

CITY OF MENDOTA

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2009**



CITY OF MENDOTA

June 30, 2009

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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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Price Page & Company

Clovis, California
October 16, 2009

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

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, 2009. 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 \$17,615,360 (*net assets*). Of this amount, \$7,188,862 (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 \$3,152,824. Governmental activities increased the City's total net assets by \$2,608,138 and business-type activities increased by \$544,686.
- At June 30, 2009, the City's governmental funds reported combined ending fund balances of \$6,362,481, an increase of \$255,756 in comparison with the prior year. Approximately 57 percent of this amount, \$3,614,760, is available to meet the City's current and future needs (unreserved fund balances).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$708,445 or 19 percent of the total general fund expenditures for the fiscal year.
- The City's total long-term debt decreased by \$159,367 in comparison with the prior year. The decrease resulted from scheduled principal payments on the City's outstanding debt during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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

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

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

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

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

The City maintains 28 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, HOME Investment Partnership Program special revenue fund, Gas Tax special revenue fund, and RDA debt service fund. All of these are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$17,615,360 at June 30, 2009.

**City of Mendota
Condensed Statement of Net Assets
June 30, 2009 and 2008**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 7,467,703	\$ 7,514,087	\$ 3,712,228	\$ 4,037,581	\$ 11,179,931	\$ 11,551,668
Capital assets	7,028,381	4,559,147	13,652,677	13,042,466	20,681,058	17,601,613
Total assets	\$ 14,496,084	\$ 12,073,234	\$ 17,364,905	\$ 17,080,047	\$ 31,860,989	\$ 29,153,281
Long-term liabilities	6,763,663	6,644,560	441,509	504,954	7,205,172	7,149,514
Other liabilities	1,554,736	1,859,127	5,485,721	5,682,104	7,040,457	7,541,231
Total liabilities	8,318,399	8,503,687	5,927,230	6,187,058	14,245,629	14,690,745
Net assets:						
Invested in capital assets, net of related debt	296,227	(2,050,327)	8,352,552	7,950,308	8,648,779	5,899,981
Restricted	1,300,722	1,041,027	476,997	-	1,777,719	1,041,027
Unrestricted	4,580,736	4,578,847	2,608,126	2,942,681	7,188,862	7,521,528
Total net assets	\$ 6,177,685	\$ 3,569,547	\$ 11,437,675	\$ 10,892,989	\$ 17,615,360	\$ 14,462,536

The largest portion of the City's net assets \$8,648,779 (49 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 \$7,188,862 (41 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 \$1,777,719 (10 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net assets by \$2,608,138, accounting for 83 percent of the total growth in the net assets of the City of Mendota.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

**City of Mendota
Condensed Statement of Activities
For the Years Ended June 30, 2009 and 2008**

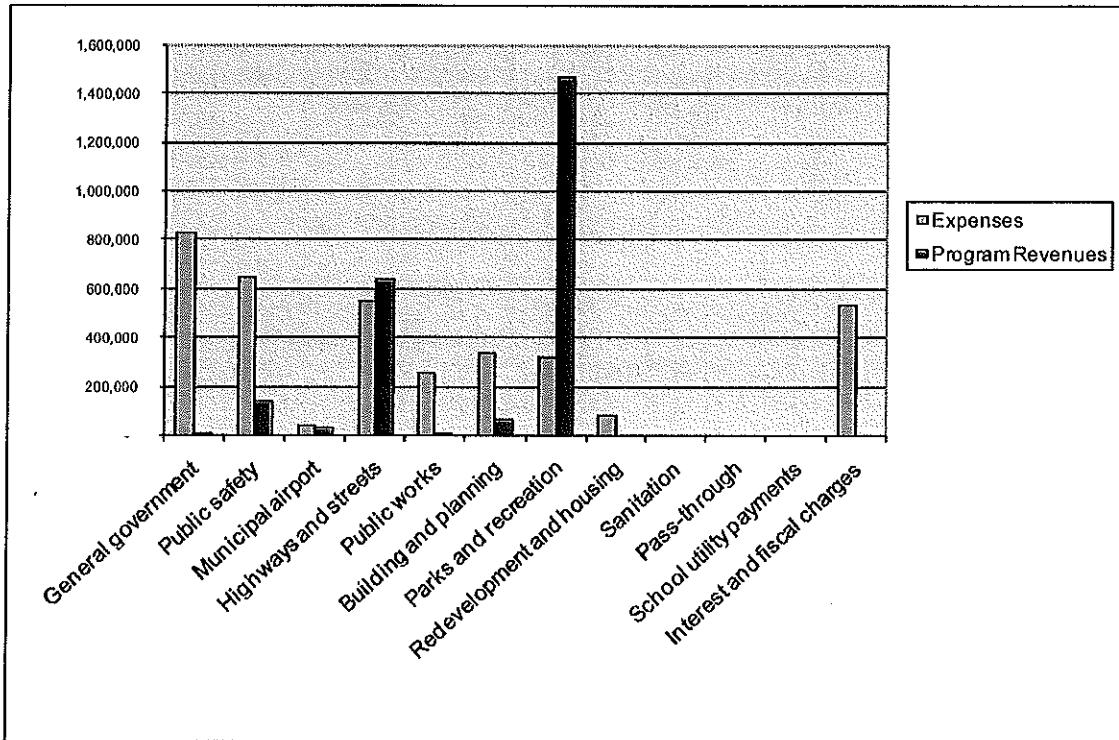
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 139,870	\$ 339,191	\$ 2,681,708	\$ 2,649,906	\$ 2,821,578	\$ 2,989,097
Operating grants and contributions	320,739	750,945	-	-	320,739	750,945
Capital grants and contributions	1,910,701	-	846,316	578,785	2,757,017	578,785
General revenues:						
Property taxes	1,365,209	1,160,010	-	-	1,365,209	1,160,010
Sales tax	675,615	541,933	-	-	675,615	541,933
Franchise taxes	84,095	104,734	-	-	84,095	104,734
Other taxes	507,825	133,174	-	-	507,825	133,174
Motor vehicle in-lieu	788,903	655,539	-	-	788,903	655,539
Earnings on investments	127,180	350,261	89,674	192,445	218,854	542,706
Miscellaneous	415,154	1,040,646	184,691	32,625	599,845	1,073,271
Total revenues	6,335,291	5,076,433	3,802,389	3,453,761	10,137,680	8,530,194
Expenses:						
General government	830,845	852,099	-	-	830,845	852,099
Public safety	648,121	528,589	-	-	648,121	528,589
Municipal airport	37,876	30,472	-	-	37,876	30,472
Highways and streets	548,809	573,358	-	-	548,809	573,358
Public works	251,960	240,838	-	-	251,960	240,838
Building and planning	339,580	654,638	-	-	339,580	654,638
Parks and recreation	318,951	236,132	-	-	318,951	236,132
Redevelopment and housing	81,394	721,559	-	-	81,394	721,559
Sanitation	-	17	-	-	-	17
Interest and fiscal charges	532,271	523,288	-	-	532,271	523,288
Water	-	-	1,541,580	1,398,611	1,541,580	1,398,611
Sewer	-	-	1,219,911	1,343,246	1,219,911	1,343,246
Refuse	-	-	633,137	610,961	633,137	610,961
Mendota Joint Power Financing Authority	-	-	29,224	31,161	29,224	31,161
Total expenses	3,589,807	4,360,990	3,423,852	3,383,979	7,013,659	7,744,969
Increase in net assets before transfers	2,745,484	715,443	378,537	69,782	3,124,021	785,225
Transfers	-	-	-	-	-	-
Increase in net assets	2,745,484	715,443	378,537	69,782	3,124,021	785,225
Net assets - beginning	3,569,547	2,854,104	10,892,989	10,823,207	14,462,536	13,677,311
Prior period adjustments	(137,346)	-	166,149	-	28,803	-
Net assets - ending	\$ 6,177,885	\$ 3,569,547	\$ 11,437,675	\$ 10,892,989	\$ 17,615,360	\$ 14,462,536

