss)	\$ (486,165)	\$ (19,716)	\$ (73,677)	\$ -	\$ (579,558)
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>					
Depreciation and amortization	291,259	193,430	-	-	484,689
<i>Change in assets and liabilities:</i>					
Decrease (increase) in receivables	367	(617)	(17,145)	-	(17,395)
Decrease (increase) in prepaid	(672)	2,405	-	-	1,733
Increase (decrease) in accounts payable	37,874	55,035	1,005	-	93,914
Increase (decrease) in compensated absences	(5,248)	(5,797)	2,225	-	(8,820)
Increase (decrease) in deposits and liabilities	2,321	-	-	-	2,321
<b>Net cash provided (used) by operating activities</b>	<b>\$ (160,264)</b>	<b>\$ 224,740</b>	<b>\$ (87,592)</b>	<b>\$ -</b>	<b>\$ (23,116)</b>

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

CITY OF MENDOTA

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2011

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,051,303	\$ -	\$ 1,051,303
Accounts receivable	-	98,299	98,299
Total assets	<u>1,051,303</u>	<u>98,299</u>	<u>1,149,602</u>
<u>Liabilities</u>			
Cash overdraft	-	98,299	98,299
Total liabilities	-	98,299	98,299
<u>Net assets</u>	<u>\$ 1,051,303</u>	<u>\$ -</u>	<u>\$ 1,051,303</u>

The notes to the basic 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, 2011

	<u>Pension Trust Fund</u>
Additions:	
Investment earnings	\$ 23,645
Unrealized appreciation in plan assets	103,697
Employer contributions	41,037
Employee contributions	<u>43,935</u>
Total revenues	<u>212,314</u>
Deductions:	
Current:	
Administrator fees	15,140
Forfeitures and withdrawals	<u>19,647</u>
Total expenditures	<u>34,787</u>
Excess (deficiency) of revenues over (under) expenditures	177,527
Net assets, July 1, 2010	<u>873,776</u>
Net assets, June 30, 2011	<u>\$ 1,051,303</u>

The notes to the basic 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, 2011

#### NOTE 1 – ORGANIZATION AND 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.

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 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.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

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.

*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.

*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 Powers 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, 2011**

**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, 2011**

**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:

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

<b>Capital Assets</b>	<b>Useful Life</b>
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. Interest incurred during the construction of the City's wastewater treatment plant expansion during the fiscal year in the amount of \$66,880 has been capitalized accordingly.

## CITY OF MENDOTA

### NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2011

#### 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**

###### Net Assets:

In government-wide financial statements, net assets are reported in three categories as follows:

- *Invested in Capital Assets, Net of Related Debt* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvements of the assets.
- *Restricted Net Assets* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted Net Assets* – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)**

**Net Assets and Fund Equity**

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**Governmental Accounting Standards Board Statement No. 54**

In March 2009, Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The City has implemented GASB Statement No. 54, beginning with the fiscal year ending June 30, 2011.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)**

**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.

**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.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 8,643,428
Cash and cash equivalents - restricted	1,184,634
Fiduciary Funds Statement of Net Assets	<u>953,004</u>
 Total cash and investments	 <u>\$ 10,781,066</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Cash and investments as of June 30, 2011, consist of the following:

Cash on hand	\$ 800
Bank deposits	4,536,912
City of Mendota 401(k) Profit Sharing Plan	1,051,303
Investments	<u>5,192,051</u>
 Total cash and investments	 <u>\$ 10,781,066</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

**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	\$ 4,007,417	12 months or less
Held by fiscal agents:		
Money market	<u>1,184,634</u>	12 months or less
 Total	 <u>\$ 5,192,051</u>	

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**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	\$ 4,007,417	\$ -
Held by fiscal agents:		
Money market	<u>1,184,634</u>	<u>312,528</u>
Total	<u>\$ 5,192,051</u>	<u>\$ 4,319,945</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 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:

\$312,528 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.

\$564,790 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.

\$307,316 of cash and investments (including amounts held by bond trustee) reported in the Mendota Joint Powers Financing Authority Fund are held in the form of the above-described money market funds.

**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.

\$4,628,775 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized 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).

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**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, 2011, the City had \$4,007,417 invested in LAIF which had invested 5.01% of the pool investment funds in medium-term and short-term Structured Notes and Assets-Backed Securities. The LAIF fair value factor of 1.001576470 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, 2011, is \$1,051,303.

**NOTE 3 – RECEIVABLES**

Accounts receivable as of June 30, 2011, consist of the following:

	General Fund	HOME Investment Partnership Program	Measure C Special Revenue Fund	RDA Low Income Special Revenue Fund	Gas Tax Special Revenue Fund	RDA Debt Service Fund	Other Governmental Funds	Total
Receivables:								
Taxes	\$ 70,046	\$ -	\$ 17,484	\$ -	\$ 34,482	\$ -	\$ 742	\$ 122,754
Accounts	67,434	-	-	-	-	-	53,215	120,649
Interest	1,239	-	304	27,459	340	104	2,335	31,781
Loans	-	549,975	-	100,000	-	-	338,522	988,497
Receivables, net	<u>\$ 138,719</u>	<u>\$549,975</u>	<u>\$ 17,788</u>	<u>\$127,459</u>	<u>\$ 34,822</u>	<u>\$ 104</u>	<u>\$394,814</u>	<u>\$ 1,263,681</u>
		Water Fund	Sewer Fund	Sanitation Fund				
Receivables:								
Accounts	\$1,172,115	\$513,310	\$560,071					
Interest	658	413	-					
Grants	15,775	50,089	-					
Allowance for uncollectible	<u>(1,074,694)</u>	<u>(476,889)</u>	<u>(393,272)</u>					
Receivables, net	<u>\$ 113,854</u>	<u>\$ 86,923</u>	<u>\$ 166,799</u>					

