

**CITY OF MENDOTA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2019**

CITY OF MENDOTA
FINANCIAL STATEMENTS
JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position.....	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities.....	23
Statement of Net Position – Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	26
Statement of Cash Flows – Proprietary Funds.....	27
Statement of Fiduciary Net Position – Fiduciary Funds	29
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	30
Notes to the Basic Financial Statements	33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	61
Special Revenue Fund: Budgetary Comparison Schedule – Development Fees	62
Notes to the Budgetary Comparison Schedule.....	63

CITY OF MENDOTA
FINANCIAL STATEMENTS
JUNE 30, 2019

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Proportionate Share of Net Pension Liability (Asset).....	64
Schedule of Contributions	65
SUPPLEMENTARY INFORMATION	
Combining and Individual Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	70
Special Revenue Funds: Combining Balance Sheet – Nonmajor Governmental Funds	71
Special Revenue Funds: Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	74
Capital Projects Funds: Combining Balance Sheet – Nonmajor Governmental Funds	77
Capital Projects Funds: Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	78
OTHER AUDITOR'S REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	81
FINDINGS AND QUESTIONED COSTS	
Schedule of Findings and Questioned Costs.....	85
Summary Schedule of Prior Audit Findings	86



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Mendota, California

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota, California, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

677 Scott Avenue
Clovis, CA 93612
tel 559.299.9540
fax 559.299.2344

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-14, budgetary comparison information on pages 61-63, proportionate share of net pension liability on page 64, and schedule of contributions on page 65 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 inquiries 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mendota, California's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report January 6, 2020, 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
January 6, 2020

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at close of the most recent fiscal year by \$34,390,215 (net position). Of this amount, \$3,999,502 (unrestricted net position) may be used to meet the City's ongoing obligation to its citizens and creditors.

The City's total net position increased by \$1,167,436 from the prior fiscal year. Governmental activities increased the City's total net position by \$137,792 and business-type activities increased by \$1,029,644. The overall increase in net position is due to several factors. The business-type activities of the City, which represent utility service for water, sewer and waste disposal, benefitted from a significant increase in one-time developer impact fees for water and sewer service collected for planned residential and commercial development in the City, coupled with an increase in utility service revenue of approximately three percent over the prior fiscal year due to an increase in both commercial and residential system connections. In addition, The City was awarded a federal grant in the amount of \$6,830,846 for the reconstruction of a bridge supporting the City's water enterprise fund, of which \$418,118 was recognized as revenue during the fiscal year. These revenue increases were partially offset by higher electric utility charges and higher facility maintenance expenditures as compared to the prior year. With regard to the governmental-type activities, the City reported significant increases in charges for services due primarily to an increase in developer fees for planning and zoning services of planned commercial and residential housing, coupled with an increase in fees charged to the Mendota Unified School District for providing campus police security. In addition, sales tax revenue and property tax revenue showed significant increases due to new commercial and residential development benefitting both the assessed value of property and retail sales within the City limits. These revenue increases were offset by a 78% reduction in capital grants received due to the lack of any major road infrastructure projects commenced during the year for which federal and state highway grants are available. Overall operating expenses of the City increased by approximately 11% over the prior fiscal year due primarily to higher wage and employee benefits incurred for the City's police department, along with higher outside engineering fees related to planning and zoning services to support the increase in building activity. In addition, higher depreciation expense attributable to several road infrastructure projects placed in service towards the end of the prior fiscal year also contributed to the increase in operating expenses incurred by the City.

At June 30, 2019, the City's governmental funds reported combined ending fund balances of \$5,356,815, an increase of \$841,980 in comparison with the prior year. The increase is due primarily to a significant drop in capital outlay expenditures for road infrastructure improvements as compared to the prior fiscal year, coupled with an increase in revenue for development services and property/sales tax revenue as described above.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,502,285. This represents a \$524,296 increase from the unassigned fund balance of \$977,989 reported at June 30, 2018. The increase from the prior year is primarily the result of higher sales and property tax revenue, higher developer charges for planning and zoning services and higher intergovernmental revenue received from the Mendota Unified School District for police services. Operational expenditures of the General Fund showed an 18% increase from the prior year due primarily to higher public safety expenditures for wages and benefits, along with higher expenditures supporting new commercial and residential development.

The City's total long-term debt of \$9,534,066 increased by \$3,612,329 compared to last year. On February 28, 2019, the City's water enterprise fund entered into a capital lease agreement for the construction of a solar project to reduce electric utility charges incurred in operating the infrastructure of the water fund. The total obligation of the project is \$3,920,000 and is expected to be completed during the fiscal year ended June 30, 2020.

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 basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, public works, building and planning, parks, redevelopment and housing, and economic development and assistance. The business-type activities of the City include water, sewer and sanitation.

The Mendota Community Corporation, although legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 17 through 18 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 42 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 and the Developer Fees Special Revenue 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 non-major 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 20 through 23 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *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 and sanitation.

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 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 24 through 28 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 through 30 of this report.

Notes to the basic 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 basic financial statements can be found on pages 33 through 57 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 General Fund and major Special Revenue Funds budgetary comparison schedule to demonstrate compliance with the City's adopted budget. The City adopts an annual appropriated budget for its general fund.

Required supplementary information can be found on pages 61 through 65 of this report.

The combining fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 69 through 78.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$34,390,125 at June 30, 2019.

**City of Mendota
Condensed Statement of Net Position
June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 7,743,792	\$ 7,423,738	\$ 13,737,548	\$ 3,616,503	\$ 21,481,340	\$ 11,040,241
Capital assets	12,863,527	13,578,138	17,058,884	15,647,654	29,922,411	29,225,792
Total assets	<u>20,607,319</u>	<u>21,001,876</u>	<u>30,796,432</u>	<u>19,264,157</u>	<u>51,403,751</u>	<u>40,266,033</u>
Total deferred outflows of resources	69,323	48,274	101,697	69,872	171,020	118,146
Long-term liabilities	492,939	582,129	9,041,127	5,339,608	9,534,066	5,921,737
Other liabilities	251,520	779,280	7,393,828	564,004	7,645,348	1,343,284
Total liabilities	<u>744,459</u>	<u>1,361,409</u>	<u>16,434,955</u>	<u>5,903,612</u>	<u>17,179,414</u>	<u>7,265,021</u>
Total deferred inflows of resources	2,119	-	3,113	-	5,232	-
Net position:						
Net investment in capital assets	12,564,592	13,251,484	11,201,427	10,355,088	23,766,019	23,606,572
Restricted	5,981,748	5,677,886	642,856	631,751	6,624,604	6,309,637
Unrestricted	<u>1,383,724</u>	<u>759,371</u>	<u>2,615,778</u>	<u>2,443,578</u>	<u>3,999,502</u>	<u>3,202,949</u>
Total net position	<u>\$ 19,930,064</u>	<u>\$ 19,688,741</u>	<u>\$ 14,460,061</u>	<u>\$ 13,430,417</u>	<u>\$ 34,390,125</u>	<u>\$ 33,119,158</u>

The largest portion of the City's net position, \$23,766,019 (69 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 position of \$3,999,502 (12 percent) represents unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors. The remaining balance of \$6,624,604 (19 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net position by \$241,323, accounting for 1 percent of the total increase in the net position of the City of Mendota as compared to the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

**City of Mendota
Condensed Statement of Activities
For the Years Ended June 30, 2019 and 2018**

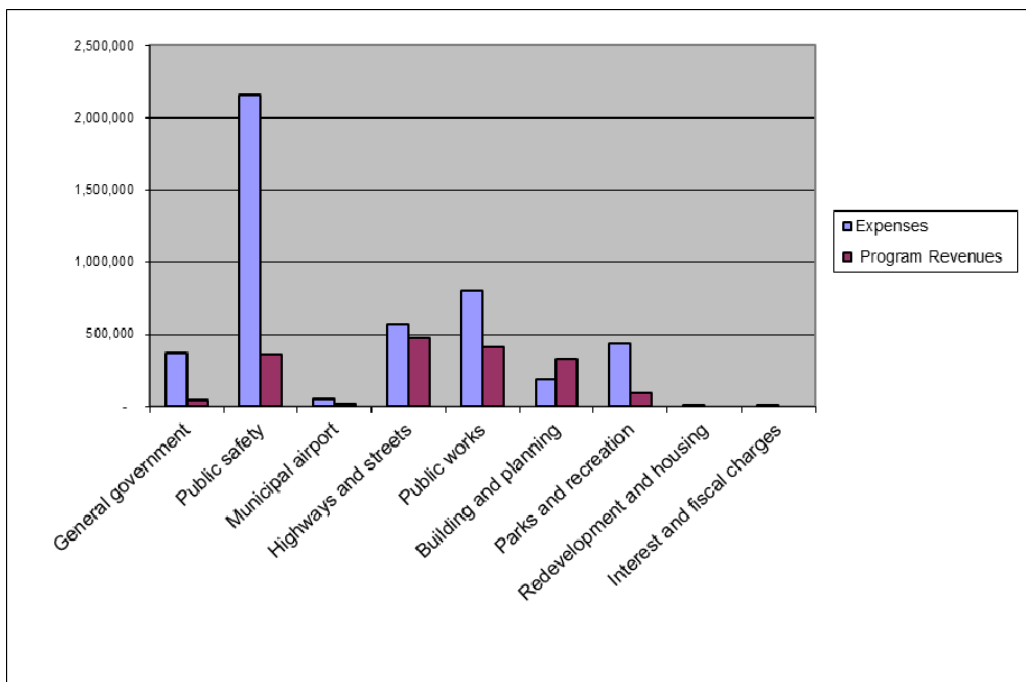
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 790,099	\$ 714,303	\$ 4,270,328	\$ 4,126,330	\$ 5,060,427	\$ 4,840,633
Operating grants and contributions	634,213	453,264	310,148	267,705	944,361	720,969
Capital grants and contributions	298,114	1,303,612	418,118	-	716,232	1,303,612
General revenues:						
Property taxes	1,299,446	1,164,833	-	-	1,299,446	1,164,833
Sales tax	716,048	617,690	-	-	716,048	617,690
Franchise taxes	210,173	116,327	-	-	210,173	116,327
Other taxes	721,881	900,525	-	-	721,881	900,525
Earnings on investments	102,503	105,936	22,038	14,805	124,541	120,741
Miscellaneous	50,274	60,920	-	8,394	50,274	69,314
Gain on sale of assets	39,140	39,266	6,982	1,936	46,122	41,202
Total revenues	4,861,891	5,476,676	5,027,614	4,419,170	9,889,505	9,895,846
Expenses:						
General government	372,327	368,593	-	-	372,327	368,593
Public safety	2,161,815	1,870,619	-	-	2,161,815	1,870,619
Municipal airport	48,220	32,244	-	-	48,220	32,244
Highways and streets	565,924	659,100	-	-	565,924	659,100
Public works	804,295	668,032	-	-	804,295	668,032
Building and planning	188,219	134,087	-	-	188,219	134,087
Parks and recreation	434,148	369,857	-	-	434,148	369,857
Redevelopment and housing	5,070	10,730	-	-	5,070	10,730
Interest and fiscal charges	9,726	7,863	-	-	9,726	7,863
Water	-	-	1,962,965	1,852,699	1,962,965	1,852,699
Sewer	-	-	1,449,689	1,378,606	1,449,689	1,378,606
Sanitation	-	-	719,671	720,985	719,671	720,985
Total expenses	4,589,744	4,121,125	4,132,325	3,952,290	8,722,069	8,073,415
Increase in net position before transfers	272,147	1,355,551	895,289	466,880	1,167,436	1,822,431
Transfers	(134,355)	338,705	134,355	(338,705)	-	-
Increase (decrease) in net position	137,792	1,694,256	1,029,644	128,175	1,167,436	1,822,431
Net position - beginning	19,688,741	17,994,485	13,430,417	13,302,242	33,119,158	31,296,727
Prior period adjustments	103,531	-	-	-	103,531	-
Net position - ending	\$ 19,930,064	\$ 19,688,741	\$ 14,460,061	\$ 13,430,417	\$ 34,390,125	\$ 33,119,158