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

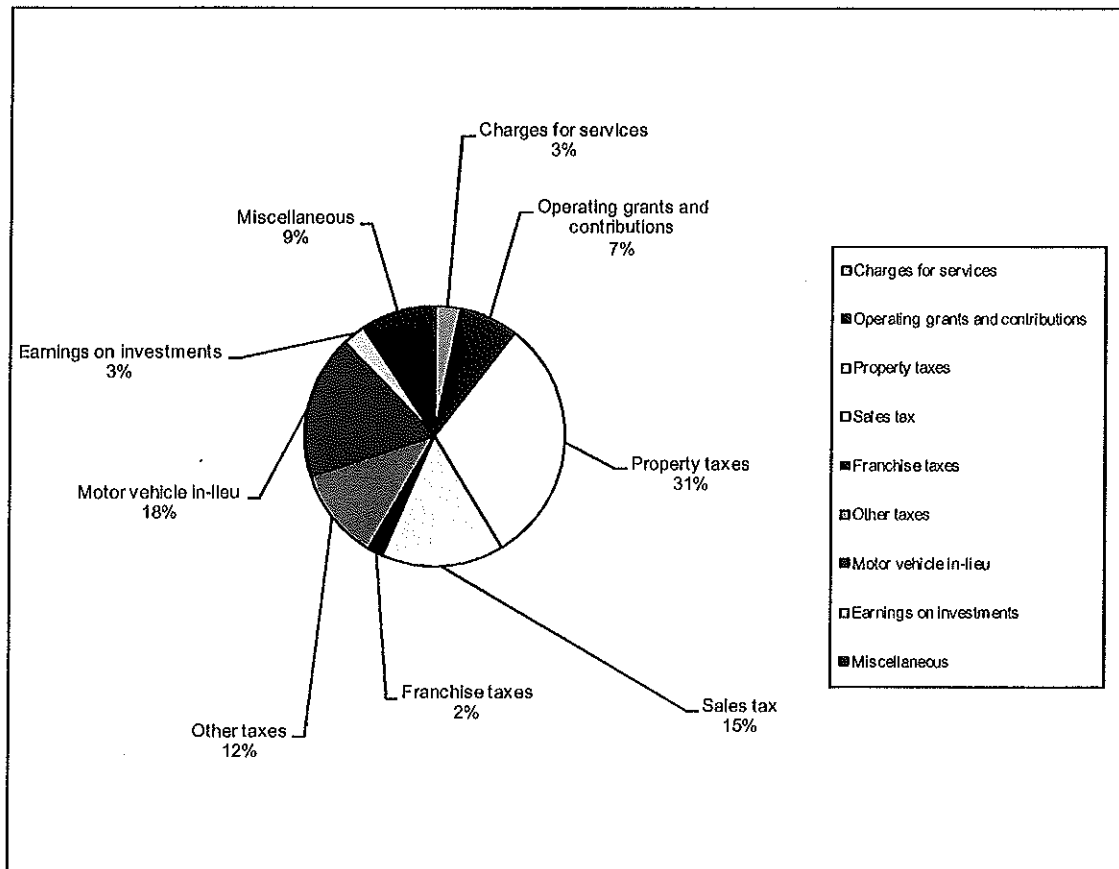
- Charges for services decreased by \$199,321 to \$139,870 from the prior year due primarily to loss of building permit fees from new construction during the year caused by the collapse of the housing market.
- Capital grants for the current year include receipt of a CDBG grant of a \$278,152 for street and pedestrian improvements, a \$1,454,025 grant from First Five Fresno and Work Force Housing for completion of a municipal park, along with smaller grants for capital purchases for public safety and sidewalk installation.
- Property tax revenue increased by \$205,199 over the prior year due primarily to correction of the City's reporting of the Statement of Indebtedness to the County and receipt of a full year assessment on the newly created Mendota CDF assessment district during the year.
- Miscellaneous revenues decreased by \$625,492 or 60% from the previous fiscal year. The decrease is due primarily to one-time Proposition 1B funding received during the fiscal year ended June 30, 2008.
- Earnings on Investments decreased \$223,081 to \$127,180 from the prior year due to significantly lower earnings on the City's cash and investments during the year. Average yields at the California Local Agency Investment Trust, which maintains a large percentage of the City's available cash, decreased from 4.325% for the fiscal year ended June 30, 2008 to 2.224% for the current fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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

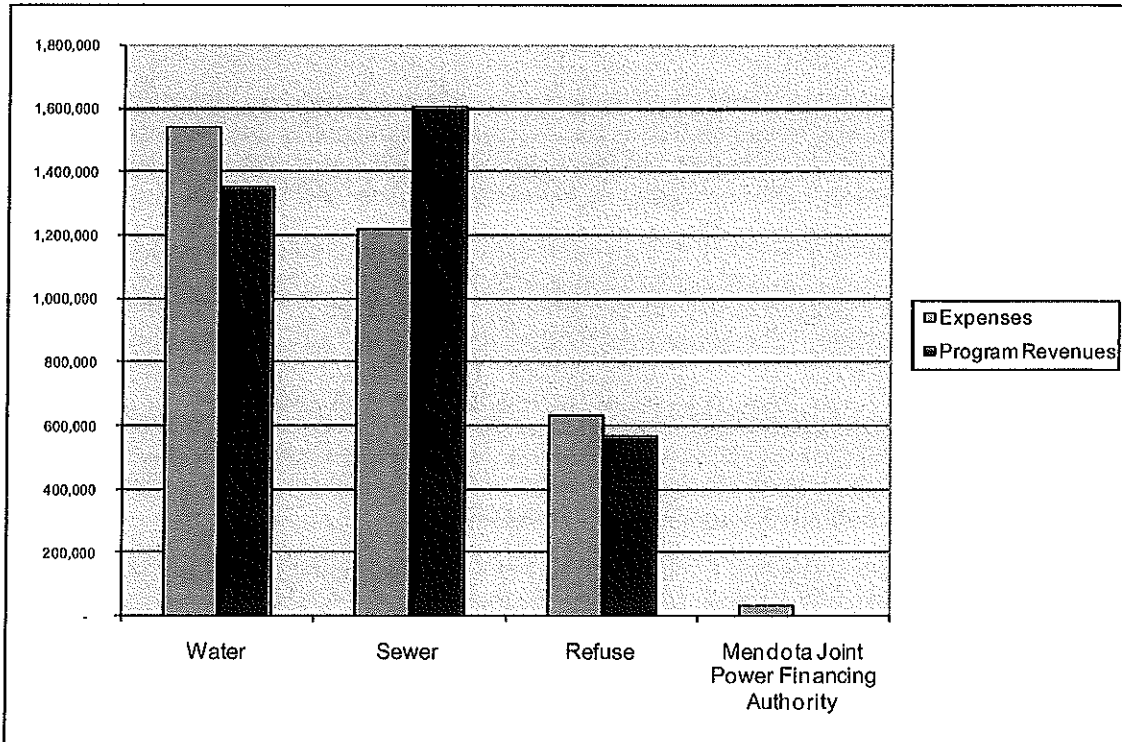
- Public safety expenses increased by \$119,532 or 22%. The increase was primarily due to start-up costs incurred by the City in establishing its own police department, which takes over from the County of Fresno Sheriff's Department on August 31, 2009. In addition, fees charged by the Fresno County Sheriff for the current fiscal year were 28% higher than the prior year.
- Building and planning expenses decreased by \$315,058 or 48%. The decrease is due to the housing collapse which began in 2008. There was no new significant building activity in the City during the fiscal year. Consequently, expenditures for legal service, engineering and other contractual items were reduced, as well.
- Parks and recreation expenses increased by \$82,819 or 35%. The increase is due primarily to maintenance costs related to the new Rojas-Pierce Park opened during the year. The increased costs include outsourced monthly security for the park and various other one-time expenses related to its commissioning.
- Redevelopment and housing expenses decreased by \$640,165 or 89%. During the fiscal year ended June 30, 2008, the City received and expended federal grant monies related to the "First Time Homebuyer program." The program was inactive during the current fiscal year due to a lack of new funding.

Business-type activities. Business-type activities increased the City's net assets by \$544,686, accounting for 17 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

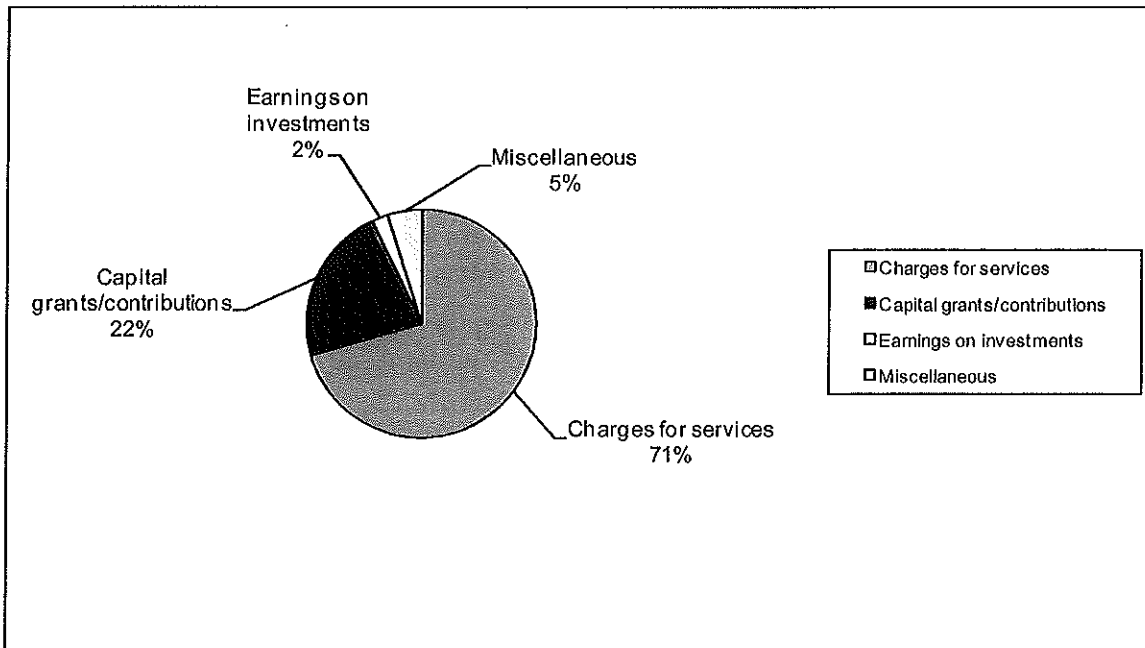
- Contributions increased by \$267,531 to \$846,316 at June 30, 2009. The City received final payments for sewer and water connections to the Las Palmas housing tract started in the prior fiscal year from developer H&S Development, LLC.
- Earnings on investments decreased by \$102,771 or 53% due to significantly 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 4.325% during the fiscal year ended June 30, 2008 to an average yield of only 2.224% during the current fiscal year.
- Sewer expenses decreased by \$123,335 or 9%. This decrease is due primarily to inclusion of a debt service payment made on the River Ranch note payable during the fiscal year ended June 30, 2008 in sewer operational expense. This inadvertent error was corrected by a prior period adjustment in the current fiscal year.
- Water expenses increased by \$142,969 or 10%. The increase in water operational expense was due primarily to an increase in facility repair and maintenance costs and an increase in employee wages and benefits during the year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Expenses and Program Revenue – Business-Type Activities



Expenses and Program Revenue – Business-Type Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

FINANCIAL ANALYSIS OF CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,362,481, an increase of \$255,756 in comparison with the prior year. Of this total amount \$2,747,721 is reserved to indicate that it is not available for appropriation because it had already been committed for various purposes. The unreserved fund balance of \$3,614,760 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At June 30, 2009, the unreserved fund balance of the General Fund was \$708,445. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. At June 30, 2009, unreserved fund balance represents 19 percent of total general fund expenditures.