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 4 – INTERFUND ACTIVITY**

***Interfund Receivables and Payables***

The City had the following interfund receivables and payables as of June 30, 2011:

	<u>Due from</u>	<u>Due to</u>
Major Funds:		
General Fund	\$ 597,428	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,713
RDA Debt Service Fund	-	146,233
Sanitation Fund	-	322,381
Mendota Joint Power Finance Authority	-	147,565
Non Major Funds:		
Aviation Assistance Special Revenue Fund	-	9,175
General Bond Debt Service Fund	-	109,594
RDA Capital Projects Fund	<u>146,233</u>	<u>-</u>
Total	<u>\$ 743,661</u>	<u>\$ 743,661</u>

	<u>Advances To</u>	<u>Advances From</u>
Major Funds:		
General Fund	\$ -	\$ 414,454
RDA Low Income Fund	375,142	-
RDA Debt Service Fund	313,049	620,142
Water Fund	-	188,600
Sanitation Fund	101,405	-
Public Finance Authority	473,600	-
Non Major Funds:		
General Bond Debt Service Fund	<u>-</u>	<u>40,000</u>
Total	<u>\$ 1,263,196</u>	<u>\$ 1,263,196</u>

***School Utility Payments***

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 utility charges to the Redevelopment Agency from the City totaled \$276,375. During the current and prior years, the Redevelopment Agency has been unable to make the scheduled contractual payments to the City, leaving an outstanding balance of \$1,886,349. Due to the uncertainty of payment, this balance is not reported as a liability in the Redevelopment Agency fund or as a receivable in the City's enterprise funds.



CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 – INTERFUND ACTIVITY (Continued)**

***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, 2011, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
RDA Debt Service Fund	\$ -	\$ 194,740
Sewer Fund	-	170,419
RDA Low Income Special Revenue Fund	194,740	-
Non Major Funds:		
Water and Sewer Capital Projects Fund	<u>170,419</u>	<u>-</u>
Total	<u>\$ 365,159</u>	<u>\$ 365,159</u>

The transfer of \$194,740 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.

The \$170,419 transfer from the Sewer Enterprise Fund to the Water and Sewer Capital Projects Fund is to eliminate the deficit balance in the capital projects fund related to prior year expenditures incurred for the benefit of the wastewater treatment plant expansion.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 5 – CAPITAL ASSETS**

A summary of capital asset activity for the year ended June 30, 2011, is as follows:

	Balances July 1, 2010	Acquisitions	Dispositions	Balances June 30, 2011
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 200,322	\$ 47,625	\$ -	\$ 247,947
Construction in progress	720,878	154,690	(720,878)	154,690
<b>Total capital assets, not being depreciated</b>	<b>921,200</b>	<b>202,315</b>	<b>(720,878)</b>	<b>402,637</b>
Capital assets, being depreciated:				
Infrastructure	2,076,474	1,293,936	-	3,370,410
Land improvements	4,329,887	-	-	4,329,887
Buildings and improvements	1,316,778	-	-	1,316,778
Equipment	1,323,067	7,250	-	1,330,317
<b>Total capital assets, being depreciated</b>	<b>9,046,206</b>	<b>1,301,186</b>	<b>-</b>	<b>10,347,392</b>
<b>Less: accumulated depreciation</b>	<b>2,112,532</b>	<b>487,251</b>	<b>-</b>	<b>2,599,783</b>
<b>Total capital assets, being depreciated, net</b>	<b>6,933,674</b>	<b>813,935</b>	<b>-</b>	<b>7,747,609</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 7,854,874</b>	<b>\$ 1,016,250</b>	<b>\$ (720,878)</b>	<b>\$ 8,150,246</b>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 5 – CAPITAL ASSETS (Continued)**

	Balances July 1, 2010	Acquisitions	Dispositions	Balances June 30, 2011
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,098,220	\$ -	\$ -	\$ 2,098,220
Construction in progress	1,049,213	3,606,651	-	4,655,864
Infrastructure	<u>61,425</u>	-	-	<u>61,425</u>
Total capital assets, not being depreciated	<u>3,208,858</u>	<u>3,606,651</u>	-	<u>6,815,509</u>
Capital assets, being depreciated:				
Infrastructure	3,789,766	-	-	3,789,766
Buildings and improvements	10,258,915	-	-	10,258,915
Equipment	<u>2,347,977</u>	<u>13,259</u>	-	<u>2,361,236</u>
Total capital assets, being depreciated	<u>16,396,658</u>	<u>13,259</u>	-	<u>16,409,917</u>
Less: accumulated depreciation	<u>5,345,419</u>	<u>476,251</u>	-	<u>5,821,670</u>
Total capital asset, being depreciated, net	<u>11,051,239</u>	<u>(462,992)</u>	-	<u>10,588,247</u>
Business-type activities capital assets, net	<u>\$14,260,097</u>	<u>\$ 3,143,659</u>	<u>\$ -</u>	<u>\$ 17,403,756</u>