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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

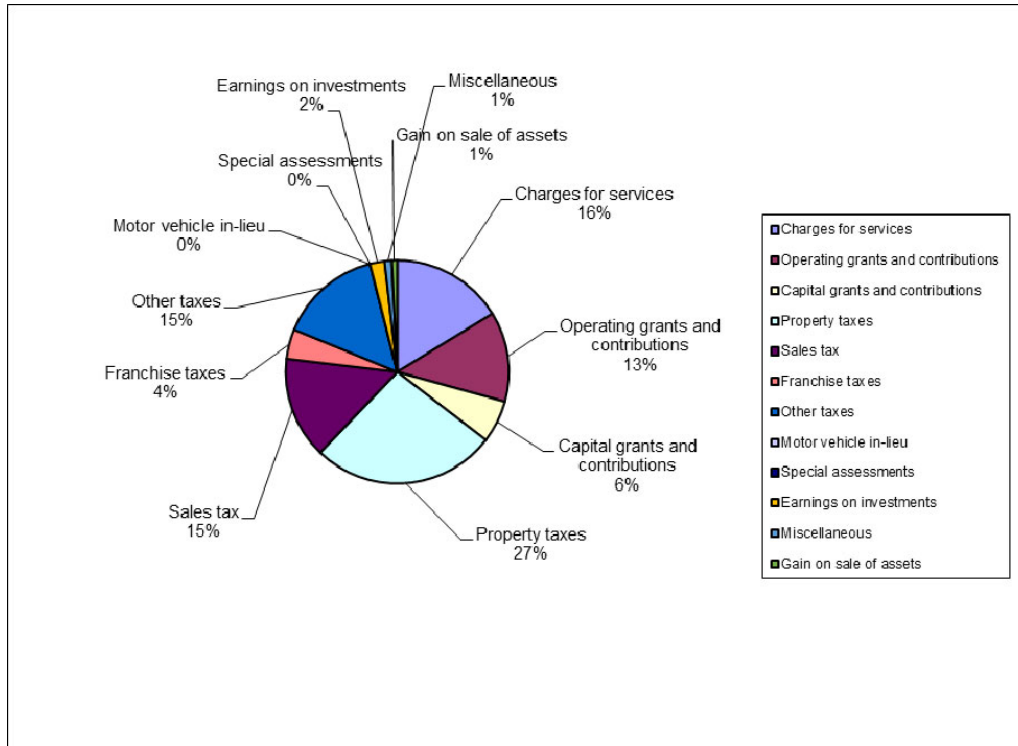
- Charges for services increased by \$75,796 to \$790,099 from the prior year. The increase is due primarily to higher planning and zoning fees, coupled with corresponding permitting fees, charged to developers for various commercial business and residential housing projects collected during the year.
- Operating grants increased by \$180,949 to \$634,213 from the previous year. The increase is due almost entirely to a full year collection of road and rehabilitation grants from the State of California, a new funding program that was implemented by the State towards the end of the prior fiscal year.
- Governmental capital grants decreased \$1,005,498 to \$298,114 during the fiscal year. The substantial decrease is due primarily to the absence of any large-scale road infrastructure projects commenced or completed during the current fiscal year, which would have been eligible for highway grants. In the prior fiscal year, the City received \$845,946 in federal and state highway grants for several road reconstruction projects completed during the prior year. In addition, the City received a one-time \$260,384 capital grant provided by the County of Fresno for acquisition of an electric plane in the prior fiscal year.
- Sales tax revenue increased \$98,358 or 15% over the prior fiscal year. The increase can be attributed to several national retail businesses which have opened along the Highway 33 corridor during the current and prior fiscal years, including McDonald's, Taco Bell and O'Reilly's Auto Parts.
- Franchise taxes increased by \$93,846 or 80% to \$210,173 during the fiscal year. Of the current year increase, \$90,000 is attributable to a newly established franchise fee charged to Canna-Hub, Inc., a California marijuana distributor, which is in the process of completing a processing facility located within the City.
- Other taxes decreased by \$178,644 to \$721,881 from the prior fiscal year. Federal highway user tax allocated to the City by the Fresno Council of Governments decreased by \$23,817 from the prior year. In addition, Measure C funds, a local sales tax dedicated to highway maintenance and improvement, allocated to the City through an independent County agency was \$54,708 lower than reported in the prior fiscal year.
- Earnings on investments decreased by \$3,433 to \$102,503 from the prior fiscal year. The decrease is due to lower rental income earned during the year for the City's park venues, offset by higher interest earnings on invested funds.
- Miscellaneous income decreased by \$10,646 to \$50,274. The decrease is attributable to lower one-time receipts of income as compared to the prior year.

Expenses and Program Revenue – Governmental Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Revenues by Source – Governmental Activities



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

- General government expenses increased by \$3,734 to \$372,327 in 2019. The increase is due primarily to higher wages and benefits, partially offset by lower legal and administrative fees incurred during the current fiscal year as compared to the prior.
- Public safety expenses increased by \$291,196 or approximately 15% from the prior year. During the fiscal year, the City added additional front-line officers to the department, including school resource officer's dedicated to providing public safety services to the Mendota Unified School District. With the increase in employee staffing, the City experienced corresponding increases in departmental supplies, fuel and vehicle maintenance and uniforms that also contributed to the significant increase in expenditures over the prior fiscal year.
- Highways and streets expenditures decreased by \$93,176 or 16% to \$565,924. During the current fiscal year, the City deployed more of its internal labor resources to City park projects to address several years of deferred maintenance. This realignment of labor for the current fiscal year to City parks has resulted in a significant drop in salaries and related employee benefits charged to road maintenance as compared to the prior fiscal year.
- Public works expenses increased by \$136,263 to \$804,295. The increase is due almost exclusively to an increase in depreciation expense related to large infrastructure projects placed in service towards the end of the prior fiscal year.
- Building and planning expenses increased by \$54,132 or 40% to \$188,219. The increase is due primarily to outsourced engineering and legal expenditures incurred by the City during the fiscal year for the planning and zoning of several new commercial businesses within the City and housing development planned for the northwest section of the City.
- Parks and recreation expenses increased by \$64,291 to \$434,148. The increase is primarily attributable to higher employee wages and related benefits as the City allocated more of its labor force to address deferred maintenance backlog in its parks. In direct correlation to the rise in labor and related benefits, expenditures for maintenance supplies to address the backlog also showed a significant increase over the prior year.

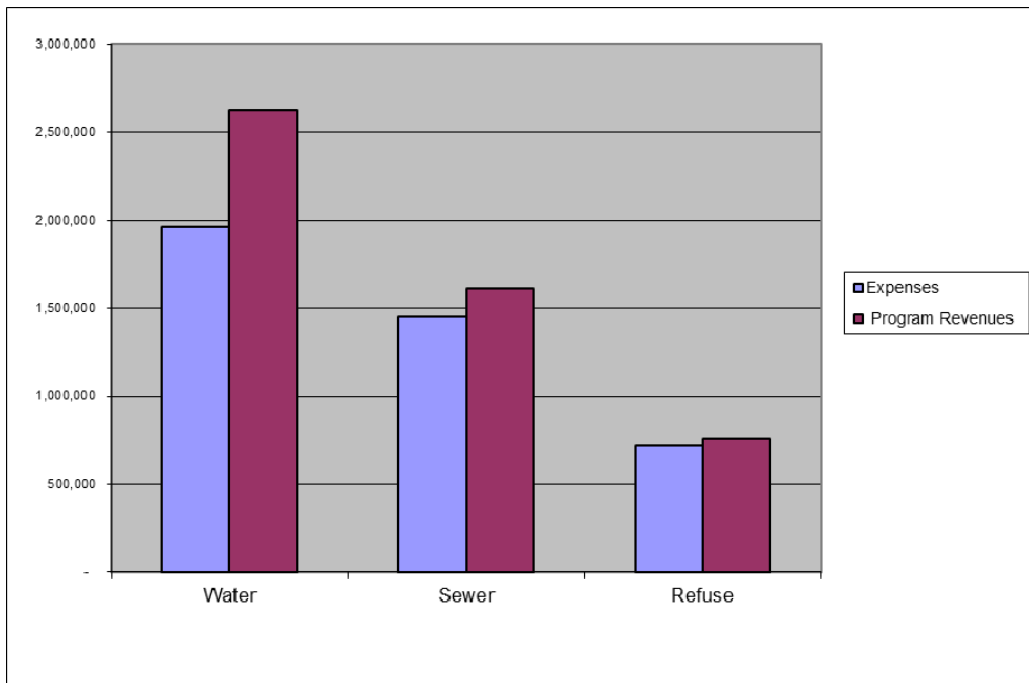
**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

- Interest and fiscal charges increased by \$1,863 or 23% to \$9,726. The increase is due primarily to a variable rate obligation due to the successor agency of the Mendota Redevelopment Agency. The rate of interest paid on the obligation increased from an average of 1.42% in the prior fiscal year to an average of 2.42% during the current year, resulting in the higher interest charge.

