

MENDOTA REDEVELOPMENT
AGENCY

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2010

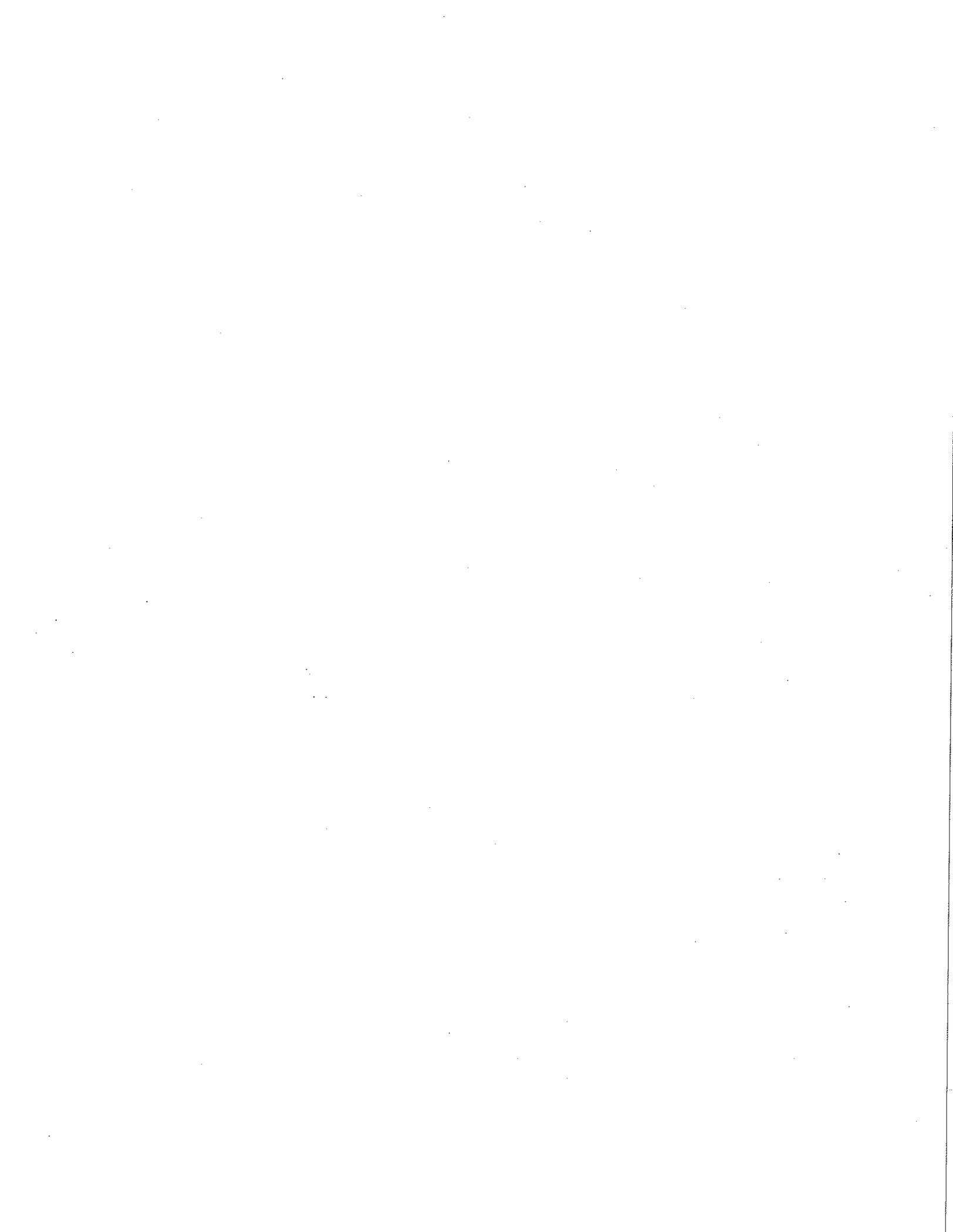


MENDOTA REDEVELOPMENT AGENCY

June 30, 2010

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of the
Mendota Redevelopment Agency
City of Mendota, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mendota Redevelopment Agency, California (the Agency), as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency'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, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2010, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Price Pange & Company