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

<b>Governmental Activities:</b>	
General government	\$ 38,883
Public safety	47,171
Municipal airport	18,426
Highways and streets	178,241
Public works	50,427
Parks and recreation	<u>154,103</u>
Total depreciation expense - governmental activities	<u>\$ 487,251</u>
<b>Business-Type Activities:</b>	
Water	\$ 291,259
Sewer	<u>184,992</u>
Total depreciation expense - business-type activities	<u>\$ 476,251</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 6 – LONG-TERM LIABILITIES**

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2011, is as follows:

	<u>Outstanding July 1, 2010</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Outstanding June 30, 2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
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	\$ 1,460,000
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.	154,166	-	(29,444)	124,722	30,976
Compensated absences	<u>53,369</u>	<u>56,275</u>	<u>(66,558)</u>	<u>43,086</u>	<u>33,642</u>
<b>Total general obligations long-term debt</b>	<u>\$ 6,757,535</u>	<u>\$ 56,275</u>	<u>\$ (96,002)</u>	<u>\$ 6,717,808</u>	<u>\$ 1,524,618</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 6 – LONG-TERM LIABILITIES (Continued)**

	Outstanding July 1, 2010 (as restated, Note 16)	Issued/ Transferred	Retired/ Transferred	Outstanding June 30, 2011	Due Within One Year
<b>Business-Type Activities:</b>					
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.	\$ 350,000	\$ -	\$ (25,000)	\$ 325,000	\$ 30,000
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum.	820,000	-	(30,000)	790,000	32,000
Compensated absences	39,615	67,293	(76,113)	30,795	24,202
Subtotal	<u>1,209,615</u>	<u>67,293</u>	<u>(131,113)</u>	<u>1,145,795</u>	<u>86,202</u>
Mendota Joint Powers Financing Authority Wastewater Certificates of Participation, Series 2010-1, payable in annual principal reductions from \$18,000 to \$110,000 beginning on July 1, 2010 through July 1, 2049, interest payable semi-annually on January 1 and July 1 at a stated interest rate of 4.00%.	51,000	2,199,000	(18,000)	2,232,000	25,000
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.	3,560,000	-	(85,000)	3,475,000	95,000
Less: unamortized bond discount	<u>(117,020)</u>	<u>-</u>	<u>4,680</u>	<u>(112,340)</u>	<u>-</u>
	<u>3,442,980</u>	<u>-</u>	<u>(80,320)</u>	<u>3,362,660</u>	<u>95,000</u>
<b>Total enterprise obligation long-term debt</b>	<u><u>\$ 4,703,595</u></u>	<u><u>\$ 2,266,293</u></u>	<u><u>\$ (229,433)</u></u>	<u><u>\$ 6,740,455</u></u>	<u><u>\$ 206,202</u></u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 6 – LONG-TERM LIABILITIES (Continued)**

As of June 30, 2011, annual debt service requirements for governmental activities are as follows:

**City of Mendota Redevelopment Agency Lease Revenue Bonds**

Year Ended June 30	Principal	Interest	Totals
2012	\$ 1,460,000	\$ 1,561,739	\$ 3,021,739
2013	245,000	370,881	615,881
2014	265,000	352,394	617,394
2015	285,000	332,456	617,456
2016	305,000	310,688	615,688
2017-2021	1,890,000	1,162,500	3,052,500
2022-2025	2,100,000	329,250	2,429,250
Total	<u>\$ 6,550,000</u>	<u>\$ 4,419,908</u>	<u>\$ 10,969,908</u>

**Westamerica Bank Loan**

Year Ended June 30	Principal	Interest	Totals
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>\$ 124,722</u>	<u>\$ 12,528</u>	<u>\$ 137,250</u>

**1989 Finance Authority Revenue Bonds**

Year Ended June 30	Principal	Interest	Totals
2012	\$ 30,000	\$ 24,025	\$ 54,025
2013	30,000	21,700	51,700
2014	30,000	19,375	49,375
2015	35,000	16,856	51,856
2016	35,000	14,144	49,144
2017-2020	165,000	26,156	191,156
Total	<u>\$ 325,000</u>	<u>\$ 122,256</u>	<u>\$ 447,256</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 6 – LONG-TERM LIABILITIES (Continued)**

As of June 30, 2011, annual debt service requirements for business-type activities are as follows:

**USDA Water Improvement Loan**

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 32,000	\$ 34,830	\$ 66,830
2013	34,000	33,345	67,345
2014	35,000	31,793	66,793
2015	36,000	30,195	66,195
2016	38,000	28,530	66,530
2017-2021	220,000	114,525	334,525
2022-2026	273,000	59,287	332,287
2027-2028	122,000	5,445	127,445
Total	<u>\$ 790,000</u>	<u>\$ 337,950</u>	<u>\$ 1,127,950</u>

**Mendota Joint Powers Financing Authority  
Wastewater Certificates of Participation, Series 2010-1**

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 25,000	\$ 89,050	\$ 114,050
2013	26,000	87,998	113,998
2014	27,000	86,696	113,696
2015	28,000	85,595	113,595
2016	29,000	84,455	113,455
2017-2021	162,000	404,139	566,139
2022-2026	199,000	367,867	566,867
2027-2031	240,000	324,141	564,141
2032-2036	293,000	270,930	563,930
2037-2041	356,000	206,295	562,295
2042-2046	434,000	127,394	561,394
2047-2050	413,000	25,664	438,664
Total	<u>\$ 2,232,000</u>	<u>\$ 2,160,224</u>	<u>\$ 4,392,224</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 6 – LONG-TERM LIABILITIES (Continued)**