Business-type activities. Business-type activities increased the City's net position by \$1,029,644 over the prior fiscal year. Key elements of this increase are as follows:

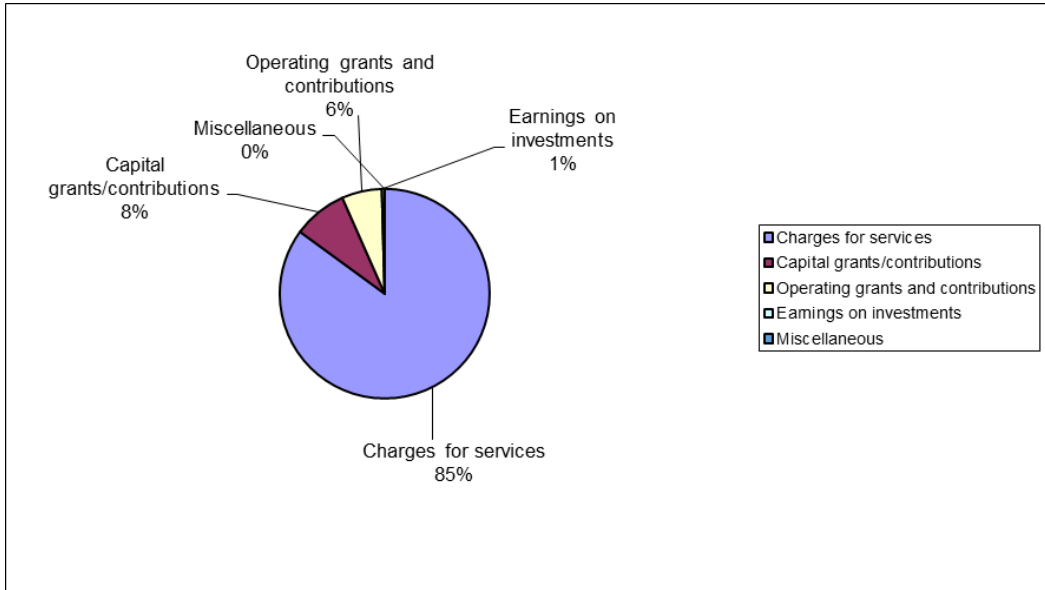
- Service revenue for the business-type activities increased by \$143,998 or 3% over the previous year. The increase is due to the growth in new connections, primarily being the addition of housing units in a planned development located in the northwest section of the City.
- Developer contributions for the business-type activities increased by \$42,443 or 15% over the previous year. The increase is directly related to a continuing rise in development projects permitted by the City for which impact fees were assessed to the developers during the fiscal year. In addition, the City received a \$6,830,846 federal capital grant for the reconstruction of a bridge which accesses the City's municipal water wells. At June 30, 2019, \$418,118 of the federal grant had been earned.
- Expenses of the Water Enterprise Fund increased by \$110,266 to \$1,962,965 during the year. The increase is due almost exclusively to higher utility costs, representing \$62,486 of the increase, coupled with higher expenditures for operational supplies and facility maintenance as compared to the prior fiscal year.
- Expenses of the Sewer Enterprise Fund increased by \$71,083 or 5% from the prior fiscal year. The increase can be attributed to higher costs paid for outside consulting services, operational supplies and facility maintenance as compared to the prior fiscal year.
- Expenses of the Sanitation Enterprise Fund were essentially flat to the prior fiscal year. An increase in fees charged by the City's contracted disposal service provider were offset by lower administrative wages incurred by City personnel during the current fiscal year.

Expenses and Program Revenue – Business-Type Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Revenue by Source – Business-Type Activities



FINANCIAL ANALYSIS OF CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,356,815 an increase of \$841,980 in comparison with the prior year. Of this total amount, \$4,047,954 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$1,308,861 at June 30, 2019. This represents an increase of \$605,006 over the prior year unassigned fund balance of \$703,855 at June 30, 2018.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Current year expenditures for the General Fund total \$2,380,738 at June 30, 2019; the unassigned General Fund balance is currently showing a balance of \$1,502,285 at June 30, 2019.

The fund balance of the City's General Fund increased by \$523,772 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

**Revenue by Source
GENERAL FUND**

	FY2019		FY2018		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	Taxes	\$ 2,006,291	69.08%	\$ 1,740,458	73.14%	\$ 265,833
Licenses and permits	127,134	4.38%	148,502	6.24%	(21,368)	-4.07%
Intergovernmental	284,041	9.78%	99,455	4.18%	184,586	35.16%
Charges for services	250,174	8.61%	136,189	5.72%	113,985	21.71%
Fines	87,814	3.02%	86,148	3.62%	1,666	0.32%
Revenue from the use of money and property	90,583	3.12%	97,156	4.08%	(6,573)	-1.25%
Proceeds from sale of capital assets	39,140	1.35%	39,266	1.65%	(126)	-0.02%
Miscellaneous	19,333	0.67%	32,361	1.36%	(13,028)	-2.48%
Total	\$ 2,904,510	100%	\$ 2,379,535	100%	\$ 524,975	100%

- Taxes increased by \$265,833 or 15% as compared to the prior fiscal year. The increase is attributable to higher sales tax revenue received as the result of several new national retail business establishments opening during the current and prior fiscal years, coupled with higher property tax revenue.
- Licenses and permits revenue decreased by \$21,368 or 14% from the prior year. The City issued building permits for a number of large-scale developments during the fiscal year ended June 30, 2018, which are currently in the construction phase. There were no similar number of large-scale projects permitted during the current fiscal year, resulting in a reduction of permit fees.
- Intergovernmental revenue increased by \$184,586 or 185% over the prior fiscal year. During the current fiscal year, the City significantly increased the charges to the Mendota Unified School District for the services of police resource officers assigned to the District, which accounts for the primary reason for the increase in revenue over the prior fiscal year.
- Charges for services increased \$113,985 or 83%. The significant increase is due to higher planning and zoning fees, primarily being engineering services, charged to developers for the development and construction of several new housing and business establishments which had been permitted by the City in the prior fiscal year.
- Revenue from the use of money and property decreased by \$6,573 as compared to the prior fiscal year. The primary reason for the decrease is lower rental income for the City's park venues during the current fiscal year.
- On April 16, 2019, the City disposed on a vacant parcel to a developer for net proceeds of \$39,140.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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

**Expenditures by Function
GENERAL FUND**

	FY2019		FY2018		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	General government	\$ 332,461	13.96%	\$ 315,858	15.76%	\$ 16,603
Public safety	1,387,675	58.29%	1,156,904	57.72%	230,771	61.34%
Public works	43,965	1.85%	33,606	1.68%	10,359	2.75%
Building and planning	188,485	7.92%	134,254	6.70%	54,231	14.41%
Parks and recreation	286,096	12.02%	212,782	10.62%	73,314	19.49%
Capital outlay	47,266	1.99%	10,688	0.53%	36,578	9.72%
Debt Service	94,790	3.98%	140,403	7.00%	(45,613)	-12.12%
Total	\$ 2,380,738	100%	\$ 2,004,495	100%	\$ 376,243	100%

- General government expenditures increased by \$16,603 to \$332,461. The increase is due primarily to higher wages and benefits as the City added an additional employee to the finance department during the fiscal year. This increase was partially offset by lower legal and administrative fees during the current fiscal year as compared to the prior year.
- Public safety expenditures increased by \$230,771 from the previous fiscal year. The significant increase is due primarily to higher wages and benefits, coupled with the partial shifting of wages and benefits for front-line officers from several special revenue funds dedicated to public safety to the General Fund during the current fiscal year due to limited availability of financial resources in those funds.
- Building and planning expenditures increased by \$54,231 or 40% over the previous year due to a substantial increase in outsourced engineering service fees incurred by the City. This increase directly correlates with the increase in charges for services related to planning and zoning fees discussed in the revenue section on the previous page.
- Parks and recreation expenditures increased by \$73,314 to \$286,096 over the prior fiscal year. The increase is primarily attributable to higher supplies and employment costs as the City allocated more labor resources during the year to reduce a backlog of deferred maintenance projects at several City park venues.
- Capital outlay expenditures for the fiscal year ended June 30, 2019 consist of the cost of acquiring and installing communications equipment in three police vehicles acquired during the year, along with the installation of new flooring at a City owned property.
- Debt service payments decreased by \$45,613 to \$94,790 from the prior fiscal year. The decrease is in-line with required debt service payments for principal and interest on existing General Fund debt obligations.

The Home Investment Partnership Program Special Revenue Fund has a total fund deficit of \$8,702. The net increase in fund balance during the current year was \$1, representing interest earnings. The fund had no activity during the current fiscal year due to lack of new funding.

The Developer Fees Special Revenue Fund has a total fund balance of \$493,091, all of which is restricted for public safety, road maintenance, and parks and recreation. Expenditures of the fund exceeded revenue collected from impact fees and interest earned by \$89,344 for the current fiscal year, requiring the utilization of prior year available fund balances. In addition to funding the City's fire protection service provided by the County of Fresno in the amount of \$197,290 for the fiscal year, the fund also provided capital funding for the purchase of three police vehicles, initial engineering costs for a planned expansion of the Rojas-Pierce Park, and costs associated with an engineering study for the planned future expansion of the City's storm drainage capacity, all of which totaled \$232,652.

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, 2019**

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, actual expenditures were \$211,286 higher than the final budgetary appropriations. The higher expenditure variance is due to several factors. First, escalating employment related costs were incurred by the City's police department due to higher officer staffing, turn-over and rising benefit costs, particular in health insurance, which the City did not foresee in the original budget, contributed approximately \$66,000 to the negative variance. In addition, citywide construction and development activity during the fiscal year exceeded the City's expectations when developing the original budget; consequently, costs associated with building permits and planning increased substantially above the original budget, contributing approximately \$80,000 to the negative variance. Also, the City devoted more labor resources to finance additional maintenance projects for the City parks during the year than anticipated, adding approximately \$70,000 to the variance. Finally, principal reduction payments for two of the City's debt obligations were inadvertently not budgeted for the fiscal year ended June 30, 2019, resulting in a negative variance of approximately \$77,000. This overall negative variance of approximately \$293,000, was partially offset by a favorable variance for general government expenditures, primarily due to lower expenditures in contract services for legal than anticipated.

During the year, actual revenues were \$563,725 higher than the final budgetary estimates. The revenue variance is due primarily to higher sales tax revenue collected during the course of the fiscal year than originally budgeted for. New national retail establishments opened along the City's State Highway 33 corridor in the current and prior fiscal years is the primary reason for the increase in sales tax revenue. In addition, increased activity for new construction resulted in significantly higher charges to developers for planning and zoning for the year, exceeding the City's expectations when developing the original budget.

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, 2019, amounts to \$29,922,411 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, building and improvements, and equipment. The total increase in the City's investments in capital assets for the current year is approximately two percent.

City of Mendota's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 357,322	\$ 357,322	\$ 2,098,220	\$ 2,098,220	\$ 2,455,542	\$ 2,455,542
Construction in progress	261,640	73,331	1,296,132	333,455	1,557,772	406,786
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	12,075,788	12,069,535	10,294,101	9,443,993	22,369,889	21,513,528
Land improvements	4,585,147	4,585,147	10,274,882	10,274,882	14,860,029	14,860,029
Buildings and improvements	1,437,879	1,430,536	3,202,914	2,982,722	4,640,793	4,413,258
Equipment	2,181,212	2,057,847	-	-	2,181,212	2,057,847
Less: accumulated depreciation	<u>(8,035,461)</u>	<u>(6,995,580)</u>	<u>(10,168,790)</u>	<u>(9,547,043)</u>	<u>(18,204,251)</u>	<u>(16,542,623)</u>
Total capital assets	<u>\$ 12,863,527</u>	<u>\$ 13,578,138</u>	<u>\$ 17,058,884</u>	<u>\$ 15,647,654</u>	<u>\$ 29,922,411</u>	<u>\$ 29,225,792</u>

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS (Continued)

Capital Assets (Continued)

This year's additions include:

Completion of the sewer plant lift station	\$ 278,734
Acquisition of three police vehicles and work truck	156,394
Acquisition of skidsteer loader and trailer	69,379
Acquisition of three Landshark sewer settling pond aeration pumps	100,000
Acquisition of new 60 hp pump and electrical upgrade for water system	66,503
Acquisition of various equipment and improvements	28,194
Continued engineering work on the Black, Fleming & McCabe Street project	32,550
Continued engineering work on the Mowry bridge reconstruction project	284,407
Engineering studies commenced for the water, sewer and storm drainage systems for long-term capacity and expansion	148,318
Commencement of CEQA compliance for water reclamation project	11,673
Commencement of a solar electrical generation project	784,000
Commencement of a planned expansion of Rojas-Pierce Park	76,341
Acquisition of storm drainage improvements	358,066
Total additions	\$ 2,394,559

For further information, see Note 5 of the financial statements on pages 45 through 46 of this report.