Clovis, California
October 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

MENDOTA REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

The management of Mendota Redevelopment Agency (the Agency) offers readers of the Agency's basic financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- Liabilities of the Agency exceeded its assets in governmental activities at the close of fiscal year 2010 by \$5,230,621 (net deficit). Of this amount, (\$6,815,000) represents investment in capital assets, net of related debt, and \$1,854,814 represents resources restricted for debt service payment and low-moderate income housing activities. The remaining amount of \$270,435 represents the accumulated unrestricted fund deficit at the close of the fiscal year 2010.
- Total revenues in the governmental activities decreased by \$233,122 or 16% from last year. The decrease is attributed to a reduction in tax increment revenue of \$219,039, coupled with a sharp decline in interest earnings due to lower market investment yields during the year.
- Total expenditures in the governmental activities increased by \$333,334 or 35% from last year. The increase is due primarily to the reallocation and payment of previously received property tax increment by the Agency to the Mendota Unified School District as mandated by the State of California under the Assembly Bill AB 264X (SERAF expenditure).
- At the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$2,771,861, a decrease of \$71,383 in comparison to the prior year.
- The Agency's Debt Service Funds were the only funds to report a decrease in fund balance for the fiscal year. The decrease in both funds was due primarily to the receipt of lower property tax incremental revenue. In addition, the Debt Service Fund #2 was required to make the SERAF payment described above.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and 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 Agency's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* reports all financial and capital resources of the Agency. The Agency represents the statement in a format that displays assets less liabilities equal net assets/(deficit). Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *Statement of Activities* presents information showing how the Agency'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 result in cash flows in future fiscal periods such as revenues pertaining to uncollected taxes and earned but unused vacation and sick leave.

The government-wide financial statements can be found on pages 10 and 11 of this report.

MENDOTA REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Fund Financial Statements

Fund Financial Statements are designated to report information about groupings (funds) of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All funds of the Agency are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows 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 determining what financial resources are available in the near future to finance the Agency's redevelopment programs.

Because the focus of governmental funds is narrower than 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 government'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 Agency maintains several individual governmental funds created according to their purpose. The individual fund information is presented separately in the governmental fund balance sheet (page 14) and in the governmental fund statement of revenues, expenditures and changes in fund balances (page 16) for all the Agency's governmental funds.

Notes to the Basic Financial Statements

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 to 27 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Agency's budgetary comparison for certain governmental funds – special revenue funds (on pages 30 and 31).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency's it is also an important determination of its ability to finance current and future redevelopment projects.

At the close of fiscal year 2010, the Agency has a net deficit of \$5,230,621. Of this amount, negative \$6,815,000 is invested in capital assets and \$1,854,814 for low and moderate-income housing and debt service. The largest portion of the Agency's deficit is caused by the outstanding long-term obligations of \$6,815,000. Traditionally, the Agency carries a deficit to collect tax increment. This is primarily due to the nature of tax increment financing method allowed under California law whereby a redevelopment agency issues bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues.

MENDOTA REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Shown below is a comparative schedule that summarizes that Agency's net assets (net deficit):

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

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 2,845,261	\$ 2,843,244
Total assets	<u>2,845,261</u>	<u>2,843,244</u>
Long-term liabilities	6,815,000	6,830,000
Other liabilities	<u>1,260,882</u>	<u>1,187,134</u>
Total liabilities	<u>8,075,882</u>	<u>8,017,134</u>
Net assets:		
Invested in capital assets, net of related debt	(6,815,000)	(6,830,000)
Restricted	1,854,814	1,659,864
Unrestricted	<u>(270,435)</u>	<u>(3,754)</u>
Total net assets	\$ <u>(5,230,621)</u>	\$ <u>(5,173,890)</u>

Governmental Activities. Overall the Agency's financial position decreased from the prior year. Under the governmental activities, the Agency's net deficit increased by \$56,731 from the previous fiscal year. Key elements of the changes in net assets of the governmental activities are presented below:

**City of Mendota
Statement of Activities
For the Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
General revenues:		
Property tax increments	\$ 986,706	\$ 1,205,745
Earnings on investments	13,788	44,048
Miscellaneous	<u>233,366</u>	<u>207,189</u>
Total revenues	<u>1,233,860</u>	<u>1,456,982</u>
Expenses:		
General government	379,166	377,639
Urban redevelopment and housing	96,603	74,143
SERAF expenditure	311,093	-
Interest and fiscal charges	<u>503,729</u>	<u>505,475</u>
Total expenses	<u>1,290,591</u>	<u>957,257</u>
Change in net assets	(56,731)	499,725
Net assets/(deficit) - beginning of year	<u>(5,173,890)</u>	<u>(5,673,615)</u>
Net assets/(deficit) - end of year	\$ <u>(5,230,621)</u>	\$ <u>(5,173,890)</u>