**Mendota Joint Powers Financing Authority  
Wastewater Revenue Bonds, Series 2005**

Year Ended June 30	Principal	Interest	Totals
2012	\$ 95,000	\$ 168,123	\$ 263,123
2013	95,000	164,346	259,346
2014	100,000	160,323	260,323
2015	105,000	155,965	260,965
2016	110,000	151,288	261,288
2017-2021	625,000	674,828	1,299,828
2022-2026	740,000	504,848	1,244,848
2027-2031	700,000	326,768	1,026,768
2032-2036	905,000	121,151	1,026,151
Subtotal	3,475,000	2,427,640	5,902,640
Less: unamortized discount	(112,340)	-	(112,340)
Total	<u>\$ 3,362,660</u>	<u>\$ 2,427,640</u>	<u>\$ 5,790,300</u>

**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 2011, 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 \$41,037 and the employees contributed \$43,935. All plan assets are stated at market value as determined by the administrator.



**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 8 – PENSION PLAN (Continued)**

Statement of Net Plan Assets of the  
City of Mendota 401(K) Profit Sharing Plan  
6/30/2011

Mutual Funds	\$	921,548
Note/Master Participant Loan		<u>129,755</u>
Net Assets	\$	<u><u>1,051,303</u></u>

**NOTE 9 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

As of June 30, 2011, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Public safety	\$ 320,808
Capital outlay	16,437
Principal	29,444
Interest	14,860
Measure C Special Revenue Fund:	
Capital outlay	58,804
Gas Tax Special Revenue Fund:	
Capital outlay	400,991

**NOTE 10 – DEFICIT EQUITY BALANCES**

The following funds had deficit fund equity at June 30, 2011:

Major Funds:	
HOME Investment Partnership Program	\$ 8,713
Sanitation Enterprise Fund	107,020
Non-major Governmental Funds:	
General Bond Debt Service Fund	149,594
Aviation Assistance Special Revenue Fund	9,658

**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 \$5,104,703 as of June 30, 2011. The Agency has only made \$2,902,635 of those payments leaving a balance of \$2,202,068 of principal and interest that is currently in default.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 12 – CONTINGENCIES**

Going Concern

The property tax increment revenue received by the Redevelopment Agency (the "Agency") is insufficient for the Agency to make the required payments on the revenue bonds. The Agency has experienced a significant decrease in tax increment revenue as a result of a reduction in the assessed value of one major property owner with the Agency's project area. The uncertain conditions that the Agency faces regarding its ability to repay its debt creates an uncertainty about the Agency's ability to continue as a going concern. Management of the Redevelopment Agency is vigorously pursuing options to refinance the Agency's debt. The ability of the Agency to continue as a going concern is dependent on the Agency's ability to refinance the debt. The financial statements do not include any adjustments that might be necessary if the Redevelopment Agency is unable to continue as a going concern.

**NOTE 13 – 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).

**NOTE 14 – LOANS RECEIVABLE**

Deferred payment loans receivable under the Community Development Block Grant programs and the Redevelopment Homebuyer Assistance Programs are not required to be paid back for 30 years or until the participating homeowner sells the property at which time the full amount of the deferred loan is due. Deferred payment loans are considered "non-performing loans" and are not recorded as a receivable or deferred revenue on the City's books. Such loans totaled \$1,938,066 as of June 30, 2011.

**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 2011 SERAF payment of \$64,049 was transferred to the County of Fresno on March 22, 2011, 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.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 16 – PRIOR PERIOD ADJUSTMENT**

The statement of net assets and proprietary net assets at June 30, 2010, have been restated from an amount previously reported to correct for the following:

	<u>Statement of Net Assets</u>	<u>Business Type Sewer Fund</u>
To correct for \$51,000 debt advance from the USDA on the purchase of 2010-01 Series, Certificates of Participation. The amount was inadvertently reported as grant proceeds from the USDA during the fiscal year ended June 30, 2010.	\$ (51,000)	\$ (51,000)
Totals	\$ (51,000)	\$ (51,000)

**NOTE 17 – LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES**

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available finds not otherwise obligated for other uses" to make these payments. The City of Mendota intends to use available monies of its redevelopment agency and the City's general fund for this purpose and the City and the Agency have approved a reimbursement agreement to accomplish that. The amounts to be paid after 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrances of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the City would be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011, on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011, indicated that certain provisions of Assembly Bill X1 26 and 27 were still in effect and not affected by its stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011. These schedules were timely filed by the City.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2011**

**NOTE 17 – LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (Continued)**

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30 as required by the statute. Enforceable obligations include bonds, loans and payments required by the Federal or State government; legally enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in ABX1 26.

On September 27, 2011, Resolution No. 11-30 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency in the event that Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$361,509 with one-half due on January 15, 2012, and the other half due May 15, 2012. Thereafter, an estimated payment of between \$95,000 and \$100,000 will be due annually. The amount to be paid after fiscal year 2012-13 has yet to be determined by the State Legislature. The semi-annual payments will be due January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the Agency's obligation to contribute 20% of tax increment to the low-and-moderate income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of Assembly Bill X1 26.

Management believes that the Agency, with assistance from the City, will have sufficient funds to pay its obligations as they become due during the fiscal year ended June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond the fiscal year are dependent upon the outcome of litigation surrounding the actions of the State. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to a redevelopment agency's ability to continue in view of the California State Legislature's declared intent to eliminate redevelopment agencies and to reduce their funding,

**NOTE 18 – SUBSEQUENT EVENTS**

As discussed at Note 7, the City obtains general liability and workers compensation insurance coverage through membership in the Central San Joaquin Valley Risk Management Agency (RMA), which is a self-funded pool operating as a common management and risk program, to which the City pays annual premiums. From time-to-time, the City receives premium refunds from the RMA based on the Agency's retrospective review of past claims and expenditures.