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$9,534,066. Of this amount, \$492,939 is the liability of governmental activities and \$9,041,127 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Revenue bonds payable	\$ -	\$ -	\$ 4,539,107	\$ 4,691,427	\$ 4,539,107	\$ 4,691,427
Loans payable	418,935	506,654	534,350	569,539	953,285	1,076,193
Capital leases	-	-	3,920,000	31,600	3,920,000	31,600
Compensated absences	74,004	75,475	47,670	47,042	121,674	122,517
Total long-term liabilities	\$ 492,939	\$ 582,129	\$ 9,041,127	\$ 5,339,608	\$ 9,534,066	\$ 5,921,737

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 47 through 51 of this report.

ECONOMIC FACTORS AND NEXT FIVE YEARS' BUDGETS 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 2.50 percent.
- Increases in intergovernmental revenue to be received on various programs from the State of California. Property tax revenue and sales tax increase due to additions of new retailers in the City.

REQUESTS FOR INFORMATION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THIS PAGE IS LEFT BLANK INTENTIONALLY.

CITY OF MENDOTA

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,266,917	\$ 3,152,309	\$ 8,419,226
Receivables, net	2,350,386	487,750	2,838,136
Prepaid expenses	28,621	-	28,621
Internal balances	96,340	(96,340)	-
Net pension asset	1,528	2,245	3,773
Restricted assets:			
Cash and cash equivalents	-	10,191,584	10,191,584
Capital assets:			
Nondepreciable	618,962	3,455,777	4,074,739
Depreciable, net	<u>12,244,565</u>	<u>13,603,107</u>	<u>25,847,672</u>
 Total assets	 <u>20,607,319</u>	 <u>30,796,432</u>	 <u>51,403,751</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>69,323</u>	<u>101,697</u>	<u>171,020</u>
 Total deferred outflows of resources	 <u>69,323</u>	 <u>101,697</u>	 <u>171,020</u>
LIABILITIES			
Accounts payable	231,747	656,367	888,114
Deposits	-	188,129	188,129
Accrued interest	6,741	136,604	143,345
Unearned revenues	13,032	6,412,728	6,425,760
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	13,784	548	14,332
Revenue bonds payable	-	164,000	164,000
Loans payable	28,722	70,072	98,794
Settlement payable	60,000	-	60,000
Portion due or payable after one year:			
Compensated absences payable	60,220	47,122	107,342
Capital lease payable	-	3,920,000	3,920,000
Revenue bonds payable	-	4,375,107	4,375,107
Loans payable	270,213	464,278	734,491
Settlement payable	<u>60,000</u>	<u>-</u>	<u>60,000</u>
 Total liabilities	 <u>744,459</u>	 <u>16,434,955</u>	 <u>17,179,414</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>2,119</u>	<u>3,113</u>	<u>5,232</u>
 Total deferred inflows of resources	 <u>2,119</u>	 <u>3,113</u>	 <u>5,232</u>
NET POSITION			
Net investment in capital assets	12,564,592	11,201,427	23,766,019
Restricted for:			
Redevelopment and housing	2,899,390	-	2,899,390
Public safety	1,399,171	-	1,399,171
Highways and streets	1,662,435	-	1,662,435
Parks and recreation	20,752	-	20,752
Debt service	-	642,856	642,856
Unrestricted	<u>1,383,724</u>	<u>2,615,778</u>	<u>3,999,502</u>
 Total net position	 <u>\$ 19,930,064</u>	 <u>\$ 14,460,061</u>	 <u>\$ 34,390,125</u>

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

CITY OF MENDOTA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 372,327	\$ 40,166	\$ -	\$ -	\$ (332,161)	\$ -	\$ (332,161)
Public safety	2,161,815	188,278	171,862	-	(1,801,675)	-	(1,801,675)
Municipal airport	48,220	-	10,000	5,220	(33,000)	-	(33,000)
Highways and streets	565,924	14,553	452,351	8,853	(90,167)	-	(90,167)
Public works	804,295	123,699	-	284,041	(396,555)	-	(396,555)
Building and planning	188,219	329,245	-	-	141,026	-	141,026
Parks and recreation	434,148	94,158	-	-	(339,990)	-	(339,990)
Redevelopment and housing	5,070	-	-	-	(5,070)	-	(5,070)
Interest and fiscal charges	9,726	-	-	-	(9,726)	-	(9,726)
Total governmental activities	4,589,744	790,099	634,213	298,114	(2,867,318)	-	(2,867,318)
Business-Type Activities:							
Water	1,962,965	2,041,949	166,871	418,118	-	663,973	663,973
Sewer	1,449,689	1,477,027	138,277	-	-	165,615	165,615
Sanitation	719,671	751,352	5,000	-	-	36,681	36,681
Total business-type activities	4,132,325	4,270,328	310,148	418,118	-	866,269	866,269
Total City of Mendota	\$ 8,722,069	\$ 5,060,427	\$ 944,361	\$ 716,232	(2,867,318)	866,269	(2,001,049)
General revenues:							
Taxes:							
Property taxes					1,299,446	-	1,299,446
Sales tax					716,048	-	716,048
Franchise taxes					210,173	-	210,173
Other taxes					721,881	-	721,881
Revenue from the use of money and property					102,503	22,038	124,541
Miscellaneous					50,274	-	50,274
Gain on sale of assets					39,140	6,982	46,122
Transfers					(134,355)	134,355	-
Total general revenues					3,005,110	163,375	3,168,485
Change in net position					137,792	1,029,644	1,167,436
Net position - beginning (restated)					19,792,272	13,430,417	33,222,689
Net position - ending					\$ 19,930,064	\$ 14,460,061	\$ 34,390,125

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

FUND FINANCIAL STATEMENTS

CITY OF MENDOTA

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Special Revenue Funds				
	General	Development Fees	HOME Investment Partnership Program	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,423,760	\$ 627,141	\$ -	\$ 3,216,016	\$ 5,266,917
Receivables	165,999	753	1,286,666	896,968	2,350,386
Due from other funds	127,683	-	-	-	127,683
Prepaid expenses	28,621	-	-	-	28,621
 Total assets	 <u>\$ 1,746,063</u>	 <u>\$ 627,894</u>	 <u>\$ 1,286,666</u>	 <u>\$ 4,112,984</u>	 <u>\$ 7,773,607</u>
LIABILITIES					
Accounts payable	\$ 88,019	\$ 134,803	\$ -	\$ 8,925	\$ 231,747
Unearned revenues	13,032	-	-	-	13,032
Due to other funds	-	-	8,702	7,524	16,226
Settlement payable - current	60,000	-	-	-	60,000
Advances from other funds	15,117	-	-	-	15,117
 Total liabilities	 <u>176,168</u>	 <u>134,803</u>	 <u>8,702</u>	 <u>16,449</u>	 <u>336,122</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - loans	-	-	1,286,666	794,004	2,080,670
 Total deferred inflows of resources	 <u>-</u>	 <u>-</u>	 <u>1,286,666</u>	 <u>794,004</u>	 <u>2,080,670</u>
FUND BALANCES (DEFICIT)					
Nonspendable:					
Prepaid expenses	28,621	-	-	-	28,621
Restricted for:					
Redevelopment and housing	-	100,485	-	718,235	818,720
Public safety	-	265,050	-	1,134,121	1,399,171
Highways and streets	-	278,861	-	1,383,574	1,662,435
Parks and recreation	-	-	-	20,752	20,752
Assigned to:					
Public Safety	1,064	-	-	19,801	20,865
Highways and streets	37,925	-	-	59,465	97,390
Unassigned	1,502,285	(151,305)	(8,702)	(33,417)	1,308,861
 Total fund balances (deficit)	 <u>1,569,895</u>	 <u>493,091</u>	 <u>(8,702)</u>	 <u>3,302,531</u>	 <u>5,356,815</u>
 Total liabilities, deferred inflows of resources, and fund balances (deficit)	 <u>\$ 1,746,063</u>	 <u>\$ 627,894</u>	 <u>\$ 1,286,666</u>	 <u>\$ 4,112,984</u>	 <u>\$ 7,773,607</u>

The notes to the basic 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 POSITION
JUNE 30, 2019**

Total fund balances - governmental funds		\$ 5,356,815
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$20,898,988 and the accumulated depreciation is \$8,035,461.		12,863,527
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,080,670
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(6,741)
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:		
Loan payable	(298,935)	
Settlement payable	(60,000)	
Compensated absences	<u>(74,004)</u>	(432,939)
Net pension asset and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds.		
Net pension asset	1,528	
Deferred outflows	69,323	
Deferred inflows	<u>(2,119)</u>	<u>68,732</u>
Net position of governmental activities		<u>\$ 19,930,064</u>

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Special Revenue Funds</u>				
	General	Development Fees	HOME Investment Partnership Program	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,006,291	\$ -	\$ -	\$ 1,014,626	\$ 3,020,917
Licenses and permits	127,134	324,977	-	-	452,111
Intergovernmental	284,041	23,115	-	625,171	932,327
Charges for services	250,174	-	-	-	250,174
Fines	87,814	-	-	-	87,814
Loan repayments	-	-	-	23,200	23,200
Revenue from the use of money and property	90,583	2,819	1	9,100	102,503
Miscellaneous	19,333	-	-	30,941	50,274
	<u>2,865,370</u>	<u>350,911</u>	<u>1</u>	<u>1,703,038</u>	<u>4,919,320</u>
EXPENDITURES					
Current:					
General government	332,461	-	-	-	332,461
Public safety	1,387,675	207,603	-	504,751	2,100,029
Municipal airport	-	-	-	9,536	9,536
Highways and streets	-	-	-	570,120	570,120
Public works	43,965	-	-	-	43,965
Building and planning	188,485	-	-	-	188,485
Parks and recreation	286,096	-	-	26,304	312,400
Redevelopment and housing	-	-	-	5,070	5,070
Capital outlay	47,266	232,652	-	45,351	325,269
Debt service:					
Principal	87,719	-	-	-	87,719
Interest	7,071	-	-	-	7,071
	<u>2,380,738</u>	<u>440,255</u>	<u>-</u>	<u>1,161,132</u>	<u>3,982,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>484,632</u>	<u>(89,344)</u>	<u>1</u>	<u>541,906</u>	<u>937,195</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	39,140	-	-	-	39,140
Transfers out	-	(134,355)	-	-	(134,355)
	<u>39,140</u>	<u>(134,355)</u>	<u>-</u>	<u>-</u>	<u>(95,215)</u>
Net change in fund balances	523,772	(223,699)	1	541,906	841,980
Fund balances (deficit) - beginning	<u>1,046,123</u>	<u>716,790</u>	<u>(8,703)</u>	<u>2,760,625</u>	<u>4,514,835</u>
Fund balances (deficit) - ending	<u>\$ 1,569,895</u>	<u>\$ 493,091</u>	<u>\$ (8,702)</u>	<u>\$ 3,302,531</u>	<u>\$ 5,356,815</u>

The notes to the basic 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, 2019**

Net change in fund balances - total governmental funds	\$ 841,980
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.</p>	(714,611)
<p>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.</p>	87,719
<p>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).</p>	1,472
<p>Prior year unavailable revenues previously recognized in the statement of activities were recognized in the governmental funds in the current fiscal year when made available.</p>	(96,569)
<p>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.</p>	(2,655)
<p>Changes to the pension related deferred outflows do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	<u>20,456</u>
Change in net position of governmental activities	<u>\$ 137,792</u>