MENDOTA REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

- Tax increment, which represents approximately 80% of total revenue, decreased from last year by \$219,039 or 18%. The decrease is due primarily to a decline in assessed valuations for properties within the RDA project areas. In addition, lower overall debt levels reported to the County of Fresno on the Agency's annual "Statement of Indebtedness", which determines incremental property taxes to be delivered to the Agency, also contributed to the decline.
- Miscellaneous revenue, which represents income from the forgiveness of utility payments from school districts located in the Agency's project area, was up slightly from the previous fiscal year due to higher usage charges during the fiscal year.
- Revenue from the use of money decreased \$30,260 to \$13,788 from the last fiscal year due a substantial decrease in market interest rates earned on the Agency's invested cash.
- Urban redevelopment and housing expenses increased by \$22,460 to \$96,603 from the prior fiscal year. The increase is due primarily to higher administrative costs incurred during the year.
- The SERAF expenditure is the result of California Assembly Bill AB 26 4X, which required the payment of previously received property tax revenue by the Agency to the Mendota Unified School District. Additional information regarding the SERAF payment can be found in Note 9 of the financial statement on page 27 of this report.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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

Governmental funds. The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Agency's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resource available for spending at the end of the fiscal year. Individual fund information of governmental funds reported by the Agency includes Low Income Housing special revenue fund, housing debt service funds, and capital projects fund, which are all considered major funds.

At the end of the current fiscal year, the Agency's governmental funds reported combined fund balances of \$2,771,861, a decrease of \$71,383 in comparison with the prior year. Of this amount, \$2,166,373 is reserved fund balance which indicates that it is not available for new spending because it has been committed to pay for low and moderate-income housing projects, reserve for long-term receivables and to pay for future debt service.

The Low Income Housing #1 Special Revenue Fund has a total fund balance of \$801,016, all of which is reserved for low and moderate income housing. The net increase in fund balance during the current year in the fund was \$122,823. The increase was due to receipt of current year tax increment set-aside for future low and moderate income housing projects and investment income.

The Low Income Housing #2 Special Revenue Fund has a total fund balance of \$702,275, all or which is reserved for low and moderate income housing. The net increase in fund balance during the year was \$79,746. As with the Low Income Housing #1 Fund, the increase is due to receipt of current year tax increment set-aside for future low and moderate income housing projects and investment income.

The Debt Service Project #1 Fund has a total fund balance of \$239,206, of which \$351,523 is restricted cash, leaving an unrestricted deficit of \$112,317. The net decrease in fund balance of \$96,277 is due primarily to payment of two interest installments on the Agency's tax allocation bonds during the current fiscal year. The two installments represent 84% of the fund's total revenue for the year. Coupled with the mandatory 20% transfer to the Low Income Housing Fund #1, the revenue was insufficient to cover all expenses for the current year.

MENDOTA REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

The Debt Service Project #2 Fund has a total fund balance of \$9,640, of which, \$311,559 is reserved for long-term receivables, leaving an unrestricted fund deficit of \$301,919. This fund had a net decrease in fund balance of \$181,618. The decrease is due primarily to the previously described SERAF payment made in May, 2010.

There has been no new projects in the Capital Projects Fund for the past three fiscal years.

Special revenue fund. The special revenue fund is used to account for the portion of tax increment revenue designated for low and moderate-income housing. As required by the California Community Redevelopment Law, the Agency allocated 20 percent (\$197,341) of the tax increment received during the year for low and moderate-income housing projects.

BUDGETARY HIGHLIGHTS

By law a redevelopment agency must set aside 20 percent of the tax increment revenue in a special revenue fund for low- and moderate-income housing. The Debt Service Project #1 Fund and Debt Service Project #2 Fund are by far the two largest funds and serve in some way as the Agency's general fund.

Total actual expenditures for Debt Service Project #1 Fund exceeded the budgeted amount by \$284,299. This is due primarily to the Agency not budgeting for school utility payments of \$233,366. In addition, the fund incurred higher than anticipated costs for debt service and "pass-through" payments to the County of Fresno and the County library system for the fiscal year.

Total actual expenditures for Debt Service Project #2 Fund exceeded the budgeted amount by \$286,680. This is due primarily to the required SERAF payment, which was not originally budgeted by the Agency.

DEBT ADMINISTRATION

At June 30, 2010, the Agency had long-term bonds outstanding aggregating to \$6,815,000.