On October 27, 2011, the City received notice from the RMA that retrospective refunds received by the City in 2009 and 2010 were overpaid in the amount of \$171,103 due to an accounting error made by the RMA.

Under terms of an agreement reached between the City and the RMA, the City will repay the \$171,103 liability in non-interest bearing annual installments of \$20,000 over the next eight years with a final installment of \$11,103 payable in the ninth year.

The City will establish the liability on its books during the fiscal year ended June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 758,506	\$ 758,506	\$ 736,841	\$ (21,665)
Licenses and permits	38,750	38,750	81,573	42,823
Intergovernmental	381,000	381,000	915,905	534,905
Charges for services	47,586	47,586	78,173	30,587
Fines	128,600	128,600	170,806	42,206
Revenue from the use of money and property	124,272	124,272	80,283	(43,989)
Miscellaneous	59,000	59,000	101,425	42,425
<b>Total revenues</b>	<u>1,537,714</u>	<u>1,537,714</u>	<u>2,165,006</u>	<u>627,292</u>
Expenditures:				
Current:				
General government	617,082	617,082	430,861	186,221
Public safety	646,027	646,027	966,835	(320,808)
Public works	69,177	69,177	55,008	14,169
Building and planning	195,944	195,944	170,978	24,966
Parks	218,122	218,122	205,937	12,185
Capital outlay	20,000	20,000	36,437	(16,437)
Debt service:				
Principal	-	-	29,444	(29,444)
Interest	-	-	14,860	(14,860)
<b>Total expenditures</b>	<u>1,766,352</u>	<u>1,766,352</u>	<u>1,910,360</u>	<u>(144,008)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(228,638)</u>	<u>(228,638)</u>	<u>254,646</u>	<u>483,284</u>
Other financing sources (uses):				
Other sources of income	-	-	4,695	4,695
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>4,695</u>	<u>4,695</u>
Net change in fund balance	(228,638)	(228,638)	259,341	487,979
Fund balance, July 1, 2010	<u>1,646,274</u>	<u>1,646,274</u>	<u>1,646,274</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ 1,417,636</u>	<u>\$ 1,417,636</u>	<u>\$ 1,905,615</u>	<u>\$ 487,979</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE  
HOME INVESTMENT PARTNERSHIP PROGRAM SPECIAL REVENUE FUND  
For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Revenue from the use of money and property	\$ -	\$ -	\$ 2	\$ 2
Total revenues	-	-	2	2
Expenditures:				
Current:				
Redevelopment and housing	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	2	2
Fund balances, July 1, 2010	(8,715)	(8,715)	(8,715)	-
Fund balances, June 30, 2011	<u>\$ (8,715)</u>	<u>\$ (8,715)</u>	<u>\$ (8,713)</u>	<u>\$ 2</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE  
MEASURE C SPECIAL REVENUE FUND  
For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 282,500	\$ 282,500	\$ 262,271	\$ (20,229)
Intergovernmental	-	-	819,188	819,188
Revenue from the use of money and property	<u>5,000</u>	<u>5,000</u>	<u>1,412</u>	<u>(3,588)</u>
Total revenues	<u>287,500</u>	<u>287,500</u>	<u>1,082,871</u>	<u>795,371</u>
Expenditures:				
Current:				
Highways and streets	221,863	221,863	140,613	81,250
Capital outlay	<u>110,000</u>	<u>110,000</u>	<u>168,804</u>	<u>(58,804)</u>
Total expenditures	<u>331,863</u>	<u>331,863</u>	<u>309,417</u>	<u>22,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,363)</u>	<u>(44,363)</u>	<u>773,454</u>	<u>817,817</u>
Net change in fund balance	(44,363)	(44,363)	773,454	817,817
Fund balances, July 1, 2010	<u>19,762</u>	<u>19,762</u>	<u>19,762</u>	-
Fund balances, June 30, 2011	<u>\$ (24,601)</u>	<u>\$ (24,601)</u>	<u>\$ 793,216</u>	<u>\$ 817,817</u>



CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX SPECIAL REVENUE FUND  
For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 150,400	\$ 150,400	\$ 264,987	\$ 114,587
Revenue from the use of money and property	-	-	1,273	1,273
Total revenues	<u>150,400</u>	<u>150,400</u>	<u>266,260</u>	<u>115,860</u>
Expenditures:				
Current:				
Highways and streets	178,173	178,173	69,837	108,336
Capital outlay	-	-	400,991	(400,991)
Total expenditures	<u>178,173</u>	<u>178,173</u>	<u>470,828</u>	<u>(292,655)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,773)</u>	<u>(27,773)</u>	<u>(204,568)</u>	<u>(176,795)</u>
Net change in fund balance	(27,773)	(27,773)	(204,568)	(176,795)
Fund balance, July 1, 2010	<u>986,239</u>	<u>986,239</u>	<u>986,239</u>	-
Fund balance, June 30, 2011	<u>\$ 958,466</u>	<u>\$ 958,466</u>	<u>\$ 781,671</u>	<u>\$ (176,795)</u>