CITY OF MENDOTA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,002,489	\$ 1,149,820	\$ -	\$ 3,152,309
Receivables, net	233,507	171,060	83,183	487,750
Total current assets	<u>2,235,996</u>	<u>1,320,880</u>	<u>83,183</u>	<u>3,640,059</u>
Noncurrent assets:				
Advances to other funds	-	30,234	-	30,234
Net pension asset	1,348	783	114	2,245
Restricted assets:				
Cash and cash equivalents	9,548,728	642,856	-	10,191,584
Capital assets:				
Nondepreciable	1,322,223	2,133,554	-	3,455,777
Depreciable, net	<u>5,422,636</u>	<u>8,180,471</u>	<u>-</u>	<u>13,603,107</u>
Total noncurrent assets	<u>16,294,935</u>	<u>10,987,898</u>	<u>114</u>	<u>27,282,947</u>
Total assets	<u>18,530,931</u>	<u>12,308,778</u>	<u>83,297</u>	<u>30,923,006</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	<u>61,570</u>	<u>34,988</u>	<u>5,139</u>	<u>101,697</u>
Total deferred outflows of resources	<u>61,570</u>	<u>34,988</u>	<u>5,139</u>	<u>101,697</u>
LIABILITIES				
Current liabilities:				
Accounts payable	188,146	412,820	55,401	656,367
Deposits	188,129	-	-	188,129
Due to other funds	-	-	111,457	111,457
Accrued interest	30,673	105,931	-	136,604
Unearned revenue	6,412,728	-	-	6,412,728
Compensated absences payable	151	-	397	548
Revenue bonds payable	-	164,000	-	164,000
Loans payable	<u>46,000</u>	<u>24,072</u>	<u>-</u>	<u>70,072</u>
Total current liabilities	<u>6,865,827</u>	<u>706,823</u>	<u>167,255</u>	<u>7,739,905</u>
Noncurrent liabilities:				
Advances from other funds	15,117	-	-	15,117
Compensated absences payable	27,344	18,263	1,515	47,122
Capital lease payable	3,920,000	-	-	3,920,000
Revenue bonds payable	-	4,375,107	-	4,375,107
Loans payable	<u>443,000</u>	<u>21,278</u>	<u>-</u>	<u>464,278</u>
Total noncurrent liabilities	<u>4,405,461</u>	<u>4,414,648</u>	<u>1,515</u>	<u>8,821,624</u>
Total liabilities	<u>11,271,288</u>	<u>5,121,471</u>	<u>168,770</u>	<u>16,561,529</u>

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

CITY OF MENDOTA

**STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2019
 (Continued)**

	<u>Business-Type Activities — Enterprise Funds</u>			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	<u>1,869</u>	<u>1,086</u>	<u>158</u>	<u>3,113</u>
Total deferred outflows of resources	<u>1,869</u>	<u>1,086</u>	<u>158</u>	<u>3,113</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	5,471,859	5,729,568	-	11,201,427
Restricted for:				
Debt service	-	642,856	-	642,856
Unrestricted	<u>1,847,485</u>	<u>848,785</u>	<u>(80,492)</u>	<u>2,615,778</u>
Total net position (deficit)	<u>\$ 7,319,344</u>	<u>\$ 7,221,209</u>	<u>\$ (80,492)</u>	<u>\$ 14,460,061</u>

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

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating revenues:				
Charges for services	\$ 2,041,949	\$ 1,477,027	\$ 751,352	\$ 4,270,328
Miscellaneous	-	-	5,000	5,000
Total operating revenues	<u>2,041,949</u>	<u>1,477,027</u>	<u>756,352</u>	<u>4,275,328</u>
Operating expenses:				
Wages and benefits	673,969	395,542	52,918	1,122,429
Maintenance and supplies	924,658	526,093	666,498	2,117,249
Depreciation	317,442	309,147	-	626,589
Amortization	-	4,681	-	4,681
Bad debt	4,171	656	255	5,082
Total operating expenses	<u>1,920,240</u>	<u>1,236,119</u>	<u>719,671</u>	<u>3,876,030</u>
Operating income	<u>121,709</u>	<u>240,908</u>	<u>36,681</u>	<u>399,298</u>
Nonoperating revenue (expenses):				
Developer fees	166,871	138,277	-	305,148
Interest income	9,232	12,806	-	22,038
Interest expense	(42,725)	(213,570)	-	(256,295)
Capital grant revenue	418,118	-	-	418,118
Gain on sale of assets	3,491	3,491	-	6,982
Total nonoperating revenues (expenses)	<u>554,987</u>	<u>(58,996)</u>	<u>-</u>	<u>495,991</u>
Income before transfers	676,696	181,912	36,681	895,289
Transfers in	-	134,355	-	134,355
Change in net position	676,696	316,267	36,681	1,029,644
Net position (deficit) - beginning	<u>6,642,648</u>	<u>6,904,942</u>	<u>(117,173)</u>	<u>13,430,417</u>
Net position (deficit) - ending	<u>\$ 7,319,344</u>	<u>\$ 7,221,209</u>	<u>\$ (80,492)</u>	<u>\$ 14,460,061</u>

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

CITY OF MENDOTA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Cash flow from operating activities:				
Cash received from customers	\$ 2,023,942	\$ 1,470,529	\$ 745,504	\$ 4,239,975
Cash payments to suppliers	(794,326)	(268,575)	(665,577)	(1,728,478)
Cash payments to employees	(685,653)	(411,805)	(55,300)	(1,152,758)
Other operating cash receipts	-	-	5,000	5,000
Net cash provided by operating activities	<u>543,963</u>	<u>790,149</u>	<u>29,627</u>	<u>1,363,739</u>
Cash flow from noncapital financing activities:				
Loans from/(to) other funds	<u>(7,596)</u>	<u>15,192</u>	<u>(29,627)</u>	<u>(22,031)</u>
Net cash provided (used) by noncapital financing activities	<u>(7,596)</u>	<u>15,192</u>	<u>(29,627)</u>	<u>(22,031)</u>
Cash flow from capital and related financing activities:				
Cash received from capital grants	6,830,846	-	-	6,830,846
Cash received from developers	166,871	138,277	-	305,148
Proceeds from sale of capital assets	19,226	19,226	-	38,452
Proceeds from incurrence of capital debt	3,920,000	-	-	3,920,000
Principal and interest paid on capital debt	(68,045)	(396,901)	-	(464,946)
Acquisition or construction of capital assets	(1,228,183)	(841,106)	-	(2,069,289)
Transfers from other funds	-	134,355	-	134,355
Net cash provided (used) by capital and related financing activities	<u>9,640,715</u>	<u>(946,149)</u>	<u>-</u>	<u>8,694,566</u>
Cash flow from investing activities:				
Interest and dividends on investments	<u>7,955</u>	<u>12,774</u>	<u>-</u>	<u>20,729</u>
Net cash provided by investing activities	<u>7,955</u>	<u>12,774</u>	<u>-</u>	<u>20,729</u>
Net increase (decrease) in cash	10,185,037	(128,034)	-	10,057,003
Cash and cash equivalents, July 1, 2018	<u>1,366,180</u>	<u>1,920,710</u>	<u>-</u>	<u>3,286,890</u>
Cash and cash equivalents, June 30, 2019	<u>\$ 11,551,217</u>	<u>\$ 1,792,676</u>	<u>\$ -</u>	<u>\$ 13,343,893</u>

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

CITY OF MENDOTA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(Continued)**

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating income	\$ 121,709	\$ 240,908	\$ 36,681	\$ 399,298
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>				
Depreciation and amortization	317,442	313,828	-	631,270
Bad debt expense	4,171	656	255	5,082
<i>Change in assets and liabilities:</i>				
Decrease (increase) in receivables	(31,193)	(6,498)	(5,848)	(43,539)
Decrease (increase) in pension deferred outflows	(17,454)	(12,635)	(1,736)	(31,825)
Increase (decrease) in accounts payable	130,332	257,518	921	388,771
Increase (decrease) in compensated absences	5,249	(3,931)	(690)	628
Increase (decrease) in customer deposits	13,186	-	-	13,186
Increase (decrease) in net pension liabilities	(1,348)	(783)	(114)	(2,245)
Increase (decrease) in pension deferred inflows	1,869	1,086	158	3,113
Net cash provided by operating activities	<u>\$ 543,963</u>	<u>\$ 790,149</u>	<u>\$ 29,627</u>	<u>\$ 1,363,739</u>

Schedule of Non-Cash Capital and Related Financing Activities

	Water Fund	Sewer Fund	Sanitation Fund	Total
Disposal of capital assets	<u>\$ (17,454)</u>	<u>\$ (12,635)</u>	<u>\$ (1,736)</u>	<u>\$ (31,825)</u>

CITY OF MENDOTA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents:	
Held with fiscal agent	\$ 1,162,664
Loans receivable	<u>94,911</u>
 Total assets	 <u>\$ 1,257,575</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 1,257,575</u>
 Total net position	 <u>\$ 1,257,575</u>

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

CITY OF MENDOTA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 77,945
Employee contributions	99,386
Employer contributions	<u>7,313</u>
Total additions	<u>184,644</u>
DEDUCTIONS	
Current:	
Plan fees	14,884
Withdrawals	<u>86,303</u>
Total deductions	<u>101,187</u>
Change in net position	83,457
Net position - beginning	<u>1,174,118</u>
Net position - ending	<u><u>\$ 1,257,575</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS LEFT BLANK INTENTIONALLY.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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.

A. 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; sanitation collection and disposal; sewer; street cleaning and general administrative services.

As required by generally accepted accounting principles, 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 unit has a June 30 year-end.

B. Blended Component Unit

Mendota Community Corporation

The Corporation was incorporated in the State of California on April 13, 2015 by the Mendota City Council as a nonprofit entity under Internal Revenue Code Section 501(c)(3) to facilitate the receipt of tax deductible donations from the public to fund various philanthropic causes within the City of Mendota. The activity of the Mendota Community Corporation (the “Corporation”) is reported in these financial statements as a special revenue fund.

C. 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 Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

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

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

D. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reports the following major governmental funds in the accompany financial statements:

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.

Development Fees Special Revenue Fund - This fund is used to account for impact fees charged to developers for new construction within the City of Mendota. Impact fees are accessed against developers based on the various aspects of the project to be constructed to address the impacts of the new infrastructure on City services provided, including public safety, road improvement, and parks and recreation.

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.

The City reports the following major enterprise funds in the accompanying financial statements:

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.

The City reports the following fiduciary fund types:

Pension Trust Fund - This fund is used to account for the City's pension plan.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

E. 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 certain 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.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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

Activities 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, 2019**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

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.

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Unearned Revenue

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

Unavailable Revenue

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position and Fund Balance

Net Position

In government-wide financial statements, net position is reported in three categories as follows:

- *Net Investment in Capital Assets* – 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 Position* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted Net Position* – This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Net Position and Fund Balance (Continued)

Fund Balance Classification

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

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

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

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

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (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.

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

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. Certain restricted funds which are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include cash and investment held by trustees.

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 8,419,226
Cash and cash equivalents - restricted	10,191,584
Fiduciary Funds Statement of Net Position	<u>1,162,664</u>
Total cash and investments	<u>\$ 19,773,474</u>

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	\$ 700
Bank deposits	16,828,090
City of Mendota 401(k) Profit Sharing Plan	1,162,664
State investment pool	1,139,164
Investments	<u>642,856</u>
Total cash and investments	<u>\$ 19,773,474</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

A. Deposits

The carrying amount of the City's cash deposit was \$16,828,090 at June 30, 2019. The bank balance at June 30, 2019 was \$17,036,439 the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as described below.