	<u>2010</u>	<u>2009</u>
1989 Redevelopment Lease Revenue Bond	\$ 265,000	\$ 280,000
1994 Redevelopment Tax Allocation Bonds	<u>6,550,000</u>	<u>6,550,000</u>
Total	<u>\$ 6,815,000</u>	<u>\$ 6,830,000</u>

Additional information on the Agency's long-term debt can be found in Note 4 of the notes to the financial statements on page 25 of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 643 Quince Street, Mendota, CA 93640.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MENDOTA REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 2,056,966
Interest receivable	25,213
Other receivables	411,559
Restricted assets:	
Cash and cash equivalents	<u>351,523</u>
 Total assets	 <u>2,845,261</u>
<u>Liabilities</u>	
Accounts payable	73,400
Accrued interest	1,183,908
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences payable	2,094
Revenue bonds payable	1,250,000
Portion due or payable after one year:	
Compensated absences payable	1,480
Revenue bonds payable	<u>5,565,000</u>
 Total liabilities	 <u>8,075,882</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	(6,815,000)
Restricted for:	
Debt service	351,523
Low and moderate income housing	1,503,291
Unrestricted	<u>(270,435)</u>
 Total net assets	 <u>\$ (5,230,621)</u>

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

MENDOTA REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

	<u>Governmental Activities</u>
Program expenses:	
General government	\$ 379,166
Urban redevelopment and housing	96,603
SERAF expenditure	311,093
Interest and fiscal charges	<u>503,729</u>
Total program expenses	<u>1,290,591</u>
General revenues:	
Property tax increments	986,706
Earnings on investments	13,788
Miscellaneous	<u>233,366</u>
Total general revenues	<u>1,233,860</u>
Change in net assets	(56,731)
Net assets - beginning	<u>(5,173,890)</u>
Net assets - ending	<u>\$ (5,230,621)</u>

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

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FUND FINANCIAL STATEMENTS

MENDOTA REDEVELOPMENT AGENCY

**BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2010**

	Low Income Housing #1 Special Revenue Fund	Low Income Housing #2 Special Revenue Fund	Debt Service Project #1	Debt Service Project #2	Capital Projects	Total Governmental Funds
<u>Assets</u>						
Cash and cash equivalents	\$ 676,693	\$ 390,983	\$ -	\$ 61,366	\$ 927,924	\$ 2,056,966
Interest receivable	24,323	199	42	50	599	25,213
Other receivables	100,000	-	-	311,559	-	411,559
Due from other funds	-	-	-	-	91,201	91,201
Advances to other funds	-	311,093	-	-	-	311,093
Restricted assets:						
Cash and cash equivalents	-	-	351,523	-	-	351,523
Total assets	\$ 801,016	\$ 702,275	\$ 351,565	\$ 372,975	\$ 1,019,724	\$ 3,247,555
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 21,158	\$ 52,242	\$ -	\$ 73,400
Due to other funds	-	-	91,201	-	-	91,201
Advances from other funds	-	-	-	311,093	-	311,093
Total liabilities	-	-	112,359	363,335	-	475,694
Fund balances:						
Reserved for:						
Debt service	-	-	351,523	-	-	351,523
Long-term receivable	-	-	-	311,559	-	311,559
Low and moderate income housing	801,016	702,275	-	-	-	1,503,291
Unreserved	-	-	(112,317)	(301,919)	1,019,724	605,488
Total fund balances	801,016	702,275	239,206	9,640	1,019,724	2,771,861
Total liabilities and fund balances	\$ 801,016	\$ 702,275	\$ 351,565	\$ 372,975	\$ 1,019,724	\$ 3,247,555

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

MENDOTA REDEVELOPMENT AGENCY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2010

Total fund balances - governmental funds	\$ 2,771,861
To recognize accrued interest at year-end	(1,183,908)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Revenue bonds payable	(6,815,000)
Compensated absences	<u>(3,574)</u>
Total net assets - governmental activities	\$ <u>(5,230,621)</u>