**CITY OF MENDOTA**

**BUDGETARY COMPARISON SCHEDULE  
RDA LOW INCOME SPECIAL REVENUE FUND  
For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Revenue from the use of money and property	\$ 10,000	\$ 10,000	\$ 5,370	\$ (4,630)
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>5,370</u>	<u>(4,630)</u>
Expenditures:				
Current:				
Redevelopment and housing	<u>15,300</u>	<u>15,300</u>	<u>1,828</u>	<u>13,472</u>
Total expenditures	<u>15,300</u>	<u>15,300</u>	<u>1,828</u>	<u>13,472</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,300)</u>	<u>(5,300)</u>	<u>3,542</u>	<u>8,842</u>
Other financing sources (uses):				
Transfers in	<u>215,553</u>	<u>215,553</u>	<u>194,740</u>	<u>(20,813)</u>
Total other financing sources (uses)	<u>215,553</u>	<u>215,553</u>	<u>194,740</u>	<u>(20,813)</u>
Net change in fund balance	210,253	210,253	198,282	(11,971)
Fund balance, July 1, 2010	<u>1,503,292</u>	<u>1,503,292</u>	<u>1,503,292</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ 1,713,545</u>	<u>\$ 1,713,545</u>	<u>\$ 1,701,574</u>	<u>\$ (11,971)</u>

SUPPLEMENTARY INFORMATION

**CITY OF MENDOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2011**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 1,257,956	\$ -	\$ 1,083,571	\$ 2,341,527
Receivables	394,240	-	574	394,814
Due from other funds	-	-	146,233	146,233
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 1,652,196</u>	<u>\$ -</u>	<u>\$ 1,230,378</u>	<u>\$ 2,882,574</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,406	\$ -	\$ -	\$ 5,406
Due to other funds	9,175	109,594	-	118,769
Advances from other funds	-	40,000	-	40,000
Deferred revenue	190,313	-	-	190,313
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>204,894</u>	<u>149,594</u>	<u>-</u>	<u>354,488</u>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Redevelopment and housing	570,118	-	1,021,962	1,592,080
Public safety	462,650	-	-	462,650
Highways and streets	379,616	-	175,496	555,112
Parks and recreation	249,092	-	-	249,092
<b>Committed to:</b>				
Public safety	8,358	-	-	8,358
Highways and streets	-	-	58,988	58,988
Unassigned	(222,532)	(149,594)	(26,068)	(398,194)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>1,447,302</u>	<u>(149,594)</u>	<u>1,230,378</u>	<u>2,528,086</u>
<b>Total liabilities and fund balances</b>	<u><b>\$ 1,652,196</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,230,378</b></u>	<u><b>\$ 2,882,574</b></u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
Revenues:				
Taxes	\$ 309,560	\$ -	\$ -	\$ 309,560
Licenses and permits	114,661	-	-	114,661
Intergovernmental	291,883	-	-	291,883
Revenue from the use of money and property	11,563	-	2,766	14,329
Miscellaneous	51,325	-	-	51,325
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	778,992	-	2,766	781,758
Expenditures:				
Current:				
Public safety	150,235	-	-	150,235
Municipal airport	9,927	-	-	9,927
Highways and streets	150,024	-	-	150,024
Public works	-	-	15,386	15,386
Parks and recreation	643	-	-	643
Redevelopment and housing	16,150	-	-	16,150
Capital outlay	176,392	-	-	176,392
Debt service:				
Interest	-	2,500	-	2,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	503,371	2,500	15,386	521,257
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	275,621	(2,500)	(12,620)	260,501
Other financing sources (uses):				
Transfers in	-	-	170,419	170,419
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	170,419	170,419
Net changes in fund balances	<hr/>	<hr/>	<hr/>	<hr/>
	275,621	(2,500)	157,799	430,920
Fund balances, July 1, 2010	<hr/>	<hr/>	<hr/>	<hr/>
	1,171,681	(147,094)	1,072,579	2,097,166
Fund balances, June 30, 2011	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 1,447,302	\$ (149,594)	\$ 1,230,378	\$ 2,528,086

**CITY OF MENDOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE FUNDS**  
June 30, 2011

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 225,604	\$ -	\$ 514,049	\$ 202,248
Receivables	134	-	332	41,944
Prepaid expenses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 225,738</u>	<u>\$ -</u>	<u>\$ 514,381</u>	<u>\$ 244,192</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ 483	\$ 643	\$ 3,291
Due to other funds	-	9,175	-	-
Deferred revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>9,658</u>	<u>643</u>	<u>3,291</u>
Fund balances:				
Restricted for:				
Redevelopment and housing	225,738	-	-	-
Public safety	-	-	338,805	-
Highways and streets	-	-	138,715	240,901
Parks and recreation	-	-	249,092	-
Committed to:				
Public safety	-	-	-	-
Unassigned	-	(9,658)	(212,874)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>225,738</u>	<u>(9,658)</u>	<u>513,738</u>	<u>240,901</u>
Total liabilities and fund balances	<u>\$ 225,738</u>	<u>\$ -</u>	<u>\$ 514,381</u>	<u>\$ 244,192</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
June 30, 2011**