The fund balance of the City's General Fund decreased by \$146,431 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 2009		FY 2008		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes	\$ 952,421	26.94%	\$ 920,628	41.55%	\$ 31,793	2.40%
Licenses and permits	50,227	1.42%	123,371	5.57%	(73,144)	-5.53%
Intergovernmental	2,242,928	63.40%	655,539	29.59%	1,587,389	120.06%
Charges for services	39,708	1.12%	62,923	2.84%	(23,215)	-1.76%
Fines	6,748	0.19%	8,940	0.40%	(2,192)	-0.17%
Revenue from the use of money and property	88,299	2.50%	53,831	2.43%	34,468	2.61%
Miscellaneous	157,419	4.45%	390,331	17.62%	(232,912)	-17.62%
Total	\$ 3,537,750	100.00%	\$ 2,215,563	100.00%	\$ 1,322,187	100.00%

- Taxes increased by \$31,793 or 2.40 percent. Decreases in non-incremental property tax revenue caused by the negative revaluation of real estate by the County Assessor were offset by a \$133,682 increase in sales tax revenue. The sales tax revenue increase is due to the one percent increase in sales tax rates initiated on April 1, 2009.
- Licenses and Permits decreased by \$73,144 or 5.53% due to a significant drop in fees for new building permits due to the economic slowdown.
- Intergovernmental increased by \$1,587,389 or 120 percent. The increase is due primarily to capital grants received from First Five Fresno and Workforce Housing for completion of the Rojas-Pierce Park Project in the amount of \$1,454,025. Other increases include an increase in vehicle license fees of \$133,364 over the prior year due to reinstatement of the "VLF swap" payment, which had been suspended in the prior fiscal year, and the City received \$30,000 in state assistance related to its municipal airport operations during the year.
- Revenue from the Use of Money and Property increased by \$34,468. Lower interest earnings on General Fund cash and investments was offset by rent received by the City from the California EDD on a newly remodeled commercial building during the year.
- Miscellaneous revenue in fiscal year 2008 included several one-time funding items not present in the current fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

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

**Expenditures by Function
GENERAL FUND**

	FY 2009		FY 2008		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	\$ 428,396	11.58%	\$ 462,594	16.39%	\$ (34,198)	-3.90%
Public safety	499,915	13.51%	418,188	14.82%	81,727	9.31%
Public works	76,301	2.06%	84,549	3.00%	(8,248)	-0.94%
Building and planning	339,579	9.18%	654,638	23.20%	(315,059)	-35.89%
Parks and recreation	239,823	6.48%	216,648	7.68%	23,175	2.64%
Capital outlay	2,004,950	54.19%	914,103	32.39%	1,090,847	124.26%
Debt Service	111,011	3.00%	71,378	2.53%	39,633	4.51%
Total	\$ 3,699,975	100.00%	\$ 2,822,098	100.00%	\$ 877,877	100.00%

- Public safety increased by \$81,727 or 9.31 percent. The increase was primarily due to start-up expenditures incurred by the City in establishing its own police department, which begins operations on August 31, 2009. In addition, there was a 28 percent increase in charges by the Fresno County Sheriff's department over the prior year to provide police services to the City.
- Building and planning expenditures decreased by \$315,059 or 36 percent. This sharp decrease is due almost entirely to the collapse of the new housing market during the past year. There were no new housing developments of any significance started during the fiscal year ended June 30, 2009, resulting in lower legal, engineering and permit costs incurred by the City.
- Capital outlay increased by \$1,090,847 or 124 percent. The increase was primarily due to the City completing construction of the Rojas-Pierce Municipal Park and construction costs incurred on the expansion of City Hall.

The Home Investment Partnership Program Special Revenue Fund has a total fund balance of (\$8,719), all of which is unreserved. The net decrease in fund balance during the current year was \$505. 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 RDA Debt Service Fund has a total fund balance of \$246,742, of which \$359,142 is reserved for restricted cash, \$309,563 is reserved for a long-term loan to the City's General Fund, leaving an unrestricted deficit balance of \$421,963. The net increase in fund balance during the current year was \$226,387. Incremental property tax revenue of \$1,205,745 increased by \$186,522 or 18% over last year due to a correction on the reporting of the City's Statement of Indebtedness with the County of Fresno. The net increase in fund balance as compared to the prior fiscal year was down \$171,560 due to the payment of a full year of interest on the RDA tax allocation bonds during the current fiscal year, offset by the increase in property tax revenue described above.

The Gas Tax Special Revenue Fund has a total fund balance of \$933,602, all of which is unreserved. The net increase in fund balance during the current year was \$37,657. The increase in fund balance was due to the receipt of matching CMAQ grant monies during the year for sidewalk improvements.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Factors concerning these funds have already been addressed in the discussion of Government-Wide Financial Analysis of business-type activities.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, actual expenditures were \$1,989,124 higher than the final budgetary appropriations. The significantly higher expenditure variance is due primarily to the City not budgeting for capital improvements for the year. Capital outlay totaled \$2,004,950 for the fiscal year ended June 30, 2009.

During the year, actual revenues were \$1,954,555 higher than the final budgetary estimates. The higher revenue variance is due primarily to intergovernmental grants received during the year for capital improvements. These grants were not budgeted for by the City.

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, 2009, amounts to \$20,681,058 (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 17 percent.

City of Mendota's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 153,287	\$ 149,585	\$ 2,098,220	\$ 1,979,597	\$ 2,251,507	\$ 2,129,182
Construction in progress	571,843	987,349	12,000	-	583,843	987,349
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	1,534,604	1,429,569	3,736,798	3,167,729	5,271,402	4,597,298
Land improvements	4,321,232	1,381,364	-	-	4,321,232	1,381,364
Buildings and improvements	970,204	933,430	10,258,915	9,907,690	11,229,119	10,841,120
Equipment	1,155,607	1,066,298	2,347,977	2,303,816	3,503,584	3,370,114
Less: accumulated depreciation	(1,678,396)	(1,388,448)	(4,862,658)	(4,377,791)	(6,541,054)	(5,766,239)
Tota capital assets	<u>\$ 7,028,381</u>	<u>\$ 4,559,147</u>	<u>\$ 13,652,677</u>	<u>\$ 13,042,466</u>	<u>\$ 20,681,058</u>	<u>\$ 17,601,613</u>

This year's major additions included:

• Rojas-Pierce Municipal Park Project	\$ 1,795,778
• City Hall Expansion Project	311,378
• Sidewalk and Street Landscape/Pedestrian Projects	417,206
• Las Palmas Development Infrastructure Improvements	317,553
• Water Booster Pump Project for Federal Prison	356,551
• Property Acquisition for Water and Sewer Work Yards	469,847
• Various Equipment and Vehicle Acquisition	170,245
• Other Additions	15,702
	<u>\$ 3,854,260</u>

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

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$12,249,384. Of this amount, \$6,763,663 is the liability of governmental activities and \$5,485,721 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue bonds payable	\$ 6,550,000	\$ 6,550,000	\$ 3,898,299	\$ 3,943,618	\$ 10,448,299	\$ 10,493,618
Loans payable	182,154	208,728	1,558,501	1,586,501	1,740,655	1,795,229
Capital leases	-	59,474	-	-	-	59,474
	<u>\$ 6,732,154</u>	<u>\$ 6,818,202</u>	<u>\$ 5,456,800</u>	<u>\$ 5,530,119</u>	<u>\$ 12,188,954</u>	<u>\$ 12,348,321</u>

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 44 to 47 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

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 10 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 significantly lower valuations, and appropriation of eight percent 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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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF MENDOTA

STATEMENT OF NET ASSETS

June 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 5,835,857	\$ 2,628,208	\$ 8,464,065
Receivables	1,279,534	333,178	1,612,712
Prepaid expenses	193,962	371	194,333
Internal balances	(200,792)	200,792	-
Restricted assets:			
Cash and cash equivalents	359,142	476,997	836,139
Unamortized costs of issuance	-	72,682	72,682
Capital assets:			
Non-depreciable	725,130	2,171,645	2,896,775
Depreciable (Net)	<u>6,303,251</u>	<u>11,481,032</u>	<u>17,784,283</u>
 Total assets	 <u>14,496,084</u>	 <u>17,364,905</u>	 <u>31,860,989</u>
<u>Liabilities</u>			
Accounts payable	359,934	161,196	521,130
Deposits	5,000	121,840	126,840
Deferred revenue	5,313	-	5,313
Accrued interest	1,184,489	158,473	1,342,962
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	20,686	24,952	45,638
Revenue bonds payable	1,015,000	110,000	1,125,000
Loans payable	27,988	156,126	184,114
Portion due or payable after one year:			
Compensated absences payable	10,823	3,969	14,792
Revenue bonds payable	5,535,000	3,788,299	9,323,299
Loans payable	<u>154,166</u>	<u>1,402,375</u>	<u>1,556,541</u>
 Total liabilities	 <u>8,318,399</u>	 <u>5,927,230</u>	 <u>14,245,629</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	296,227	8,352,552	8,648,779
Restricted for:			
Low and moderate income housing	1,300,722	-	1,300,722
Debt service	-	476,997	476,997
Unrestricted	<u>4,580,736</u>	<u>2,608,126</u>	<u>7,188,862</u>
 Total net assets	 <u>\$ 6,177,685</u>	 <u>\$ 11,437,675</u>	 <u>\$ 17,615,360</u>

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

CITY OF MENDOTA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 830,845	\$ 9,481	\$ -	\$ -
Public safety	648,121	20,908	50,000	70,872
Municipal airport	37,876	-	30,000	-
Highways and streets	548,809	14,553	240,739	385,804
Public works	251,960	11,302	-	-
Building and planning	339,580	68,616	-	-
Parks	318,951	15,010	-	1,454,025
Redevelopment and housing	81,394	-	-	-
Interest and fiscal charges	532,271	-	-	-
Total governmental activities	3,589,807	139,870	320,739	1,910,701
Business-Type Activities:				
Water	1,541,580	1,125,551	-	226,497
Sewer	1,219,911	985,286	-	619,819
Refuse	633,137	570,871	-	-
Mendota Joint Power Financing Authority	29,224	-	-	-
Total business-type activities	3,423,852	2,681,708	-	846,316
Total City of Mendota	\$ 7,013,659	\$ 2,821,578	\$ 320,739	\$ 2,757,017