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

MENDOTA REDEVELOPMENT AGENCY

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

	Low Income Housing #1 Special Revenue Fund	Low Income Housing #2 Special Revenue Fund	Debt Service Project #1	Debt Service Project #2	Capital Projects	Total Governmental Funds
Revenues:						
Property tax increments	\$ -	\$ -	\$ 598,280	\$ 388,426	\$ -	\$ 986,706
Revenue from the use of money and property	<u>5,496</u>	<u>2,061</u>	<u>451</u>	<u>1,837</u>	<u>3,943</u>	<u>13,788</u>
Total revenues	<u>5,496</u>	<u>2,061</u>	<u>598,731</u>	<u>390,263</u>	<u>3,943</u>	<u>1,000,494</u>
Expenditures:						
Current:						
Pass-throughs	-	-	42,316	103,484	-	145,800
School utility payments	-	-	233,366	-	-	233,366
Urban redevelopment and housing	2,329	-	13,726	79,619	-	95,674
SERAF expenditure	-	-	-	311,093	-	311,093
Debt service:						
Principal	-	-	15,000	-	-	15,000
Interest	-	-	504,310	-	-	504,310
Total expenditures	<u>2,329</u>	<u>-</u>	<u>808,718</u>	<u>494,196</u>	<u>-</u>	<u>1,305,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,167</u>	<u>2,061</u>	<u>(209,987)</u>	<u>(103,933)</u>	<u>3,943</u>	<u>(304,749)</u>
Other financing sources (uses):						
Other income sources	-	-	233,366	-	-	233,366
Transfers in	119,656	77,685	-	-	-	197,341
Transfers out	-	-	(119,656)	(77,685)	-	(197,341)
Total other financing sources (uses)	<u>119,656</u>	<u>77,685</u>	<u>113,710</u>	<u>(77,685)</u>	<u>-</u>	<u>233,366</u>
Net change in fund balances	122,823	79,746	(96,277)	(181,618)	3,943	(71,383)
Fund balances, July 1, 2009	<u>678,193</u>	<u>622,529</u>	<u>335,483</u>	<u>191,258</u>	<u>1,015,781</u>	<u>2,843,244</u>
Fund balances, June 30, 2010	<u>\$ 801,016</u>	<u>\$ 702,275</u>	<u>\$ 239,206</u>	<u>\$ 9,640</u>	<u>\$ 1,019,724</u>	<u>\$ 2,771,861</u>

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

MENDOTA REDEVELOPMENT AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010**

Total net change in fund balances - governmental funds \$ (71,383)

The governmental funds report debt proceeds as another financing source, while repayment of debt principal is reported as an expenditure.

Payment of long-term debt 15,000

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). (929)

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 accrued, regardless of when it is due. 581

Changes in net assets of governmental activities \$ (56,731)

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NOTES TO THE FINANCIAL STATEMENTS

MENDOTA REDEVELOPMENT AGENCY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mendota Redevelopment Agency (Agency) have been prepared in conformity with generally accepted accounting principles (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 policies are described below.

Reporting Entity

The Agency meets the criteria set forth in GAAP for inclusion as a component unit within the City of Mendota reporting entity based on the City's oversight responsibility in selection of the governing board. In addition, all of the Agency's activities are conducted within the geographic boundaries of the City. The Agency's financial information is blended into the City of Mendota's Annual Financial Report.

The Agency has no financial or operational relationships with other related activities, organizations, or functions of government which meet the reporting entity definition criteria of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, for inclusion as a component unit of the Agency.

Description of Funds

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial requirements.

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The Agency's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Agency accompanied by a total column. The Agency does not have any business-type activities; therefore, only governmental activities are reported.

These basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Agency in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the Agency activities and City, which are presented as internal balances and eliminated in the total primary government column.

MENDOTA REDEVELOPMENT AGENCY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The Agency has presented all major funds that meet those qualifications.

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are incremental property tax, intergovernmental revenues, other taxes, interest revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The Agency reports the following major governmental funds:

The Low Income Housing #1 and #2 are Special Revenue Funds which are used to account for the activities of the Agency's Low and Moderate Income Housing Fund for Project Area #1 and #2, in which the Agency is required to set aside 20% of its tax increment funds for the purpose of increasing or improving the City's supply of low or moderate income housing.

The Debt Service Funds for Project Area #1 and #2 are used to account for tax revenues and for the payment of principal, interest and related costs on long-term debts for which a tax has been dedicated.

The Capital Projects Fund is used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

MENDOTA REDEVELOPMENT AGENCY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. The Agency pools its cash and investments with the City. The pooled funds are invested in accordance with the City's Investment Policy established pursuant to the state law. All monies not required for immediate expenditure are invested or deposited to maximize earnings. Interest income is allocated to the Agency based on the proportionate share of the pool. Investments are recorded at cost or amortized cost which approximates market value.

Restricted Assets

Certain proceeds of revenue bonds and resources set aside for their repayment are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Assets included in the Bond Principal and Interest Account, Debt Service Account and Bond Reserve Account are restricted for the payment of bond principal and interest.

Interfund Transactions

Interfund transactions are reflected either as loans, services provided, reimbursements or transfers in the government fund financial statements. Loans between funds are reported as receivable and payable, as appropriate, and are subject to elimination upon consolidation and 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).

Personnel Services

The Agency has no employees. Administrative and accounting services are provided by the City personnel. Consequently, the Agency has an obligation to the City for compensated absences and retirement plan contributions.