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.

B. Investments

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 trustees 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, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>		<u>Remaining Maturity Date</u>
State investment pool	\$ 1,139,164	12 months or less
Held by fiscal agents:		
Money market	<u>642,856</u>	12 months or less
Total	<u>\$ 1,782,020</u>	

Disclosure Relating to Credit Risk

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

<u>Investment Type</u>		<u>Ratings as of Year-End</u>	
		<u>AAAm</u>	<u>Not Rated</u>
State investment pool	\$ 1,139,164	\$ -	\$ 1,139,164
Held by fiscal agents:			
Money market	<u>642,856</u>	<u>642,856</u>	<u>-</u>
Total	<u>\$ 1,782,020</u>	<u>\$ 642,856</u>	<u>\$ 1,139,164</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City holds investments in U.S. Bank Money Market Account that represents 5 percent or more of total City investments.

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

- \$642,856 of cash and investments (including amounts held by bond trustee) reported in the Sewer Fund are held in the form of the above-described money market funds.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Custodial Credit Risk

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.

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, 2019 is \$1,257,574, consisting of \$1,162,664 in cash and investments and \$94,911 in participant loans.

Investments Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

Fair value measurements of the City's investments are as follows at June 30, 2019.

- Investment in the Local Agency Investment Fund: valued at \$1,139,164, based on the City's pro-rata share of the fair value provided by the LAIF for the entire LAIF portfolio. LAIF invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, LAIF is not an investment type that can be categorized in any particular level in the fair value hierarchy.
- The pension trust fund for the City of Mendota 401(k) Profit Sharing Plan invests in Equity securities: valued at \$1,162,664, based on quoted market prices (Level 1 inputs).
- Investment in the money market is valued at \$642,856. Money market funds have a maturity of less than one year and are presented at amortized costs, which approximates fair value. Since they are presented at amortized costs, they are not an investment type that can be categorized in any particular level in the fair value hierarchy.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – RECEIVABLES

Receivable as of June 30, 2019 consist of the following:

Governmental Activities

	<u>General</u>	<u>Development Fees</u>	<u>HOME Investment Partnership Program</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:					
Intergovernmental	\$ 165,063	\$ -	\$ -	\$ 100,535	\$ 265,598
Interest	936	753	-	2,429	4,118
Loans	<u>-</u>	<u>-</u>	<u>1,286,666</u>	<u>794,004</u>	<u>2,080,670</u>
Receivables, net	<u>\$ 165,999</u>	<u>\$ 753</u>	<u>\$ 1,286,666</u>	<u>\$ 896,968</u>	<u>\$ 2,350,386</u>

Business-Type Activities

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Receivables:				
Accounts	\$ 277,735	\$ 183,189	\$ 94,041	\$ 554,965
Interest	2,212	953	-	3,165
Allowance for uncollectible	<u>(46,440)</u>	<u>(13,082)</u>	<u>(10,858)</u>	<u>(70,380)</u>
Receivables, net	<u>\$ 233,507</u>	<u>\$ 171,060</u>	<u>\$ 83,183</u>	<u>\$ 487,750</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 – INTERFUND ACTIVITY

Due from/Due to Other Funds

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed and are expected to be repaid shortly after the end of the fiscal year. Interfund receivable and payable balances have primarily been recorded when funds overdraw their share of pooled cash.

Activities within due from/due to other fund balances at June 30, 2019 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 127,683	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,702
Sanitation Fund	-	111,457
Nonmajor Funds:		
Aviation Assistance Special Revenue Fund	-	7,524
	<u> -</u>	<u> 7,524</u>
Total	<u>\$ 127,683</u>	<u>\$ 127,683</u>

Advances to/Advances from Other Funds

Advances receivable constitute long-term borrowing between funds. Advances typically carry a stated interest rate and have scheduled debt service payments. At June 30, 2019, the funds below have made advances that were not expected to be repaid in one year or less.

	<u>Advances To</u>	<u>Advances From</u>
Major Funds:		
General Fund	\$ -	\$ 15,117
Water Fund	-	15,117
Sewer Fund	30,234	-
	<u> 30,234</u>	<u> -</u>
Total	<u>\$ 30,234</u>	<u>\$ 30,234</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue through which the resources are to be expended.

Interfund transfers for the year ended June 30, 2019 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
Development Fees Special Revenue Fund	\$ -	\$ 134,355
Sewer Fund	134,355	-
	<u> 134,355</u>	<u> -</u>
	<u>\$ 134,355</u>	<u>\$ 134,355</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 – CAPITAL ASSETS

A summary of governmental activities capital assets activity for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Dispositions	Balance June 30, 2019
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 357,322	\$ -	\$ -	\$ 357,322
Construction in progress	<u>73,331</u>	<u>188,309</u>	<u>-</u>	<u>261,640</u>
Total capital assets, not being depreciated	<u>430,653</u>	<u>188,309</u>	<u>-</u>	<u>618,962</u>
Capital assets, being depreciated:				
Infrastructure	12,069,535	6,253	-	12,075,788
Land improvements	4,585,147	-	-	4,585,147
Buildings and improvements	1,430,536	7,343	-	1,437,879
Equipment	<u>2,057,847</u>	<u>123,365</u>	<u>-</u>	<u>2,181,212</u>
Total capital assets, being depreciated	<u>20,143,065</u>	<u>136,961</u>	<u>-</u>	<u>20,280,026</u>
Less: accumulated depreciation	<u>(6,995,580)</u>	<u>(1,039,881)</u>	<u>-</u>	<u>(8,035,461)</u>
Total capital asset, being depreciated, net	<u>13,147,485</u>	<u>(902,920)</u>	<u>-</u>	<u>12,244,565</u>
Governmental activities capital assets, net	<u>\$ 13,578,138</u>	<u>\$ (714,611)</u>	<u>\$ -</u>	<u>\$ 12,863,527</u>

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

Governmental Activities	
General government	\$ 19,215
Public safety	61,784
Municipal airport	38,577
Highways and streets	729,539
Public works	32,709
Parks and recreation	<u>158,057</u>
Total depreciation expense - governmental activities	<u>\$ 1,039,881</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 – CAPITAL ASSETS (Continued)

A summary of business-type capital assets activity for the year ended June 30, 2019 is as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2019</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,098,220	\$ -	\$ -	\$ 2,098,220
Construction in progress	333,455	1,155,531	(192,854)	1,296,132
Infrastructure	<u>61,425</u>	<u>-</u>	<u>-</u>	<u>61,425</u>
Total capital assets, not being depreciated	<u>2,493,100</u>	<u>1,155,531</u>	<u>(192,854)</u>	<u>3,455,777</u>
Capital assets, being depreciated:				
Infrastructure	9,443,993	850,108	-	10,294,101
Buildings and improvements	10,274,882	-	-	10,274,882
Equipment	<u>2,982,722</u>	<u>256,504</u>	<u>(36,312)</u>	<u>3,202,914</u>
Total capital assets, being depreciated	<u>22,701,597</u>	<u>1,106,612</u>	<u>(36,312)</u>	<u>23,771,897</u>
Less: accumulated depreciation	<u>(9,547,043)</u>	<u>(626,589)</u>	<u>4,842</u>	<u>(10,168,790)</u>
Total capital asset, being depreciated, net	<u>13,154,554</u>	<u>480,023</u>	<u>(31,470)</u>	<u>13,603,107</u>
Business-type activities capital assets, net	<u>\$ 15,647,654</u>	<u>\$ 1,635,554</u>	<u>\$ (224,324)</u>	<u>\$ 17,058,884</u>

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

Business-Type Activities:	
Water	\$ 317,442
Sewer	<u>309,147</u>
Total depreciation expense - business-type activities	<u>\$ 626,589</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – LONG-TERM LIABILITIES

A summary of governmental activities long-term debt transactions for the year ended June 30, 2019 are as follows:

	<u>Balance July 1, 2018</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities:					
<i>Notes from direct borrowings and direct placements:</i>					
Westamerica Bank Loan, payable in monthly installments of \$1,626, including interest at 5.50%. Instrument matures on October 1, 2020 and is secured by first trust deed on real property acquired. There is a provision whereby if the City is unable to make payment then all principal and interest becomes immediately due and payable. Additionally, the lender may modify this loan without the consent or of notice to the City.	\$ 42,650	\$ -	\$ (17,576)	\$ 25,074	\$ 18,579
Loan due to the Successor Agency of the Mendota Redevelopment Agency. Interest is calculated and accrued quarterly based on the current rate of interest earned with the California Local Agency Investment Fund. Annual principal reductions of \$10,143, including interest equal to the Local Agency Investment Fund (LAIF) current rate, is payable on January 1 each year until paid in full on January 1, 2024. There is a provision in the loan whereby in an event of default the lender may declare the entire unpaid principal and interest immediately due and payable, with an increase in interest per annum of 10% or the maximum amount permitted by applicable law. Additionally, the lender may modify this loan without the consent or of notice to the City.	<u>284,004</u>	<u>-</u>	<u>(10,143)</u>	<u>273,861</u>	<u>10,143</u>
<i>Total notes from direct borrowings and direct placements:</i>	<u>326,654</u>	<u>-</u>	<u>(27,719)</u>	<u>298,935</u>	<u>28,722</u>
Contractual legal settlement in the case of <i>Warkentine et al. v. Soria et al.</i> , in which the City of Mendota was a party. Initial principal reduction of \$350,000 paid on March 11, 2016, to be followed by five equal, non-interest bearing, annual installments of \$60,000 beginning March 2, 2017. Maturing on March 2, 2021.	180,000	-	(60,000)	120,000	60,000
Compensated absences	<u>75,475</u>	<u>137,178</u>	<u>(138,649)</u>	<u>74,004</u>	<u>13,784</u>
Governmental activities long-term liabilities	<u>\$ 582,129</u>	<u>\$ 137,178</u>	<u>\$ (226,368)</u>	<u>\$ 492,939</u>	<u>\$ 102,506</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

A summary of business-type activities long-term debt transactions for the year ended June 30, 2019 are as follows:

	<u>Balance July 1, 2018</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Business-Type Activities:					
<i>Revenue Bonds:</i>					
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. The bonds are secured by revenues received from ownership and operation of the Wastewater Enterprise Fund. There is a provision in the bonds whereby in an event of default the lender may accelerate the installment payments; however, there can be no assurance that there will be sufficient revenue to pay the accelerated amount.					
	2,735,000	-	(125,000)	2,610,000	130,000
Less: unamortized bond discount	(79,573)	-	4,680	(74,893)	-
Subtotal	<u>2,655,427</u>	-	<u>(120,320)</u>	<u>2,535,107</u>	<u>130,000</u>
<i>Notes from direct borrowings and direct placements:</i>					
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum. The loan is secured by a pledge of net revenues.					
	\$ 533,000	\$ -	\$ (44,000)	\$ 489,000	\$ 46,000
Westamerica Bank Loan, payable in monthly installments of \$1,552, including interest at 5.50%. Instrument matures on July 20, 2020 and is secured by three work trucks acquired. There is a provision whereby if the City is unable to make payment then all principal and interest becomes immediately due and payable. Additionally, the lender may modify this loan without the consent or of notice to the City.					
	36,539	-	(17,011)	19,528	17,983
Westamerica Bank Loan, payable in monthly installments of \$610, including interest at 5.25%. Instrument matures on May 21, 2023 and is secured by administrative vehicle acquired. There is a provision whereby if the City is unable to make payment then all principal and interest becomes immediately due and payable. Additionally, the lender may modify this loan without the consent or of notice to the City.					
	31,600	-	(5,778)	25,822	6,089
Mendota Joint Powers Financing Authority Wastewater Certificates of Participation, Series 2010-1, payable in annual principal reductions from \$18,000 to \$110,000 beginning on July 1, 2010 through July 1, 2049, interest payable semi-annually on January 1 and July 1 at the stated interest rate of 4.00%. The loan is secured by a pledge of net revenues. There is a provision in the loan whereby in an event of default the lender may declare the entire unpaid principal and interest immediately due and payable.					
	<u>2,036,000</u>	-	<u>(32,000)</u>	<u>2,004,000</u>	<u>34,000</u>
<i>Total notes from direct borrowings and direct placements:</i>	<u>2,637,139</u>	-	<u>(98,789)</u>	<u>2,538,350</u>	<u>104,072</u>
Signature Bank capital lease obligation, payable in quarterly principal reductions from \$226 to \$120,577 beginning on May 28, 2020 through February 28, 2035, interest payable quarterly on February 28, May 28, August 28 and November 30 at a stated rate of 3.394%. Secured by the solar project acquired. There is a provision whereby if the City is unable to make payment then all principal and interest becomes immediately due and payable. There is also a provision in the lease whereby, in the event of default on other loans that are greater than or equal to \$500,000, the outstanding principal and interest may become immediately due and payable.					
	-	3,920,000	-	3,920,000	-
Compensated absences	<u>47,042</u>	<u>90,824</u>	<u>(90,196)</u>	<u>47,670</u>	<u>548</u>
Business-type activities long-term liabilities	<u>\$ 5,339,608</u>	<u>\$ 4,010,824</u>	<u>\$ (309,305)</u>	<u>\$ 9,041,127</u>	<u>\$ 234,620</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2019, annual debt service requirements for governmental activities are as follows:

Westamerica Bank Loan (Land Acquisition)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 18,579	\$ 931	\$ 19,510
2021	6,495	77	6,572
Total	<u>\$ 25,074</u>	<u>\$ 1,008</u>	<u>\$ 26,082</u>

Successor Agency of the Mendota Redevelopment Agency Loan

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 10,143	\$ 6,741	\$ 16,884
2021	10,143	7,038	17,181
2022	10,143	6,778	16,921
2023	10,143	6,517	16,660
2024	233,289	9,254	242,543
Total	<u>\$ 273,861</u>	<u>\$ 36,328</u>	<u>\$ 310,189</u>

Contractual Legal Settlement (Warkentine, et. al.)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 60,000	\$ -	\$ 60,000
2021	60,000	-	60,000
Total	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2019, annual debt service requirements for business-type activities are as follows:

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

Year Ending June 30	Principal	Interest	Totals
2020	\$ 130,000	\$ 129,305	\$ 259,305
2021	135,000	123,044	258,044
2022	145,000	116,213	261,213
2023	150,000	108,838	258,838
2024	160,000	101,088	261,088
2025-2029	685,000	396,555	1,081,555
2030-2034	815,000	209,734	1,024,734
2035-2036	<u>390,000</u>	<u>20,343</u>	<u>410,343</u>
Subtotal	2,610,000	1,205,120	3,815,120
Less: unamortized discount	<u>(74,893)</u>	<u>-</u>	<u>(74,893)</u>
Total	<u>\$ 2,535,107</u>	<u>\$ 1,205,120</u>	<u>\$ 3,740,227</u>

USDA Water Improvement Loan

Year Ending June 30	Principal	Interest	Totals
2020	\$ 46,000	\$ 20,970	\$ 66,970
2021	48,000	18,855	66,855
2022	50,000	16,650	66,650
2023	52,000	14,355	66,355
2024	54,000	11,970	65,970
2025-2028	<u>239,000</u>	<u>21,758</u>	<u>260,758</u>
Total	<u>\$ 489,000</u>	<u>\$ 104,558</u>	<u>\$ 593,558</u>

Westamerica Bank Loan (Vehicles)

Year Ending June 30	Principal	Interest	Totals
2020	\$ 17,983	\$ 636	\$ 18,619
2021	<u>1,545</u>	<u>7</u>	<u>1,552</u>
Total	<u>\$ 19,528</u>	<u>\$ 643</u>	<u>\$ 20,171</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Westamerica Jeep Cherokee			
Year Ending June 30	Principal	Interest	Totals
2020	\$ 6,089	\$ 1,231	\$ 7,320
2021	6,425	895	7,320
2022	6,775	545	7,320
2023	<u>6,533</u>	<u>175</u>	<u>6,708</u>
Total	<u>\$ 25,822</u>	<u>\$ 2,846</u>	<u>\$ 28,668</u>

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

Year Ending June 30	Principal	Interest	Totals
2020	\$ 34,000	\$ 79,474	\$ 113,474
2021	35,000	78,310	113,310
2022	37,000	76,654	113,654
2023	38,000	75,154	113,154
2024	40,000	73,593	113,593
2025-2029	222,000	342,823	564,823
2030-2034	271,000	293,493	564,493
2035-2039	329,000	233,578	562,578
2040-2044	401,000	160,815	561,815
2045-2049	487,000	72,189	559,189
2050	<u>110,000</u>	<u>2,182</u>	<u>112,182</u>
Total	<u>\$ 2,004,000</u>	<u>\$ 1,488,265</u>	<u>\$ 3,492,265</u>

Signature Bank Capital Lease Obligation (Solar Project)

Year Ending June 30	Principal	Interest	Totals
2020	\$ -	\$ 118,022	\$ 172,347
2021	54,325	184,835	304,162
2022	119,327	129,750	267,273
2023	137,523	125,473	282,466
2024	156,993	120,562	303,347
2025-2029	1,177,434	500,273	1,813,068
2030-2034	1,926,141	243,077	2,199,331
2035	<u>348,257</u>	<u>5,813</u>	<u>-</u>
Total	<u>\$ 3,920,000</u>	<u>\$ 1,427,805</u>	<u>\$ 5,341,994</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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 2012, 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 (CSJVRMA). RMA is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to CSJVRMA for its above insurance coverage. The agreement for the formation of CSJVRMA provides that CSJVRMA 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. The financial statements of CSJVRMA can be obtained at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

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 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension related items that qualify to be reported as deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 10.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has numerous items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, unavailable revenue and deferred loans, are reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	HOME Investment Partnership Program	Nonmajor Governmental Funds	Total
Unavailable revenues - loans	\$ 1,286,666	\$ 794,004	\$ 2,080,670
Total deferred inflows of resources	<u>\$ 1,286,666</u>	<u>\$ 794,004</u>	<u>\$ 2,080,670</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 – 401(K) PENSION PLAN

The City contributes to the City of Mendota 401(k) Profit Sharing Plan (Plan), for its full-time safety employees after 6 months of service with the City. The Plan is administered by the City.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City Council. For each employee in the Plan, the City is required to contribute 5 percent of annual salary and may contribute additional matching contributions to an individual employee account. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code Limits. For the year ended June 30, 2019, employee contributions totaled \$99,386 and the City recognized pension expense of \$7,313, which comprise of contributions made by the City to the Plan.

Employees are immediately vested in their own contributions and earnings on those contributions and become fully vested in City contributions and earnings after completing 3 years of creditable service with the City. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the Plan's administrative expenses and contributions. For the year ended June 30, 2019, there were no forfeitures reported.

NOTE 10 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors one miscellaneous rate plan. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous PEPRA
	Prior to
Hire date	January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 - 67
Monthly benefits, as a % of annual salary	1.0% to 2.5%
Required employee contribution rates	6.25%
Required employer contribution rates	6.842%

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Contributions –Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The City’s contributions to the plan that were recognized as a part of pension expense for the year ended June 30, 2019 were \$74,542.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported a net pension asset for its proportionate share of the Plan of \$3,773.

For the year ended June 30, 2019, the City recognized pension expense of \$35,757. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 87,172	\$ -
Changes of Assumptions	3,609	884
Differences between actual and expected experience	1,215	413
Net differences between projected and actual earnings on plan investments	157	-
Change in employer's proportion	-	3,935
Differences between the employer's actual contributions and the employer's proportionate share of contributions	<u>78,867</u>	<u>-</u>
Total	<u>\$ 171,020</u>	<u>\$ 5,232</u>

\$87,172 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Years Ending June 30</u>	
2020	\$ 35,436
2021	31,008
2022	12,456
2023	(284)
Therafter	-

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry- Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	3.30% to 14.20% ⁽¹⁾
Investment Rate of Return	7.50% ⁽²⁾
Mortality	Derived using CalPERS' Membership Data for all Funds ⁽³⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experiences Study can be found on the CalPERS website.

Change of Assumptions – In December 2017, the CalPERS Board of Administration adopted new mortality assumptions for plans participating in Public Employees' Retirement Fund (PERF), the inflation assumption was reduced from 2.75 percent to 2.50 percent, and the assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.50 percent.

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class ^(a)	New Strategic Allocation	Real Return Years 1-10 ^(b)	Real Return Years 11+ ^(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

^(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation of 2.00% used for this period

^(c) An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
\$ 15,420	\$ (3,773)	\$ (19,617)

E. Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

F. Payable to the Pension Plan

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – DEFICIT FUND BALANCES/NET POSITIONS

The following funds had deficit fund equity at June 30, 2019:

Major Funds:

HOME Investment Partnership Program Special Revenue Fund	\$ 8,702
Sanitation Enterprise Fund	80,492

Nonmajor Governmental Funds:

Aviation Assistance Special Revenue Fund	7,541
--	-------

NOTE 12 – CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2019, the City became aware of a non-interest bearing housing loan originally issued during the fiscal year ended June 30, 2008 in the amount of \$103,531 that was inadvertently excluded from the City's housing loan asset portfolio. The original loan was funded through a pass-through grant received by the City from the State of California to assist in providing home ownership to low-income residents.

The effect to the opening balance of the Statement of Net Position is as follows:

	<u>Governmental Activities</u>
Fund balance/net position, June 30, 2018, as previously reported	\$ 19,688,741
Prior period adjustments:	
Understatement of housing loan portfolio	<u>103,531</u>
Fund balance/net position, July 1, 2018, as restated	<u>\$ 19,792,272</u>

NOTE 14 – SUBSEQUENT EVENTS

On October 22, 2019, the City Council approved the execution of a purchase and sale agreement of land from the City to Axion for \$1,000,000. The purchase is contingent on Valley Agricultural Holdings, LLC acquiring all of the development entitlements required to operation their project; the terms in the agreement will be binding if the environmental and development agreement pass.