General revenues:

Taxes:

Property taxes

Sales tax

Franchise taxes

Other taxes

Motor vehicle in-lieu

Earnings on investments

Miscellaneous

Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior period adjustments

Net assets - ending

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (821,364)	\$ -	\$ (821,364)
(506,341)	-	(506,341)
(7,876)	-	(7,876)
92,287	-	92,287
(240,658)	-	(240,658)
(270,964)	-	(270,964)
1,150,084	-	1,150,084
(81,394)	-	(81,394)
<u>(532,271)</u>	<u>-</u>	<u>(532,271)</u>
<u>(1,218,497)</u>	<u>-</u>	<u>(1,218,497)</u>
-	(189,532)	(189,532)
-	385,194	385,194
-	(62,266)	(62,266)
<u>-</u>	<u>(29,224)</u>	<u>(29,224)</u>
-	104,172	104,172
<u>(1,218,497)</u>	<u>104,172</u>	<u>(1,114,325)</u>
1,365,209	-	1,365,209
675,615	-	675,615
84,095	-	84,095
507,825	-	507,825
788,903	-	788,903
127,180	89,674	216,854
415,154	184,691	599,845
<u>3,963,981</u>	<u>274,365</u>	<u>4,238,346</u>
2,745,484	378,537	3,124,021
<u>3,569,547</u>	<u>10,892,989</u>	<u>14,462,536</u>
<u>(137,346)</u>	<u>166,149</u>	<u>28,803</u>
<u>\$ 6,177,685</u>	<u>\$ 11,437,675</u>	<u>\$ 17,615,360</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF MENDOTA

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2009

	General	HOME Investment Partnership Program	Gas Tax Special Revenue Fund	RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 528,735	\$ -	\$ 928,166	\$ -	\$ 4,378,956	\$ 5,835,857
Receivables	85,144	549,978	15,685	578	628,149	1,279,534
Due from other funds	498,118	-	-	-	142,542	640,660
Advances to other funds	-	-	-	309,563	-	309,563
Prepaid expenses	188,186	-	-	-	5,776	193,962
Restricted assets:						
Cash and cash equivalents	-	-	-	359,142	-	359,142
Total assets	\$ 1,300,183	\$ 549,978	\$ 943,851	\$ 669,283	\$ 5,155,423	\$ 8,618,718
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 141,915	\$ -	\$ 10,249	\$ -	\$ 207,770	\$ 359,934
Deposits	5,000	-	-	-	-	5,000
Due to other funds	-	8,722	-	142,541	214,929	366,192
Advances from other funds	444,823	-	-	280,000	60,000	784,823
Deferred revenue	-	549,975	-	-	190,313	740,288
Total liabilities	591,738	558,697	10,249	422,541	673,012	2,256,237
Fund balances:						
Reserved for:						
Capital improvements	-	-	-	-	778,294	778,294
Low and moderate income housing	-	-	-	-	1,300,722	1,300,722
Restricted cash	-	-	-	359,142	-	359,142
Long-term receivable	-	-	-	309,563	-	309,563
Unreserved:						
General fund	708,445	-	-	-	-	708,445
Special revenue funds	-	(8,719)	933,602	-	1,531,708	2,456,591
Debt service funds	-	-	-	(421,963)	(144,094)	(566,057)
Capital projects funds	-	-	-	-	1,015,781	1,015,781
Total fund balances	708,445	(8,719)	933,602	246,742	4,482,411	6,362,481
Total liabilities and fund balances	\$ 1,300,183	\$ 549,978	\$ 943,851	\$ 669,283	\$ 5,155,423	\$ 8,618,718

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

CITY OF MENDOTA

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

June 30, 2009

Total Fund Balances - Governmental Funds	\$ 6,362,481
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 \$8,706,777 and the accumulated depreciation is \$1,678,396.	7,028,381
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.	(1,184,489)
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	(182,154)
Compensated absences	<u>(31,509)</u>
	<u>(6,763,663)</u>
Total net assets - governmental activities	\$ <u>6,177,685</u>

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009**

	General	HOME Investment Partnership Program	Gas Tax Special Revenue Fund	RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 952,421	\$ -	\$ -	\$ 1,205,745	\$ 474,577	\$ 2,632,743
Licenses and permits	50,227	-	-	-	43,080	93,307
Intergovernmental	2,242,928	-	157,762	-	162,977	2,563,667
Charges for services	39,708	-	-	-	-	39,708
Fines	6,748	-	-	-	-	6,748
Revenue from the use of money and property	88,299	17	13,142	11,851	83,006	196,315
Miscellaneous	157,419	-	130,944	-	303,289	591,652
Total revenues	3,537,750	17	301,848	1,217,596	1,066,929	6,124,140
Expenditures:						
Current:						
General government	428,396	-	-	-	-	428,396
Public safety	499,915	-	-	-	132,978	632,893
Municipal airport	-	-	-	-	19,450	19,450
Highways and streets	-	-	107,450	-	466,071	573,521
Public works	76,301	-	-	-	15,128	91,429
Building and planning	339,579	-	-	-	-	339,579
Parks and recreation	239,823	-	-	-	10,622	250,445
Redevelopment and housing	-	522	-	73,556	7,084	81,162
RDA Pass-through	-	-	-	170,450	-	170,450
School utility payments	-	-	-	207,189	-	207,189
Capital outlay	2,004,950	-	156,741	-	574,138	2,735,829
Debt service:						
Principal	86,048	-	-	-	-	86,048
Interest	24,963	-	-	506,054	3,500	534,517
Total expenditures	3,699,975	522	264,191	957,249	1,228,971	6,150,908
Excess (deficiency) of revenues over (under) expenditures	(162,225)	(505)	37,657	260,347	(162,042)	(26,768)
Other financing sources (uses):						
Other sources income	3,953	-	-	207,189	-	211,142
Transfers in	-	-	-	-	241,149	241,149
Transfers out	-	-	-	(241,149)	-	(241,149)
Total other financing sources (uses)	3,953	-	-	(33,960)	241,149	211,142
Net change in fund balance	(158,272)	(505)	37,657	226,387	79,107	184,374
Fund balances, July 1, 2008	854,876	(8,214)	895,945	20,355	4,343,763	6,106,725
Prior period adjustment	11,841	-	-	-	59,541	71,382
Fund balances, June 30, 2009	\$ 708,445	\$ (8,719)	\$ 933,602	\$ 246,742	\$ 4,482,411	\$ 6,362,481

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

CITY OF MENDOTA

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

For the Year Ended June 30, 2009

Total net change in fund balances - governmental funds	\$ 184,374
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 (\$2,759,182) exceeds depreciation expense (\$289,948) in the current period.	2,469,234
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.	86,048
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).	3,577
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.	<u>2,251</u>
Changes in net assets of governmental activities	<u>\$ 2,745,484</u>

CITY OF MENDOTA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,269,166	\$ 1,359,042	\$ -	\$ -	\$ 2,628,208
Accounts receivable, net	157,146	48,342	121,409	-	326,897
Interest receivable	3,165	3,116	-	-	6,281
Advances to other funds	-	-	135,260	558,325	693,585
Prepaid expenses	133	238	-	-	371
Total current assets	1,429,610	1,410,738	256,669	558,325	3,655,342
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	265,088	-	211,909	476,997
Unamortized costs of issuance	-	72,682	-	-	72,682
Capital assets:					
Non-depreciable	75,170	2,096,475	-	-	2,171,645
Depreciable (Net)	6,952,077	4,528,955	-	-	11,481,032
Total noncurrent assets	7,027,247	6,963,200	-	211,909	14,202,356
Total assets	8,456,857	8,373,938	256,669	770,234	17,857,698
Liabilities					
Current liabilities:					
Accounts payable	82,621	35,286	43,289	-	161,196
Deposits	121,840	-	-	-	121,840
Due to other funds	-	-	176,810	97,658	274,468
Accrued interest	19,103	127,261	-	12,109	158,473
Compensated absences payable	11,182	11,194	2,576	-	24,952
Revenue bonds payable	-	85,000	-	25,000	110,000
Loans payable	29,000	127,126	-	-	156,126
Total current liabilities	263,746	385,867	222,675	134,767	1,007,055
Noncurrent liabilities:					
Advances from other funds	218,325	-	-	-	218,325
Compensated absences payable	3,149	820	-	-	3,969
Revenue bonds payable	-	3,438,299	-	350,000	3,788,299
Loans payable	820,000	582,375	-	-	1,402,375
Total noncurrent liabilities	1,041,474	4,021,494	-	350,000	5,412,968
Total liabilities	1,305,220	4,407,361	222,675	484,767	6,420,023
Net Assets					
Invested in capital assets, net of related debt	5,959,922	2,392,630	-	-	8,352,552
Restricted for:					
Debt service	-	265,088	-	211,909	476,997
Unrestricted	1,191,715	1,308,859	33,994	73,558	2,608,126
Total net assets	\$ 7,151,637	\$ 3,966,577	\$ 33,994	\$ 285,467	\$ 11,437,675

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

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2009**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Operating revenues:					
Charges for services	\$ 1,125,551	\$ 985,286	\$ 570,871	\$ -	\$ 2,681,708
Miscellaneous	91,529	88,162	5,000	-	184,691
Total operating revenues	1,217,080	1,073,448	575,871	-	2,866,399
Operating expenses:					
Wages and benefits	407,597	349,712	93,751	-	851,060
Maintenance and supplies	790,223	442,831	538,395	-	1,771,449
Depreciation	282,624	202,243	-	-	484,867
Amortization	-	7,477	-	-	7,477
Bad debt	11,631	2,148	991	-	14,770
Total operating expenses	1,492,075	1,004,411	633,137	-	3,129,623
Operating income	(274,995)	69,037	(57,266)	-	(263,224)
Non-operating revenue (expenses):					
Interest income	21,566	21,921	7,168	39,019	89,674
Interest expense	(49,505)	(215,500)	-	(29,224)	(294,229)
Total non-operating revenues (expenses)	(27,939)	(193,579)	7,168	9,795	(204,555)
Income before capital contributions	(302,934)	(124,542)	(50,098)	9,795	(467,779)
Capital contributions	226,497	619,819	-	-	846,316
Changes in net assets	(76,437)	495,277	(50,098)	9,795	378,537
Net assets, July 1, 2008	7,228,074	3,305,151	84,092	275,672	10,892,989
Prior period adjustment	-	166,149	-	-	166,149
Net assets, June 30, 2009	\$ 7,151,637	\$ 3,966,577	\$ 33,994	\$ 285,467	\$ 11,437,675