Net Assets and Fund Equity

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

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvements of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

MENDOTA REDEVELOPMENT AGENCY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Low and Moderate Income Housing

The California Health and Safety Code requires the Agency project areas to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of tax incremental revenues in excess of debt service payments on the bond) into a Low and Moderate Income Housing Fund. This money is restricted for the purpose of increasing or improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in special revenue funds.

Encumbrances

The Agency does not use encumbrance accounting.

Budgetary Data

The official budget was prepared for adoption for the Capital Projects, Special Revenue and the Debt Service Funds. 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 Agency prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting 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.

Once a budget is approved, it can be amended only by approval of a majority of the governing board. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Deposits

Statement of Net Assets:

Cash and cash equivalents	\$ 2,056,966
Cash and cash equivalents - restricted	<u>351,523</u>
Total	<u>\$ 2,408,489</u>

MENDOTA REDEVELOPMENT AGENCY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (continued)

Deposits (continued)

The Agency pools its cash and investments with the City. As of June 30, 2010, the carrying amount of the Agency's deposits with the City was \$1,965,765.

See the City of Mendota's Notes to the Basic Financial Statements for disclosures related to cash and investments and related risks disclosure.

Restricted Assets

The restricted cash and cash equivalents represents amounts that are held by a trustee bank and restricted for debt service.

As of June 30, 2010, the restricted cash and cash equivalents amounted to \$351,523.

NOTE 3 – INTERFUND TRANSACTIONS

Interfund Receivables and Payable

The Agency has the following interfund receivables and payables as of June 30, 2010:

	<u>Due from</u>	<u>Due to</u>
Major Funds:		
Debt Service Project #1	\$ -	\$ 91,201
Capital Project Fund	<u>91,201</u>	<u>-</u>
Total	<u>\$ 91,201</u>	<u>\$ 91,201</u>
	<u>Advances to</u>	<u>Advances from</u>
Major Funds:		
Low Income Housing #2	\$ 311,093	\$ -
Debt Service Project #2	<u>-</u>	<u>311,093</u>
Total	<u>\$ 311,093</u>	<u>\$ 311,093</u>

Interfund Transfers

Interfund transfers for the year ended June 30, 2010, is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
RDA - Low Income Housing #1	\$ 119,656	\$ -
RDA - Low Income Housing #2	77,685	-
Debt Service Project #1	-	119,656
Debt Service Project #2	<u>-</u>	<u>77,685</u>
Total	<u>\$ 197,341</u>	<u>\$ 197,341</u>

MENDOTA REDEVELOPMENT AGENCY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 4 – LONG-TERM LIABILITES

The following is a summary of notes and bonds payable of the Agency for the year ended June 30, 2010:

	<u>July 1, 2009</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>June 30, 2010</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
1989 Redevelopment Lease Revenue bonds, payable in annual principal reductions from \$5,000 to \$35,000, interest payable semi-annually at 7.7% per annum.	\$ 280,000	\$ -	\$ 15,000	\$ 265,000	\$ 20,000
1994 Redevelopment Tax Allocation bonds payable in annual principal reductions from \$100,000 to \$585,000, interest payable semi-annually at 7.4% per annum.	6,550,000	-	-	6,550,000	1,230,000
Compensated absences	<u>2,645</u>	<u>4,318</u>	<u>3,389</u>	<u>3,574</u>	<u>2,094</u>
Total general obligations long-term debt	<u>\$6,832,645</u>	<u>\$ 4,318</u>	<u>\$ 18,389</u>	<u>\$6,818,574</u>	<u>\$1,252,094</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2010, including interest are as follows:

City of Mendota Tax Allocation Bonds

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,230,000	\$ 1,577,871	\$ 2,807,871
2012	230,000	388,100	618,100
2013	245,000	370,881	615,881
2014	265,000	352,394	617,394
2015	285,000	332,456	617,456
2016-2020	1,760,000	1,299,377	3,059,377
2021-2025	<u>2,535,000</u>	<u>503,062</u>	<u>3,038,062</u>
Total	<u>\$ 6,550,000</u>	<u>\$ 4,824,141</u>	<u>\$ 11,374,141</u>

City of Mendota Redevelopment Agency Lease Revenue Bonds

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 20,000	\$ 19,763	\$ 39,763
2012	20,000	18,213	38,213
2013	20,000	16,663	36,663
2014	25,000	14,919	39,919
2015	25,000	12,981	37,981
2016-2020	<u>155,000</u>	<u>31,969</u>	<u>186,969</u>
Total	<u>\$ 265,000</u>	<u>\$ 114,508</u>	<u>\$ 379,508</u>

MENDOTA REDEVELOPMENT AGENCY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 5 – TAX INCREMENT REVENUE

Property tax revenue is recognized when measurable and available. The assessment, levy and collection of property taxes are the responsibility of the County of Fresno. The Agency records property taxes as revenue when received from the County, except at fiscal year-end, when property taxes received within 60 days after the end of the fiscal year are "available" and, therefore, recognized as revenue.