	<u>Police Grants</u>	<u>Community Development Block Grant</u>	<u>Mendota CFD</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 30,272	\$ 195,015	\$ 90,768	\$ 1,257,956
Receivables	11,372	339,678	780	394,240
Prepaid expenses	-	-	-	-
 Total assets	 <u>\$ 41,644</u>	 <u>\$ 534,693</u>	 <u>\$ 91,548</u>	 <u>\$ 1,652,196</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 989	\$ 5,406
Due to other funds	-	-	-	9,175
Deferred revenue	-	190,313	-	190,313
 Total liabilities	 -	 <u>190,313</u>	 <u>989</u>	 <u>204,894</u>
Fund balances:				
Restricted for:				
Redevelopment and housing	-	344,380	-	570,118
Public safety	33,286	-	90,559	462,650
Highways and streets	-	-	-	379,616
Parks and recreation	-	-	-	249,092
Committed to:				
Public safety	8,358	-	-	8,358
Unassigned	-	-	-	(222,532)
 Total fund balances	 <u>41,644</u>	 <u>344,380</u>	 <u>90,559</u>	 <u>1,447,302</u>
 Total liabilities and fund balances	 <u>\$ 41,644</u>	 <u>\$ 534,693</u>	 <u>\$ 91,548</u>	 <u>\$ 1,652,196</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, 2011

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 189,348
Licenses and permits	-	-	114,661	-
Intergovernmental	-	52,775	-	139,108
Revenue from the use of money and property	2,103	-	1,601	244
Miscellaneous	<u>22,919</u>	<u>-</u>	<u>5,803</u>	<u>-</u>
Total revenues	<u>25,022</u>	<u>52,775</u>	<u>122,065</u>	<u>328,700</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Municipal airport	-	9,927	-	-
Highways and streets	-	-	-	150,024
Parks and recreation	-	-	643	-
Redevelopment and housing	16,150	-	-	-
Capital outlay	<u>-</u>	<u>34,500</u>	<u>-</u>	<u>141,892</u>
Total expenditures	<u>16,150</u>	<u>44,427</u>	<u>643</u>	<u>291,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,872</u>	<u>8,348</u>	<u>121,422</u>	<u>36,784</u>
Net changes in fund balances	8,872	8,348	121,422	36,784
Fund balances, July 1, 2010	<u>216,866</u>	<u>(18,006)</u>	<u>392,316</u>	<u>204,117</u>
Fund balances, June 30, 2011	<u>\$ 225,738</u>	<u>\$ (9,658)</u>	<u>\$ 513,738</u>	<u>\$ 240,901</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, 2011**

	<u>Police Grants</u>	<u>Community Development Block Grant</u>	<u>Mendota CFD</u>	<u>Total</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 120,212	\$ 309,560
Licenses and permits	-	-	-	114,661
Intergovernmental	100,000	-	-	291,883
Revenue from the use of money and property	1,218	6,297	100	11,563
Miscellaneous	-	-	22,603	51,325
	<u>101,218</u>	<u>6,297</u>	<u>142,915</u>	<u>778,992</u>
Total revenues				
Expenditures:				
Current:				
Public safety	25,378	-	124,857	150,235
Municipal airport	-	-	-	9,927
Highways and streets	-	-	-	150,024
Parks and recreation	-	-	-	643
Redevelopment and housing	-	-	-	16,150
Capital outlay	-	-	-	176,392
	<u>25,378</u>	<u>-</u>	<u>124,857</u>	<u>503,371</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>75,840</u>	<u>6,297</u>	<u>18,058</u>	<u>275,621</u>
Net changes in fund balances	75,840	6,297	18,058	275,621
Fund balances, July 1, 2010	<u>(34,196)</u>	<u>338,083</u>	<u>72,501</u>	<u>1,171,681</u>
Fund balances, June 30, 2011	<u>\$ 41,644</u>	<u>\$ 344,380</u>	<u>\$ 90,559</u>	<u>\$ 1,447,302</u>

**CITY OF MENDOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DEBT SERVICE FUNDS**  
**June 30, 2011**

	General Bond
<u>Assets</u>	
Cash and cash equivalents	\$ -
Total assets	\$ -
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Due to other funds	\$ 109,594
Advances from other funds	40,000
Total liabilities	149,594
Fund balances:	
Unassigned	(149,594)
Total fund balances	(149,594)
Total liabilities and fund balances	\$ -

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, 2011**

	<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>2,500</u>
Total expenditures	<u>2,500</u>
Net change in fund balance	(2,500)
Fund balances, July 1, 2010	<u>(147,094)</u>
Fund balances, June 30, 2011	<u>\$ (149,594)</u>

**CITY OF MENDOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS FUNDS**  
**June 30, 2011**

	CDBG - Sewer and Drainage Projects	RDA Capital Projects	Water and Sewer Capital Projects Fund	Street Capital Projects	Total
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 84,987	\$ 875,262	\$ -	\$ 123,322	\$ 1,083,571
Receivables	39	467	-	68	574
Due from other funds	-	146,233	-	-	146,233
	<u>-</u>	<u>146,233</u>	<u>-</u>	<u>-</u>	<u>146,233</u>
Total assets	<u>\$ 85,026</u>	<u>\$ 1,021,962</u>	<u>\$ -</u>	<u>\$ 123,390</u>	<u>\$ 1,230,378</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Restricted for:					
Redevelopment and housing	-	1,021,962	-	-	1,021,962
Highways and streets	85,026	-	-	90,470	175,496
Committed to:					
Highways and streets	-	-	-	58,988	58,988
Unassigned	-	-	-	(26,068)	(26,068)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,068)</u>	<u>(26,068)</u>
Total fund balances	<u>85,026</u>	<u>1,021,962</u>	<u>-</u>	<u>123,390</u>	<u>1,230,378</u>
<b>Total liabilities and fund balances</b>	<u>\$ 85,026</u>	<u>\$ 1,021,962</u>	<u>\$ -</u>	<u>\$ 123,390</u>	<u>\$ 1,230,378</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, 2011**