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

CITY OF MENDOTA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Cash flow from operating activities:					
Cash received from customers	\$ 1,128,181	\$ 992,607	\$ 546,987	\$ -	\$ 2,667,775
Cash payments to employees	(408,823)	(350,952)	(93,850)	-	(853,625)
Cash payments to suppliers	(826,667)	(466,138)	(538,293)	-	(1,831,098)
Other operating cash receipts	93,231	88,162	5,000	-	186,393
Net cash provided (used) by operating activities	(14,078)	263,679	(80,156)	-	169,445
Cash flow from non-capital financing activities:					
Operating transfers from (to) other funds	(13,325)	-	72,988	88,744	148,407
Net cash provided (used) by financing activities	(13,325)	-	72,988	88,744	148,407
Cash flow from capital and related financing activities:					
Cash received from capital grants	200,644	598,396	-	-	799,040
Cash received from developers	25,853	21,423	-	-	47,276
Principal and interest paid	(78,135)	(201,915)	-	(55,031)	(335,081)
Acquisition or construction of capital assets	(607,014)	(488,064)	-	-	(1,095,078)
Net cash provided (used) by financing activities	(458,652)	(70,160)	-	(55,031)	(583,843)
Cash flow from investing activities:					
Interest and dividends on investments	21,566	23,343	7,168	39,019	91,096
Net cash provided (used) by investing activities	21,566	23,343	7,168	39,019	91,096
Net increase (decrease) in cash	(464,489)	216,862	-	72,732	(174,895)
Cash and cash equivalents at, July 1, 2008	1,733,655	1,407,268	-	139,177	3,280,100
Cash and cash equivalents at June 30, 2009	\$ 1,269,166	\$ 1,624,130	\$ -	\$ 211,909	\$ 3,105,205

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

Operating income (loss)	\$ (274,995)	\$ 69,037	\$ (57,266)	\$ -	\$ (263,224)
<i>Adjustments to reconcile operating income (loss) to net cash used by operating activities:</i>					
Depreciation	282,624	202,243	-	-	484,867
Amortization		7,477			7,477
<i>Change in assets and liabilities:</i>					
Decrease (increase) in receivables	10,213	9,468	(22,893)	-	(3,212)
Decrease (increase) in prepaid	1,024	21	-	-	1,045
Increase (decrease) in accounts payable	(37,468)	(23,327)	102	-	(60,693)
Increase (decrease) in compensated absences	(1,226)	(1,240)	(99)	-	(2,565)
Increase (decrease) in deposits and liabilities	5,750	-	-	-	5,750
Net cash provided (used) by operating activities	\$ (14,078)	\$ 263,679	\$ (80,156)	\$ -	\$ 169,445

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

CITY OF MENDOTA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 755,228	\$ -	\$ 755,228
Accounts receivable	<u>-</u>	<u>98,299</u>	<u>98,299</u>
Total assets	<u>755,228</u>	<u>98,299</u>	<u>853,527</u>
<u>Liabilities</u>			
Cash overdraft	<u>-</u>	<u>98,299</u>	<u>98,299</u>
Total liabilities	<u>-</u>	<u>98,299</u>	<u>98,299</u>
<u>Net assets</u>	<u>\$ 755,228</u>	<u>\$ -</u>	<u>\$ 755,228</u>

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

CITY OF MENDOTA

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

For the Year Ended June 30, 2009

	<u>Pension Trust Fund</u>
Additions:	
Investment earnings	\$ 26,322
Employer contributions	32,129
Employee contributions	<u>38,402</u>
 Total revenues	 <u>96,853</u>
Deductions:	
Current:	
Administrator fees	10,803
Unrealized loss on plan investments	<u>124,157</u>
 Total expenditures	 <u>134,960</u>
 Excess (deficiency) of revenues over (under) expenditures	 (38,107)
 Net assets, July 1, 2008	 <u>793,335</u>
 Net assets, June 30, 2009	 <u>\$ 755,228</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

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.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following fiduciary fund types:

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

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

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

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, 2009

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (continued)

Inventories

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

Capital Assets

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

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2009.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (continued)

Interest Payable

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

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

Deferred Revenue

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

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

Compensated Absences

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

Net Assets and Fund Equity

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

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

Use of Restricted/Unrestricted Net Assets

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

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (continued)

Property Tax Calendar

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

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

Budgets and Budgetary Accounting

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

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

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

Use of Estimates

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

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 8,464,065
Cash and cash equivalents - restricted	836,139
Fiduciary Funds Statement of Net Assets	<u>656,929</u>
Total cash and investments	<u>\$ 9,957,133</u>

Cash and investments as of June 30, 2009, consist of the following:

Cash on hand	\$ 800
Bank deposits	2,922,347
City of Mendota 401(k) Profit Sharing Plan	755,228
Investments	<u>6,278,758</u>
Total cash and investments	<u>\$ 9,957,133</u>

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

Investments Authorized by the City's Investment Policy

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

Investments Authorized by Debt Agreements

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

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

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type		Remaining Maturity Date
State investment pool	\$ 5,442,619	12 months or less
Held by fiscal agents:		
Money market	<u>836,139</u>	12 months or less
Total	<u>\$ 6,278,758</u>	

Disclosure Relating to Credit Risk

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

Investment Type		Ratings as of Year-End	
		AAA	Not Rated
State investment pool	\$ 5,442,619	\$ -	\$ 5,442,619
Held by fiscal agents:			
Money market	<u>836,139</u>	<u>476,998</u>	<u>359,141</u>
Total	<u>\$ 6,278,758</u>	<u>\$ 476,998</u>	<u>\$ 5,801,760</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-Managed that represents 5 percent or more of total City's investments.

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

\$359,142 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.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

\$2,995,170 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts.

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

Investment in State Investment Pool

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

As of June 30, 2009, the City had \$5,442,619 invested in LAIF which had invested 13.23% of the pool investment funds in Structured Notes and Assets-Backed Securities. The LAIF fair value factor of 1.001364207 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, 2009, is \$755,228.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 – RECEIVABLES

Accounts receivable as of June 30, 2009, consist of the following:

	General Fund	HOME Investment Partnership Program	RDA Debt Service Fund	Gas Tax Special Revenue Fund	Other Governmental Funds	Total
Receivables:						
Taxes	\$ 49,600	\$ -	\$ -	\$ 13,898	\$ 32,590	\$ 96,088
Accounts	34,040	-	-	-	279,254	313,294
Interest	1,504	3	578	1,787	31,305	35,177
Loans	-	549,975	-	-	285,000	834,975
Receivables, net	<u>\$ 85,144</u>	<u>\$ 549,978</u>	<u>\$ 578</u>	<u>\$ 15,685</u>	<u>\$ 628,149</u>	<u>\$ 1,279,534</u>

	Water Fund	Sewer Fund	Sanitation Fund	Total
Receivables:				
Accounts	\$ 901,872	\$ 412,698	\$ 441,532	\$ 1,756,102
Interest	3,165	3,116	-	6,281
Allowance for uncollectible	<u>(744,726)</u>	<u>(364,356)</u>	<u>(320,123)</u>	<u>(1,429,205)</u>
Receivables, net	<u>\$ 160,311</u>	<u>\$ 51,458</u>	<u>\$ 121,409</u>	<u>\$ 333,178</u>

NOTE 4 – INTERFUND ACTIVITY

Interfund Receivables and Payables

The City had the following interfund receivables and payables as of June 30, 2009:

	Due To	Due From
Major Funds:		
General Fund	\$ 498,118	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,722
RDA Debt Service Fund	-	142,541
Sanitation Fund	-	176,810
Mendota Joint Power Finance Authority	-	97,658
Non Major Funds:		
JHBP Special Revenue Fund	-	12,691
Safe Route Special Revenue Fund	-	91,743
Aviation Assistance Special Revenue Fund	-	14,822
Community Development Block Grant Special Revenue Fund	-	1,222
Leakey Pipe Special Revenue Fund	-	10,357
General Bond Debt Service Fund	-	84,094
RDA Capital Projects Fund	<u>142,542</u>	<u>-</u>
Total	<u>\$ 640,660</u>	<u>\$ 640,660</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 4 – INTERFUND ACTIVITY (Continued)

Interfund Receivables and Payables (continued)

	<u>Advances To</u>	<u>Advances From</u>
Major Funds:		
General Fund	\$ -	\$ 444,823
RDA Debt Service Fund	309,563	280,000
Water Fund	-	218,325
Sanitation Fund	135,260	-
Public Finance Authority	558,325	-
Non Major Funds:		
General Bond Debt Service Fund	-	<u>60,000</u>
Total	<u>\$ 1,003,148</u>	<u>\$ 1,003,148</u>

Interfund Transfers

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

Interfund transfers for the year ended June 30, 2009, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
RDA Debt Service Fund	\$ -	\$ 241,149
Non Major Funds:		
RDA Low Income Special Revenue Fund	<u>241,149</u>	<u>-</u>
Total	<u>\$ 241,149</u>	<u>\$ 241,149</u>

The transfer of \$241,149 is required by the California Health and Safety Code to deposit 20% of allocated incremental property tax revenue (or 20% of net bond proceeds plus 20% of tax incremental revenues in excess of debt service payment of the bond) into a Low and Moderate Income Housing Fund.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2009, is as follows:

	<u>Balances July 1, 2008</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balances June 30, 2009</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 149,585	\$ 3,702	\$ -	\$ 153,287
Construction in progress	<u>987,349</u>	<u>571,843</u>	<u>(987,349)</u>	<u>571,843</u>
Total capital assets, not being depreciated	<u>1,136,934</u>	<u>575,545</u>	<u>(987,349)</u>	<u>725,130</u>
Capital assets, being depreciated:				
Infrastructure	1,429,569	105,035	-	1,534,604
Land improvements	1,381,364	2,939,868	-	4,321,232
Buildings and improvements	933,430	36,774	-	970,204
Equipment	<u>1,066,298</u>	<u>89,309</u>	<u>-</u>	<u>1,155,607</u>
Total capital assets, being depreciated	<u>4,810,661</u>	<u>3,170,986</u>	<u>-</u>	<u>7,981,647</u>
Less: accumulated depreciation	<u>1,388,448</u>	<u>289,948</u>	<u>-</u>	<u>1,678,396</u>
Total capital assets, being depreciated, net	<u>3,422,213</u>	<u>2,881,038</u>	<u>-</u>	<u>6,303,251</u>
Governmental activity capital assets, net	<u>\$ 4,559,147</u>	<u>\$ 3,456,583</u>	<u>\$ (987,349)</u>	<u>\$ 7,028,381</u>
	<u>Balances July 1, 2008</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balances June 30, 2009</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,979,597	\$ 118,623	\$ -	\$ 2,098,220
Construction in progress	-	12,000	-	12,000
Infrastructure	<u>61,425</u>	<u>-</u>	<u>-</u>	<u>61,425</u>
Total capital assets, not being depreciated	<u>2,041,022</u>	<u>130,623</u>	<u>-</u>	<u>2,171,645</u>
Capital assets, being depreciated:				
Infrastructure	3,167,729	569,069	-	3,736,798
Buildings and improvements	9,907,690	351,225	-	10,258,915
Equipment	<u>2,303,816</u>	<u>44,161</u>	<u>-</u>	<u>2,347,977</u>
Total capital assets, being depreciated	<u>15,379,235</u>	<u>964,455</u>	<u>-</u>	<u>16,343,690</u>
Less: accumulated depreciation	<u>4,377,791</u>	<u>484,867</u>	<u>-</u>	<u>4,862,658</u>
Total capital asset, being depreciated, net	<u>11,001,444</u>	<u>479,588</u>	<u>-</u>	<u>11,481,032</u>
Business-type activities capital assets, net	<u>\$ 13,042,466</u>	<u>\$ 610,211</u>	<u>\$ -</u>	<u>\$ 13,652,677</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Activities:

General government	\$ 28,619
Public safety	15,228
Municipal airport	18,426
Highways and streets	106,263
Public works	54,267
Parks and recreation	<u>67,145</u>

Total depreciation expense - governmental activities \$ 289,948

Business-Type Activities:

Water	\$ 282,624
Sewer	<u>202,243</u>

Total depreciation expense - business-type activities \$ 484,867

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2009, is as follows:

	<u>Outstanding July 1, 2008 (as restated, Note 16)</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Outstanding June 30, 2009</u>	<u>Due Within One Year</u>
Governmental Activities:					
1994 Redevelopment Tax Allocation bonds payable in annual principal reductions from \$100,000 to \$585,000, interest payable semi-annually at 7.4% per annum.	\$ 6,550,000	\$ -	\$ -	\$ 6,550,000	\$ 1,015,000
Capital Lease, payable in three annual payments of \$61,972 through November 1, 2008, including interest at 4.20% per annum. The lease agreement contains a bargain purchase option.	59,474	-	(59,474)	-	-
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.	208,728	-	(26,574)	182,154	27,988
Compensated absences	<u>35,086</u>	<u>44,760</u>	<u>(48,337)</u>	<u>31,509</u>	<u>20,686</u>
Total general obligations long-term debt	<u>\$ 6,853,288</u>	<u>\$ 44,760</u>	<u>\$ (134,385)</u>	<u>\$ 6,763,663</u>	<u>\$ 1,063,674</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (Continued)

	Outstanding July 1, 2008 (as restated, Note 16)	Issued/ Transferred	Retired/ Transferred	Outstanding June 30, 2009	Due Within One Year
Business-Type Activities:					
1989 Finance Authority Revenue Bonds, payable in annual principal reductions from \$30,000 to \$160,000, interest payable semi-annually at 7.75% per annum.	\$ 400,000	\$ -	\$ (25,000)	\$ 375,000	\$ 25,000
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum.	877,000	-	(28,000)	849,000	29,000
Sewer Fund Note Payable, payable in seven annual payments of \$166,149, including interest at 5.5% beginning July 1, 2007 and ending July 1, 2013. This note payable is secured by the deed of trust.	709,501	-	-	709,501	127,126
Compensated absences	<u>31,486</u>	<u>40,305</u>	<u>(42,870)</u>	<u>28,921</u>	<u>24,952</u>
Subtotal	2,017,987	40,305	(95,870)	1,962,422	206,078
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.	3,670,000	-	(25,000)	3,645,000	85,000
Less: unamortized bond discount	<u>(126,382)</u>	<u>-</u>	<u>4,682</u>	<u>(121,701)</u>	<u>-</u>
	<u>3,543,618</u>	<u>-</u>	<u>(20,318)</u>	<u>3,523,299</u>	<u>85,000</u>
Total enterprise obligation long-term debt	<u>\$ 5,561,605</u>	<u>\$ 40,305</u>	<u>\$ (116,188)</u>	<u>\$ 5,485,721</u>	<u>\$ 291,078</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2009, annual debt service requirements for governmental activities are as follows:

City of Mendota Redevelopment Agency Lease Revenue Bonds

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 1,015,000	\$ 1,592,914	\$ 2,607,914
2011	215,000	404,231	619,231
2012	230,000	388,100	618,100
2013	245,000	370,881	615,881
2014	265,000	352,394	617,394
2015-2019	1,640,000	1,426,519	3,066,519
2020-2024	2,355,000	686,438	3,041,438
2025-2029	<u>585,000</u>	<u>21,938</u>	<u>606,938</u>
Total	<u>\$ 6,550,000</u>	<u>\$ 5,243,415</u>	<u>\$ 11,793,415</u>

Westamerica Bank Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 27,988	\$ 8,613	\$ 36,601
2011	29,444	7,157	36,601
2012	30,976	5,625	36,601
2013	32,587	4,013	36,600
2014	34,283	2,317	36,600
2015	<u>26,876</u>	<u>573</u>	<u>27,449</u>
Total	<u>\$ 182,154</u>	<u>\$ 28,298</u>	<u>\$ 210,452</u>

As of June 30, 2009, annual debt service requirements for business-type activities are as follows:

1989 Finance Authority Revenue Bonds

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 25,000	\$ 28,094	\$ 53,094
2011	25,000	26,156	51,156
2012	30,000	24,025	54,025
2013	30,000	21,700	51,700
2014	30,000	19,375	49,375
2015-2019	190,000	55,413	245,413
2020	<u>45,000</u>	<u>1,744</u>	<u>46,744</u>
Total	<u>\$ 375,000</u>	<u>\$ 176,507</u>	<u>\$ 551,507</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (Continued)

USDA Water Improvement Loan

Year Ended June 30	Principal	Interest	Totals
2010	\$ 29,000	\$ 37,553	\$ 66,553
2011	30,000	36,225	66,225
2012	32,000	34,830	66,830
2013	34,000	33,345	67,345
2014	35,000	31,793	66,793
2015-2019	200,000	133,425	333,425
2020-2024	250,000	82,800	332,800
2025-2029	<u>239,000</u>	<u>21,758</u>	<u>260,758</u>
Total	<u>\$ 849,000</u>	<u>\$ 411,729</u>	<u>\$ 1,260,729</u>

Mendota Joint Powers Financing Authority

Year Ended June 30	Principal	Interest	Totals
2010	\$ 85,000	\$ 174,884	\$ 259,884
2011	85,000	171,633	256,633
2012	95,000	168,123	263,123
2013	95,000	164,346	259,346
2014	100,000	160,323	260,323
2015-2019	575,000	729,731	1,304,731
2020-2024	720,000	578,486	1,298,486
2025-2029	685,000	396,555	1,081,555
2030-2034	815,000	209,734	1,024,734
2034-2036	<u>390,000</u>	<u>20,343</u>	<u>410,343</u>
Subtotal	3,645,000	2,774,158	6,419,158
Less: unamortized discount	<u>(121,701)</u>	<u>-</u>	<u>(121,701)</u>
Total	<u>\$ 3,523,299</u>	<u>\$ 2,774,158</u>	<u>\$ 6,297,457</u>

Sewer Fund Note Payable

Year Ended June 30	Principal	Interest	Totals
2010	\$ 127,126	\$ 39,023	\$ 166,149
2011	134,118	32,031	166,149
2012	141,495	24,654	166,149
2013	149,277	16,872	166,149
2014	<u>157,485</u>	<u>8,662</u>	<u>166,147</u>
Total	<u>\$ 709,501</u>	<u>\$ 121,242</u>	<u>\$ 830,743</u>

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

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 2009, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other government entities in the State as a member of the Central San Joaquin Valley Risk Management Authority (RMA). RMA is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to RMA for its above insurance coverage. The agreement for the formation of RMA provides that RMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance.

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

NOTE 8 – PENSION PLAN

The City contributes and acts as plan administrator to the City's 401(K) Profit Sharing Plan, a defined contribution pension plan. Plan provisions and contribution requirements are established and may be amended by the Mendota City Council. All full-time employees with six months service may participate. The plan, as amended, provides that the City's rate of contribution is 5 percent with an additional 3 percent to 15 percent being contributed by the employees. The plan is independently administered by Wachovia and all investments are self-directed by each individual employee. During the current fiscal year the City contributed \$32,129 and the employees contributed \$38,402. All plan assets are stated at market value as determined by the administrator.