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 on 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 Mendota Redevelopment Agency.

NOTE 6 – PASS-THROUGH PAYMENTS

Tax Sharing

The Agency and the County of Fresno (the County) entered into a tax sharing agreement under which the 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 7 – 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 \$4,405,930 as of June 30, 2010. The Agency has only made \$2,418,863 of those payments leaving a balance of \$1,987,068 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 utility charges to the Redevelopment Agency from the City totaled \$233,366. During the current and prior years, the Redevelopment Agency has been unable to make the scheduled contractual payments to the City, leaving an outstanding balance of \$1,609,973. Due to the uncertainty of payment, this balance is not reported as a liability in the Redevelopment Agency or as a receivable in the City's enterprise funds.

MENDOTA REDEVELOPMENT AGENCY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 – CONTINGENCIES

Going Concern

The property tax increment revenue received by 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 within the Agency. The uncertain conditions that the Agency faces regarding its ability to repay its debt create an uncertainty about the Agency's ability to continue as a going concern. Management of the 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 Agency is unable to continue as a going concern.

NOTE 9 – SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

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

As determined by the Department of Finance, the Mendota Redevelopment Agency SERAF payment of \$311,093 was transferred to the County of Fresno on May 10, 2010 for redistribution to the Mendota Unified School District. The expenditure was paid by the Agency's Debt Service Fund#2 through a loan from the Agency's Low Income Housing Special Revenue Fund #2. As required under state statute, the loan from the Agency's Low Income Housing fund is to be fully repaid on or before June 30, 2015.

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

NOTE 10 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Debt Service Project #1:	
Pass-throughs	\$ 13,832
School utility payments	233,366
Urban redevelopment and housing	12,226
Principal	15,000
Interest	9,805
Debt Service Project #2	
SERAF expenditure	311,093

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REQUIRED SUPPLEMENTARY INFORMATION

MENDOTA REDEVELOPMENT AGENCY

**BUDGETARY COMPARISON SCHEDULE
LOW INCOME HOUSING #1
SPECIAL REVENUE FUND
For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Revenue from the use of money and property	\$ 21,000	\$ 21,000	\$ 5,496	\$ (15,504)
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>5,496</u>	<u>(15,504)</u>
Expenditures:				
Current:				
Urban redevelopment and housing	<u>24,100</u>	<u>24,100</u>	<u>2,329</u>	<u>21,771</u>
Total expenditures	<u>24,100</u>	<u>24,100</u>	<u>2,329</u>	<u>21,771</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,100)</u>	<u>(3,100)</u>	<u>3,167</u>	<u>6,267</u>
Other financing sources (uses):				
Transfers in	<u>110,848</u>	<u>110,848</u>	<u>119,656</u>	<u>8,808</u>
Total other financing sources (uses)	<u>110,848</u>	<u>110,848</u>	<u>119,656</u>	<u>8,808</u>
Net change in fund balance	107,748	107,748	122,823	15,075
Fund balances, July 1, 2009	<u>678,193</u>	<u>678,193</u>	<u>678,193</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 785,941</u>	<u>\$ 785,941</u>	<u>\$ 801,016</u>	<u>\$ 15,075</u>

MENDOTA REDEVELOPMENT AGENCY

**BUDGETARY COMPARISON SCHEDULE
LOW INCOME HOUSING #2
SPECIAL REVENUE FUND
For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Revenue from the use of money and property	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 2,061</u>	<u>\$ (8,939)</u>
Total revenues	<u>11,000</u>	<u>11,000</u>	<u>2,061</u>	<u>(8,939)</u>
Expenditures:				
Current:				
Urban redevelopment and housing	<u>37,000</u>	<u>37,000</u>	<u>-</u>	<u>37,000</u>
Total expenditures	<u>37,000</u>	<u>37,000</u>	<u>-</u>	<u>37,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,000)</u>	<u>(26,000)</u>	<u>2,061</u>	<u>28,061</u>
Other financing sources (uses):				
Transfers in	<u>90,134</u>	<u>90,134</u>	<u>77,685</u>	<u>(12,449)</u>
Total other financing sources (uses)	<u>90,134</u>	<u>90,134</u>	<u>77,685</u>	<u>(12,449)</u>
Net change in fund balance	<u>64,134</u>	<u>64,134</u>	<u>79,746</u>	<u>15,612</u>
Fund balances, July 1, 2009	<u>622,529</u>	<u>622,529</u>	<u>622,529</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 686,663</u>	<u>\$ 686,663</u>	<u>\$ 702,275</u>	<u>\$ 15,612</u>