	CDBG - Sewer and Drainage Projects	RDA Capital Projects	Water and Sewer Capital Projects	Street Capital Projects	Total
Revenues:					
Revenue from the use of money and property	\$ 188	\$ 2,238	\$ -	\$ 340	\$ 2,766
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>188</b>	<b>2,238</b>	<b>-</b>	<b>340</b>	<b>2,766</b>
Expenditures:					
Current:					
Public works	-	-	-	15,386	15,386
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,386</b>	<b>15,386</b>
Excess (deficiency) of revenues over (under) expenditures	188	2,238	-	(15,046)	(12,620)
Other financing sources (uses):					
Transfers in	-	-	170,419	-	170,419
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>170,419</b>	<b>-</b>	<b>170,419</b>
Net change in fund balance	188	2,238	170,419	(15,046)	157,799
Fund balances, July 1, 2010	84,838	1,019,724	(170,419)	138,436	1,072,579
Fund balances, June 30, 2011	\$ 85,026	\$ 1,021,962	\$ -	\$ 123,390	\$ 1,230,378

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OVERALL COMPLIANCE, INTERNAL CONTROLS AND  
FEDERAL AWARDS SECTION

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CITY OF MENDOTA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract/ Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture (USDA):			
Water and Waste Disposal for Rural Communities	10.760	04-010-0946000369-8	\$ 2,250,000
Water and Waste Disposal for Rural Communities	10.760	04-010-0946000369-9	<u>1,140,517</u>
Total U.S. Department of Agriculture Grants			<u>3,390,517</u>
U.S. Department of Housing and Urban Development (HUD):			
Passed Through the County of Fresno			
Community Development Block Grants:			
(County Program)	14.228	10-587	<u>15,775</u>
Total U.S. Department of Housing and Urban Development			<u>15,775</u>
U.S. Department of Transportation (DOT)			
Airport Improvement Program			
Rehabilitation of Runway 15/33	20.106	3-06-0151-03	<u>32,775</u>
Total U.S. Department of Transportation			<u>32,775</u>
Total expenditures of federal awards			<u>\$ 3,439,067</u>

See accompanying notes to the schedule of expenditures of federal awards

**CITY OF MENDOTA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2011

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Mendota under programs of the federal government for the year ended June 30, 2011. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Mendota, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Mendota.



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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2011. 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

Management of the City is responsible for establishing and maintaining effective 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 provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 2011-2.

City's response to the findings identified in our audit is described in the accompanying schedule of current year findings. We did not audit City's response and, accordingly, we express no opinion on it.

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.

*Price Pugh & Company*

Clovis, California  
December 14, 2011



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council  
City of Mendota, California

Compliance

We have audited the City of Mendota, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test

and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

*Price Pugh & Company*

Clovis, California  
December 14, 2011

**CITY OF MENDOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's 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 weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial  
 statement noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal control over major programs:  
 Material weaknesses identified? \_\_\_\_\_ yes  X  no

Significant deficiencies identified that are not  
 considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance  
 for major programs: Unqualified

Any audit findings disclosed that are required  
 to be reported in accordance with Section 510(a)  
 of Circular A-133? \_\_\_\_\_ yes  X  no

**Identification of Major Programs**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal for Rural Communities
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	_____ yes <u> X </u> no

**CITY OF MENDOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – COMPLIANCE AUDIT FINDINGS**

Finding 2011-1: 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 was unaware during the fiscal year ended June 30, 2010, that this Implementation Plan was required for each project area every five years. They are currently working on one, which was not finished by the end of the current fiscal year.
- Recommendation:*** We recommend that the Agency produce Implementation Plans for each project area every five years.
- Management Response:*** The Mendota Redevelopment Agency, after being made aware of the requirement during the prior year audit, has begun creating one. It is near completion and will be finished during the 2012 fiscal year.



**CITY OF MENDOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION III – COMPLIANCE AUDIT FINDINGS (Continued)**

Finding 2011-2: Conflict of Interest

**Criteria:** In accordance with California Government Code §87200, the Agency must submit a Form 700 – Statement of Economic Interests – to the California Fair Political Practices Commission (FPPC) annually for various officials. Additionally, officials designated in the Agency's conflict of interest code must also complete the forms and maintain them on file for the duration of 12 months.

**Condition:** The Agency did not submit a Form 700 to the FPPC for one required official according to the above government code. Additionally, the Agency did maintain a filed Form 700 for two officials who were not required to file one according to the above government code, but instead by its own conflict of interest policy.

**Effect:** The Agency is out of compliance with the above California Government Code.

**Cause:** The Agency submitted a Form 700 to the FPPC for the officials listed in the Agency's conflict of interest policy during the fiscal year ended June 30, 2010. Since these forms are not required to be submitted to the FPPC, they were returned to the Agency to be maintained on file. Accordingly, the Agency did not believe the Forms 700 were necessary to complete in the current fiscal year.

**Recommendation:** We recommend that the Agency submit all required Forms 700 to the FPPC and maintain these forms for the remaining officials listed on the Agency's conflict of interest policy on file.

**Management Response:** The Mendota Redevelopment Agency is now aware of this requirement and will complete and keep all Forms 700 for all employees not required by the FPPC, but included in its conflict of interest policy on file.

**CITY OF MENDOTA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION III – COMPLIANCE AUDIT FINDINGS (Continued)**

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.
- Current Status:*** Not Implemented