Statement of Net Plan Assets of the
City of Mendota 401(K) Profit Sharing Plan
6/30/2009

Mutual Funds	\$ 651,146
Note/Master Participant Loan	<u>104,082</u>
Net Assets	<u>\$ 755,228</u>

NOTE 9 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2009, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
General Government	\$ 65,994
Capital outlay	2,004,950
Principal	86,048
Interest	24,963
HOME Investment Partnership Program Special Revenue Fund:	
Redevelopment and Housing	522
Gas Tax Special Revenue Fund:	
Capital outlay	156,741

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 10 – DEFICIT EQUITY BALANCES

The following funds had deficit fund equity at June 30, 2009:

Major Funds:

HOME Investment Partnership Program	\$	8,719
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Non-major Governmental Funds:

Community Development Block Grants Special Revenue Fund	6,501
JHBP Special Revenue Fund	12,691
Safe Routes Special Revenue Fund	91,743
Leaky Pipes Special Revenue Fund	10,357
General Bond Debt Service Fund	144,094
Aviation Assistance Special Revenue Fund	9,043

NOTE 11 – COMMITMENTS

Loan-Default

Since August 2003, the Mendota Redevelopment Agency has not been making the required debt service payments in accordance with the payment schedule for the 1994 Redevelopment Tax Allocation Bonds. In accordance with the scheduled payments, the Agency should have made payments of principal and interest in the amount of \$3,722,158 as of June 30, 2009. The Agency has only made \$1,935,090 of those payments leaving a balance of \$1,787,068 of principal and interest that is currently in default.

School Utility Payments Agreement

The Redevelopment Agency, the City and a local school district entered into an agreement whereby the Redevelopment Agency agreed to pay the school district utility payments to the City in lieu of paying pass-throughs to the school district. Total current year payments to the City from the Redevelopment Agency totaled \$207,189. During the current and prior years, the Redevelopment Agency has been unable to make the entire scheduled contractual payments to the City leaving an outstanding balance owed to the City of \$1,376,607.

NOTE 12 – HACIENDA GARDENS SPECIAL ASSESSMENT DISTRICT

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

NOTE 13 – 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.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 14 – PASS-THROUGH PAYMENTS

Tax Sharing

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

NOTE 15 – 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 \$1,137,893 as of June 30, 2009.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

The statement of net assets, governmental fund balances and proprietary net assets at June 30, 2008 have been restated from an amount previously reported to correct for the following:

Statement of Net Assets	Governmental Type		Business Type
	General Fund	Mendota CDF Special Revenue Fund	Sewer
Establish debt from Westamerica Bank loan received March 15, 2008, net of payments made through June 30, 2008.	\$ (208,728)	\$ -	\$ -
Restate balance due on Sewer loan payable at June 30, 2008 to the actual amount owed.	166,149	-	166,149
Reversal of outstanding payable to the County of Fresno previously paid in full.	71,382	71,382	-
Reclassification of Mendota CFD fund from the General Fund to Special Revenue Fund.	-	(59,541)	59,541
Totals	\$ 28,803	\$ 11,841	\$ 166,149

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 816,253	\$ 816,253	\$ 952,421	\$ 136,168
Licenses and permits	123,638	123,638	50,227	(73,411)
Intergovernmental	425,000	425,000	2,242,928	1,817,928
Charges for services	59,500	59,500	39,708	(19,792)
Fines	11,000	11,000	6,748	(4,252)
Revenue from the use of money and property	101,804	101,804	88,299	(13,505)
Miscellaneous	46,000	46,000	157,419	111,419
Total revenues	<u>1,583,195</u>	<u>1,583,195</u>	<u>3,537,750</u>	<u>1,954,555</u>
Expenditures:				
Current:				
General government	362,402	362,402	428,396	(65,994)
Public safety	687,049	687,049	499,915	187,134
Public works	82,116	82,116	76,301	5,815
Building and planning	353,383	353,383	339,579	13,804
Parks	225,901	225,901	239,823	(13,922)
Capital outlay	-	-	2,004,950	(2,004,950)
Debt service:				
Principal	-	-	86,048	(86,048)
Interest	-	-	24,963	(24,963)
Total expenditures	<u>1,710,851</u>	<u>1,710,851</u>	<u>3,699,975</u>	<u>(1,989,124)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(127,656)</u>	<u>(127,656)</u>	<u>(162,225)</u>	<u>(34,569)</u>
Other financing sources (uses):				
Other sources of income	-	-	3,953	3,953
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,953</u>	<u>3,953</u>
Net change in fund balance	<u>(127,656)</u>	<u>(127,656)</u>	<u>(158,272)</u>	<u>(30,616)</u>
Fund balance, July 1, 2008	<u>854,876</u>	<u>854,876</u>	<u>854,876</u>	<u>-</u>
Prior period adjustment	<u>11,841</u>	<u>11,841</u>	<u>11,841</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ 739,061</u>	<u>\$ 739,061</u>	<u>\$ 708,445</u>	<u>\$ (30,616)</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
HOME INVESTMENT PARTNERSHIP PROGRAM SPECIAL REVENUE FUND
For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Revenue from the use of money and property	\$ -	\$ -	\$ 17	\$ 17
Total revenues	-	-	17	17
Expenditures:				
Current:				
Redevelopment and housing	-	-	522	(522)
Total expenditures	-	-	522	(522)
Net change in fund balance	-	-	(505)	(505)
Fund balances, July 1, 2008	(8,214)	(8,214)	(8,214)	-
Fund balances, June 30, 2009	<u>\$ (8,214)</u>	<u>\$ (8,214)</u>	<u>\$ (8,719)</u>	<u>\$ (505)</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GAS TAX SPECIAL REVENUE FUND**

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 151,622	\$ 151,622	\$ 157,762	\$ 6,140
Revenue from the use of money and property	-	-	13,142	13,142
Miscellaneous	-	-	130,944	130,944
Total revenues	<u>151,622</u>	<u>151,622</u>	<u>301,848</u>	<u>150,226</u>
Expenditures:				
Current:				
Highways and streets	195,731	195,731	107,450	88,281
Capital outlay	-	-	156,741	(156,741)
Total expenditures	<u>195,731</u>	<u>195,731</u>	<u>264,191</u>	<u>(68,460)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,109)</u>	<u>(44,109)</u>	<u>37,657</u>	<u>81,766</u>
Net change in fund balance	(44,109)	(44,109)	37,657	81,766
Fund balances, July 1, 2008	<u>895,945</u>	<u>895,945</u>	<u>895,945</u>	-
Fund balances, June 30, 2009	<u>\$ 851,836</u>	<u>\$ 851,836</u>	<u>\$ 933,602</u>	<u>\$ 81,766</u>

SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2009

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 2,751,448	\$ -	\$ 1,627,508	\$ 4,378,956
Receivables	604,124	-	24,025	628,149
Due from other funds	-	-	142,542	142,542
Prepaid expenses	<u>5,776</u>	<u>-</u>	<u>-</u>	<u>5,776</u>
 Total assets	 <u>\$ 3,361,348</u>	 <u>\$ -</u>	 <u>\$ 1,794,075</u>	 <u>\$ 5,155,423</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 207,770	\$ -	\$ -	\$ 207,770
Due to other funds	130,835	84,094	-	214,929
Advances from other funds	-	60,000	-	60,000
Deferred revenue	<u>190,313</u>	<u>-</u>	<u>-</u>	<u>190,313</u>
 Total liabilities	 <u>528,918</u>	 <u>144,094</u>	 <u>-</u>	 <u>673,012</u>
Fund balances:				
Reserved for:				
Capital improvements	-	-	778,294	778,294
Low and moderate income housing	1,300,722	-	-	1,300,722
Unreserved	<u>1,531,708</u>	<u>(144,094)</u>	<u>1,015,781</u>	<u>2,403,395</u>
 Total fund balances	 <u>2,832,430</u>	 <u>(144,094)</u>	 <u>1,794,075</u>	 <u>4,482,411</u>
 Total liabilities and fund balances	 <u>\$ 3,361,348</u>	 <u>\$ -</u>	 <u>\$ 1,794,075</u>	 <u>\$ 5,155,423</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
Revenues:				
Taxes	\$ 474,577	\$ -	\$ -	\$ 474,577
Licenses and permits	43,080	-	-	43,080
Intergovernmental	80,000	-	82,977	162,977
Revenue from the use of money and property	57,666	1	25,339	83,006
Miscellaneous	301,505	-	1,784	303,289
Total revenues	956,828	1	110,100	1,066,929
Expenditures:				
Current:				
Public safety	132,978	-	-	132,978
Municipal airport	19,450	-	-	19,450
Highways and streets	466,071	-	-	466,071
Public works	-	-	15,128	15,128
Redevelopment and housing	7,084	-	-	7,084
Capital outlay	574,138	-	-	574,138
Debt service:				
Interest	-	3,500	-	3,500
Total expenditures	1,210,343	3,500	15,128	1,228,971
Excess (deficiency) of revenues over (under) expenditures	(253,515)	(3,499)	94,972	(162,042)
Other financing sources (uses):				
Transfers in	241,149	-	-	241,149
Total other financing sources (uses)	241,149	-	-	241,149
Net change in fund balance	(12,366)	(3,499)	94,972	79,107
Fund balances, July 1, 2008	2,785,255	(140,595)	1,699,103	4,343,763
Prior period adjustment	59,541	-	-	59,541
Fund balances, June 30, 2009	\$ 2,832,430	\$ (144,094)	\$ 1,794,075	\$ 4,482,411

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

June 30, 2009

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 226,171	\$ -	\$ 423,871	\$ 238,453
Receivables	482	3	1,402	20,004
Prepaid expenses	<u>-</u>	<u>5,776</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 226,653</u>	<u>\$ 5,779</u>	<u>\$ 425,273</u>	<u>\$ 258,457</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,793	\$ -	\$ 9,862	\$ 3,055
Due to other funds	-	14,822	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,793</u>	<u>14,822</u>	<u>9,862</u>	<u>3,055</u>
Fund balances:				
Reserved for:				
Low and moderate income housing	-	-	-	-
Unreserved	<u>224,860</u>	<u>(9,043)</u>	<u>415,411</u>	<u>255,402</u>
Total fund balances	<u>224,860</u>	<u>(9,043)</u>	<u>415,411</u>	<u>255,402</u>
Total liabilities and fund balances	<u>\$ 226,653</u>	<u>\$ 5,779</u>	<u>\$ 425,273</u>	<u>\$ 258,457</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2009**