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SUPPLEMENTARY INFORMATION

MENDOTA REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE PROJECT #1

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 582,652	\$ 582,652	\$ 598,280	\$ 15,628
Revenue from the use of money and property	19,800	19,800	451	(19,349)
Total revenues	<u>602,452</u>	<u>602,452</u>	<u>598,731</u>	<u>(3,721)</u>
Expenditures:				
Current:				
Pass-throughs	28,484	28,484	42,316	(13,832)
School utility payments	-	-	233,366	(233,366)
Urban redevelopment and housing	1,500	1,500	13,726	(12,226)
Debt service:				
Principal	-	-	15,000	(15,000)
Interest	<u>494,505</u>	<u>494,505</u>	<u>504,310</u>	<u>(9,805)</u>
Total expenditures	<u>524,489</u>	<u>524,489</u>	<u>808,718</u>	<u>(284,229)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>77,963</u>	<u>77,963</u>	<u>(209,987)</u>	<u>(287,950)</u>
Other financing sources (uses):				
Other income sources	-	-	233,366	233,366
Transfers out	<u>(110,848)</u>	<u>(110,848)</u>	<u>(119,656)</u>	<u>(8,808)</u>
Total other financing sources (uses)	<u>(110,848)</u>	<u>(110,848)</u>	<u>113,710</u>	<u>224,558</u>
Net change in fund balance	(32,885)	(32,885)	(96,277)	(63,392)
Fund balances, July 1, 2009	<u>335,483</u>	<u>335,483</u>	<u>335,483</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 302,598</u>	<u>\$ 302,598</u>	<u>\$ 239,206</u>	<u>\$ (63,392)</u>

MENDOTA REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE PROJECT #2

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 450,668	\$ 450,668	\$ 388,426	\$ (62,242)
Revenue from the use of money and property	<u>19,800</u>	<u>19,800</u>	<u>1,837</u>	<u>(17,963)</u>
Total revenues	<u>470,468</u>	<u>470,468</u>	<u>390,263</u>	<u>(80,205)</u>
Expenditures:				
Current:				
Pass-throughs	116,554	116,554	103,484	13,070
Urban redevelopment and housing	90,962	90,962	79,619	11,343
SERAF expenditure	<u>-</u>	<u>-</u>	<u>311,093</u>	<u>(311,093)</u>
Total expenditures	<u>207,516</u>	<u>207,516</u>	<u>494,196</u>	<u>(286,680)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>262,952</u>	<u>262,952</u>	<u>(103,933)</u>	<u>(366,885)</u>
Other financing sources (uses):				
Transfers out	<u>(90,134)</u>	<u>(90,134)</u>	<u>(77,685)</u>	<u>12,449</u>
Total other financing sources (uses)	<u>(90,134)</u>	<u>(90,134)</u>	<u>(77,685)</u>	<u>12,449</u>
Net change in fund balance	172,818	172,818	(181,618)	(354,436)
Fund balances, July 1, 2009	<u>191,258</u>	<u>191,258</u>	<u>191,258</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 364,076</u>	<u>\$ 364,076</u>	<u>\$ 9,640</u>	<u>\$ (354,436)</u>

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OVERALL COMPLIANCE AND INTERNAL CONTROLS 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 Board of Directors
Mendota Redevelopment Agency
City of Mendota, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mendota Redevelopment Agency, California (the Agency), as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated October 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Section 33080.1(a) of the Health and Safety Code of the State of California; and the procedures contained in the Controllers of the State of California "Guidelines for Compliance Audits of California Redevelopment Agencies."

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

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

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

Price Pugh & Company

Clovis, California
October 19, 2010

MENDOTA REDEVELOPMENT AGENCY
SCHEDULE OF CURRENT YEAR FINDINGS
YEAR ENDED JUNE 30, 2010

I. Summary of Auditor's Results

Financial Statements:

Type of auditors' report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiencies identified that are not considered to be material weakness(es)?	_____ Yes	___X___ No
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

II. Findings – Financial Statement Audit

None

III. Findings – Compliance Audit

Finding 2010-1: Five-Year Implementation Plan

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

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

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

Cause: The Agency unaware that Implementation Plans are required for each project area every five years.

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

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