	<u>Measure C</u>	<u>Police Grants</u>	<u>RDA Low Income</u>	<u>Community Development Block Grant</u>	<u>JHBP</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 442,099	\$ 97,605	\$ 1,177,472	\$ -	\$ -
Receivables	273,440	213	123,250	185,034	-
Prepaid expenses	-	-	-	-	-
Total assets	<u>\$ 715,539</u>	<u>\$ 97,818</u>	<u>\$ 1,300,722</u>	<u>\$ 185,034</u>	<u>\$ -</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 174,016	\$ 18,039	\$ -	\$ -	\$ -
Due to other funds	-	-	-	1,222	12,691
Deferred revenue	-	-	-	190,313	-
Total liabilities	<u>174,016</u>	<u>18,039</u>	<u>-</u>	<u>191,535</u>	<u>12,691</u>
Fund balances:					
Reserved for:					
Low and moderate income housing	-	-	1,300,722	-	-
Unreserved	<u>541,523</u>	<u>79,779</u>	<u>-</u>	<u>(6,501)</u>	<u>(12,691)</u>
Total fund balances	<u>541,523</u>	<u>79,779</u>	<u>1,300,722</u>	<u>(6,501)</u>	<u>(12,691)</u>
Total liabilities and fund balances	<u>\$ 715,539</u>	<u>\$ 97,818</u>	<u>\$ 1,300,722</u>	<u>\$ 185,034</u>	<u>\$ -</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

June 30, 2009

	<u>Safe Routes</u>	<u>Leaky Pipes</u>	<u>Mendota CFD</u>	<u>Park Bond Act</u>	<u>Total</u>
<u>Assets</u>					
Cash and cash equivalents	\$ -	\$ -	\$ 140,786	\$ 4,991	\$ 2,751,448
Receivables	-	-	286	10	604,124
Prepaid expenses	-	-	-	-	5,776
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,072</u>	<u>\$ 5,001</u>	<u>\$ 3,361,348</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts payable	\$ -	\$ -	\$ 1,005	\$ -	\$ 207,770
Due to other funds	91,743	10,357	-	-	130,835
Deferred revenue	-	-	-	-	190,313
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>91,743</u>	<u>10,357</u>	<u>1,005</u>	<u>-</u>	<u>528,918</u>
<u>Fund balances:</u>					
Reserved for:					
Low and moderate income housing	-	-	-	-	1,300,722
Unreserved	(91,743)	(10,357)	140,067	5,001	1,531,708
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>(91,743)</u>	<u>(10,357)</u>	<u>140,067</u>	<u>5,001</u>	<u>2,832,430</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,072</u>	<u>\$ 5,001</u>	<u>\$ 3,361,348</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, 2009**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 117,817
Licenses and permits	-	-	43,080	-
Intergovernmental	-	30,000	-	-
Revenue from the use of money and property	9,888	66	14,943	3,498
Miscellaneous	-	-	-	42,140
Total revenues	<u>9,888</u>	<u>30,066</u>	<u>58,023</u>	<u>163,455</u>
Expenditures:				
Current:				
Public safety	-	-	28,800	-
Municipal airport	-	19,450	-	-
Highways and streets	-	-	210,054	166,646
Parks and recreation	-	-	10,622	-
Redevelopment and housing	6,728	-	-	-
Capital outlay	-	-	338,384	-
Total expenditures	<u>6,728</u>	<u>19,450</u>	<u>587,860</u>	<u>166,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,160</u>	<u>10,616</u>	<u>(529,837)</u>	<u>(3,191)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	3,160	10,616	(529,837)	(3,191)
Fund balances, July 1, 2008	<u>221,700</u>	<u>(19,659)</u>	<u>945,248</u>	<u>258,593</u>
Prior period adjustment	-	-	-	-
Fund balances, June 30, 2009	<u>\$ 224,860</u>	<u>\$ (9,043)</u>	<u>\$ 415,411</u>	<u>\$ 255,402</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, 2009**

	<u>Measure C</u>	<u>Police Grants</u>	<u>RDA Low Income</u>	<u>Community Development Block Grant</u>	<u>JHBP</u>
Revenues:					
Taxes	\$ 272,689	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	50,000	-	-	-
Revenue from the use of money and property	7,576	1,713	18,902	388	-
Miscellaneous	<u>259,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>539,630</u>	<u>51,713</u>	<u>18,902</u>	<u>388</u>	<u>-</u>
Expenditures:					
Current:					
Public safety	-	100,120	-	-	-
Municipal airport	-	-	-	-	-
Highways and streets	89,371	-	-	-	-
Parks and recreation	-	-	-	-	-
Redevelopment and housing	-	-	356	-	-
Capital outlay	<u>235,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>325,125</u>	<u>100,120</u>	<u>356</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>214,505</u>	<u>(48,407)</u>	<u>18,546</u>	<u>388</u>	<u>-</u>
Other financing sources (uses):					
Transfers in	<u>-</u>	<u>-</u>	<u>241,149</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>241,149</u>	<u>-</u>	<u>-</u>
Net change in fund balance	214,505	(48,407)	259,695	388	-
Fund balances, July 1, 2008	<u>327,018</u>	<u>128,186</u>	<u>1,041,027</u>	<u>(6,889)</u>	<u>(12,691)</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2009	<u>\$ 541,523</u>	<u>\$ 79,779</u>	<u>\$ 1,300,722</u>	<u>\$ (6,501)</u>	<u>\$ (12,691)</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2009**

	<u>Safe Routes</u>	<u>Leaky Pipes</u>	<u>Mendota CFD</u>	<u>Park Bond Act</u>	<u>Total</u>
Revenues:					
Taxes	\$ -	\$ -	\$ 84,071	\$ -	\$ 474,577
Licenses and permits	-	-	-	-	43,080
Intergovernmental	-	-	-	-	80,000
Revenue from the use of money and property	117	-	513	62	57,666
Miscellaneous	-	-	-	-	301,505
Total revenues	<u>117</u>	<u>-</u>	<u>84,584</u>	<u>62</u>	<u>956,828</u>
Expenditures:					
Current:					
Public safety	-	-	4,058	-	132,978
Municipal airport	-	-	-	-	19,450
Highways and streets	-	-	-	-	466,071
Parks and recreation	-	-	-	-	10,622
Redevelopment and housing	-	-	-	-	7,084
Capital outlay	-	-	-	-	574,138
Total expenditures	<u>-</u>	<u>-</u>	<u>4,058</u>	<u>-</u>	<u>1,210,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>117</u>	<u>-</u>	<u>80,526</u>	<u>62</u>	<u>(253,515)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	241,149
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,149</u>
Net change in fund balance	117	-	80,526	62	(12,366)
Fund balances, July 1, 2008	<u>(91,860)</u>	<u>(10,357)</u>	<u>-</u>	<u>4,939</u>	<u>2,785,255</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>59,541</u>	<u>-</u>	<u>59,541</u>
Fund balances, June 30, 2009	<u>\$ (91,743)</u>	<u>\$ (10,357)</u>	<u>\$ 140,067</u>	<u>\$ 5,001</u>	<u>\$ 2,832,430</u>

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
 June 30, 2009

	<u>General Bond</u>
<u>Assets</u>	
Cash and cash equivalents	\$ -
Total assets	<u>\$ -</u>
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Due to other funds	\$ 84,094
Advances from other funds	<u>60,000</u>
Total liabilities	<u>144,094</u>
Fund balances:	
Unreserved	<u>(144,094)</u>
Total fund balances	<u>(144,094)</u>
Total liabilities and fund balances	<u>\$ -</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
For the Year Ended June 30, 2009**

	<u>General Bond</u>
Revenues:	
Taxes	\$ -
Revenue from the use of money and property	<u>1</u>
Total revenues	<u>1</u>
Expenditures:	
Debt service:	
Interest	<u>3,500</u>
Total expenditures	<u>3,500</u>
Net change in fund balance	(3,499)
Fund balances, July 1, 2008	<u>(140,595)</u>
Fund balances, June 30, 2009	<u>\$ (144,094)</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
June 30, 2009**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>RDA Capital Projects</u>	<u>Water and Sewer Capital Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 84,302	\$ 870,966	\$ 590,663	\$ 81,577	\$ 1,627,508
Receivables	179	2,273	1,450	20,123	24,025
Due from other funds	-	142,542	-	-	142,542
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 84,481	\$ 1,015,781	\$ 592,113	\$ 101,700	\$ 1,794,075
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	-	-	-
<u>Fund balances:</u>					
Reserved for:					
Capital improvements	84,481	-	592,113	101,700	778,294
Unreserved	-	1,015,781	-	-	1,015,781
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	84,481	1,015,781	592,113	101,700	1,794,075
Total liabilities and fund balances	\$ 84,481	\$ 1,015,781	\$ 592,113	\$ 101,700	\$ 1,794,075

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, 2009**

	CDBG - Sewer and Drainage Projects	RDA Capital Projects	Water and Sewer Capital Projects	Street Capital Projects	Total
Revenues:					
Intergovernmental	-	-	-	82,977	82,977
Revenue from the use of money and property	1,281	13,296	9,705	1,057	25,339
Miscellaneous	-	-	-	1,784	1,784
Total revenues	<u>1,281</u>	<u>13,296</u>	<u>9,705</u>	<u>85,818</u>	<u>110,100</u>
Expenditures:					
Current:					
Public works	-	-	-	15,128	15,128
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,128</u>	<u>15,128</u>
Net change in fund balance	1,281	13,296	9,705	70,690	94,972
Fund balances, July 1, 2008	<u>83,200</u>	<u>1,002,485</u>	<u>582,408</u>	<u>31,010</u>	<u>1,699,103</u>
Fund balances, June 30, 2009	<u>\$ 84,481</u>	<u>\$ 1,015,781</u>	<u>\$ 592,113</u>	<u>\$ 101,700</u>	<u>\$ 1,794,075</u>

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OVERALL COMPLIANCE, INTERNAL CONTROLS AND
FEDERAL AWARDS SECTION

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

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Price Pange & Company

Clovis, California
October 16, 2009