THIS PAGE IS LEFT BLANK INTENTIONALLY.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS LEFT BLANK INTENTIONALLY

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 1,805,020	\$ 1,805,020	\$ 2,006,291	\$ 201,271
Licenses and permits	92,500	92,500	127,134	34,634
Intergovernmental	85,500	85,500	284,041	198,541
Charges for services	127,142	127,142	250,174	123,032
Fines	81,371	81,371	87,814	6,443
Revenue from the use of money and property	83,623	83,623	90,583	6,960
Miscellaneous	<u>26,489</u>	<u>26,489</u>	<u>19,333</u>	<u>(7,156)</u>
 Total revenues	 <u>2,301,645</u>	 <u>2,301,645</u>	 <u>2,865,370</u>	 <u>563,725</u>
EXPENDITURES				
Current:				
General government	427,560	427,560	332,461	95,099
Public safety	1,333,357	1,333,357	1,387,675	(54,318)
Highways and streets	18,060	18,060	-	18,060
Public works	34,473	34,473	43,965	(9,492)
Building and planning	100,862	100,862	188,485	(87,623)
Parks and recreation	216,240	216,240	286,096	(69,856)
Capital outlay	25,900	25,900	47,266	(21,366)
Debt service:				
Principal	2,500	2,500	87,719	(85,219)
Interest	<u>10,500</u>	<u>10,500</u>	<u>7,071</u>	<u>3,429</u>
 Total expenditures	 <u>2,169,452</u>	 <u>2,169,452</u>	 <u>2,380,738</u>	 <u>(211,286)</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>132,193</u>	 <u>132,193</u>	 <u>484,632</u>	 <u>352,439</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	39,140	39,140
Transfers out	<u>(10,500)</u>	<u>(10,500)</u>	<u>-</u>	<u>10,500</u>
 Total other financing sources (uses)	 <u>(10,500)</u>	 <u>(10,500)</u>	 <u>39,140</u>	 <u>49,640</u>
 Net change in fund balance	 121,693	 121,693	 523,772	 402,079
Fund balance - beginning	<u>1,046,123</u>	<u>1,046,123</u>	<u>1,046,123</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,167,816</u>	<u>\$ 1,167,816</u>	<u>\$ 1,569,895</u>	<u>\$ 402,079</u>

CITY OF MENDOTA
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT FEES
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Licenses and permits	\$ 253,036	\$ 253,036	\$ 324,977	\$ 71,941
Intergovernmental	-	-	23,115	23,115
Revenue from the use of money and property	<u>221</u>	<u>221</u>	<u>2,819</u>	<u>2,598</u>
 Total revenues	 <u>253,257</u>	 <u>253,257</u>	 <u>350,911</u>	 <u>97,654</u>
EXPENDITURES				
Current:				
Public safety	220,040	220,040	207,603	12,437
Capital outlay	<u>456,143</u>	<u>456,143</u>	<u>232,652</u>	<u>223,491</u>
 Total expenditures	 <u>676,183</u>	 <u>676,183</u>	 <u>440,255</u>	 <u>235,928</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(422,926)</u>	 <u>(422,926)</u>	 <u>(89,344)</u>	 <u>333,582</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(134,355)</u>	<u>(134,355)</u>
 Total other financing sources (uses)	 <u>-</u>	 <u>-</u>	 <u>(134,355)</u>	 <u>(134,355)</u>
 Net change in fund balance	 (422,926)	 (422,926)	 (223,699)	 199,227
Fund balance - beginning	<u>716,790</u>	<u>716,790</u>	<u>716,790</u>	<u>-</u>
Fund balance - ending	<u>\$ 293,864</u>	<u>\$ 293,864</u>	<u>\$ 493,091</u>	<u>\$ 199,227</u>

CITY OF MENDOTA

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

BUDGETARY BASIS OF ACCOUNTING

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

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

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

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2019, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Public safety	\$ 54,318
Public works	9,492
Building and planning	87,623
Parks and recreation	69,856
Capital outlay	21,366
Principal	85,219

CITY OF MENDOTA

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS***

	<u>2019</u>
Proportion of the net pension liability	0.0000%
Proportionate share of the net pension liability	\$ (3,773)
Covered payroll	\$ 1,141,007
Proportionate share of the net pension liability as percentage of covered payroll	-0.33%
Plan fiduciary net position as a percentage of the total pension liability	102.66%

NOTES TO SCHEDULE

Changes in Benefit Terms - None

Changes of Assumptions - In December 2017, the CalPERS Board of Administration adopted new mortality assumptions for plans participating in Public Employees' Retirement Fund (PERF), the inflation assumption was reduced from 2.75 percent to 2.50 percent, and the assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.50 percent.

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF MENDOTA

**SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS***

	<u>2018</u>	<u>2019</u>
Actuarially required contribution (actuarially determined)	\$ 74,542	\$ 87,172
Contributions in relation to the actuarially determined contributions	<u>74,542</u>	<u>87,172</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,141,007	\$ 1,274,069
Contributions as a percentage of covered payroll	6.53%	6.84%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

THIS PAGE IS LEFT BLANK INTENTIONALLY.

SUPPLEMENTARY INFORMATION

THIS PAGE IS LEFT BLANK INTENTIONALLY.

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,140,854	\$ 1,075,162	\$ 3,216,016
Receivables	<u>896,047</u>	<u>921</u>	<u>896,968</u>
Total assets	<u>\$ 3,036,901</u>	<u>\$ 1,076,083</u>	<u>\$ 4,112,984</u>
LIABILITIES			
Accounts payable	\$ 8,925	\$ -	\$ 8,925
Due to other funds	<u>7,524</u>	<u>-</u>	<u>7,524</u>
Total liabilities	<u>16,449</u>	<u>-</u>	<u>16,449</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - loans	<u>794,004</u>	<u>-</u>	<u>794,004</u>
Total deferred inflows of resources	<u>794,004</u>	<u>-</u>	<u>794,004</u>
FUND BALANCES (DEFICIT)			
Restricted for:			
Redevelopment and housing	718,235	-	718,235
Public safety	177,702	956,419	1,134,121
Highways and streets	1,297,499	86,075	1,383,574
Parks and recreation	20,752	-	20,752
Assigned to:			
Public safety	19,801	-	19,801
Highways and streets	-	59,465	59,465
Unassigned	<u>(7,541)</u>	<u>(25,876)</u>	<u>(33,417)</u>
Total fund balances (deficit)	<u>2,226,448</u>	<u>1,076,083</u>	<u>3,302,531</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 3,036,901</u>	<u>\$ 1,076,083</u>	<u>\$ 4,112,984</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total</u>
REVENUES			
Taxes	\$ 1,014,626	\$ -	\$ 1,014,626
Intergovernmental	625,171	-	625,171
Loan repayments	23,200	-	23,200
Revenue from the use of money and property	5,622	3,478	9,100
Miscellaneous	<u>30,941</u>	<u>-</u>	<u>30,941</u>
Total revenues	<u>1,699,560</u>	<u>3,478</u>	<u>1,703,038</u>
EXPENDITURES			
Current:			
Public safety	504,751	-	504,751
Municipal airport	9,536	-	9,536
Highways and streets	570,120	-	570,120
Parks and recreation	26,304	-	26,304
Redevelopment and housing	5,070	-	5,070
Capital outlay	<u>45,351</u>	<u>-</u>	<u>45,351</u>
Total expenditures	<u>1,161,132</u>	<u>-</u>	<u>1,161,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>538,428</u>	<u>3,478</u>	<u>541,906</u>
Net change in fund balances	538,428	3,478	541,906
Fund balances (deficit) - beginning	<u>1,688,020</u>	<u>1,072,605</u>	<u>2,760,625</u>
Fund balances (deficit) - ending	<u>\$ 2,226,448</u>	<u>\$ 1,076,083</u>	<u>\$ 3,302,531</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2019**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Police Grants</u>
ASSETS			
Cash and cash equivalents	\$ 357,631	\$ -	\$ 84,317
Receivables	<u>308</u>	<u>-</u>	<u>76</u>
Total assets	<u>\$ 357,939</u>	<u>\$ -</u>	<u>\$ 84,393</u>
LIABILITIES			
Accounts payable	\$ -	\$ 17	\$ -
Due to other funds	<u>-</u>	<u>7,524</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>7,541</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - loans	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)			
Restricted for:			
Redevelopment and housing	357,939	-	-
Public safety	-	-	64,592
Highways and streets	-	-	-
Parks and recreations	-	-	-
Assigned to:			
Public safety	-	-	19,801
Unassigned	<u>-</u>	<u>(7,541)</u>	<u>-</u>
Total fund balances (deficit)	<u>357,939</u>	<u>(7,541)</u>	<u>84,393</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 357,939</u>	<u>\$ -</u>	<u>\$ 84,393</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2019
(Continued)**

	<u>Gas Tax</u>	<u>Measure C</u>	<u>CDBG Program</u>
ASSETS			
Cash and cash equivalents	\$ 483,301	\$ 258,009	\$ 360,010
Receivables	<u>39,674</u>	<u>22,955</u>	<u>794,290</u>
Total assets	<u>\$ 522,975</u>	<u>\$ 280,964</u>	<u>\$ 1,154,300</u>
LIABILITIES			
Accounts payable	\$ 4,082	\$ 2,175	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,082</u>	<u>2,175</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - loans	<u>-</u>	<u>-</u>	<u>794,004</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>794,004</u>
FUND BALANCES (DEFICIT)			
Restricted for:			
Redevelopment and housing	-	-	360,296
Public safety	-	-	-
Highways and streets	518,893	278,789	-
Parks and recreations	-	-	-
Assigned to:			
Public safety	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>518,893</u>	<u>278,789</u>	<u>360,296</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 522,975</u>	<u>\$ 280,964</u>	<u>\$ 1,154,300</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2019
(Continued)**

	<u>LTF</u>	<u>Mendota CFD</u>	<u>Mendota Community Corporation</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 462,693	\$ 114,154	\$ 20,739	\$ 2,140,854
Receivables	<u>38,671</u>	<u>60</u>	<u>13</u>	<u>896,047</u>
Total assets	<u>\$ 501,364</u>	<u>\$ 114,214</u>	<u>\$ 20,752</u>	<u>\$ 3,036,901</u>
LIABILITIES				
Accounts payable	\$ 1,547	\$ 1,104	\$ -	\$ 8,925
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,524</u>
Total liabilities	<u>1,547</u>	<u>1,104</u>	<u>-</u>	<u>16,449</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>794,004</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>794,004</u>
FUND BALANCES (DEFICIT)				
Restricted for:				
Redevelopment and housing	-	-	-	718,235
Public safety	-	113,110	-	177,702
Highways and streets	499,817	-	-	1,297,499
Parks and recreations	-	-	20,752	20,752
Assigned to:				
Public safety	-	-	-	19,801
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,541)</u>
Total fund balances (deficit)	<u>499,817</u>	<u>113,110</u>	<u>20,752</u>	<u>2,226,448</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 501,364</u>	<u>\$ 114,214</u>	<u>\$ 20,752</u>	<u>\$ 3,036,901</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Police Grants</u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	15,220	148,747
Loan repayments	5,294	-	-
Revenue from the use of money and property	1,197	-	290
Miscellaneous	-	-	-
Total revenues	<u>6,491</u>	<u>15,220</u>	<u>149,037</u>
EXPENDITURES			
Current:			
Public safety	-	-	145,297
Municipal airport	-	9,536	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Redevelopment and housing	5,070	-	-
Capital outlay	-	-	-
Total expenditures	<u>5,070</u>	<u>9,536</u>	<u>145,297</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,421</u>	<u>5,684</u>	<u>3,740</u>
Net change in fund balances	1,421	5,684	3,740
Fund balances (deficit) - beginning	<u>356,518</u>	<u>(13,225)</u>	<u>80,653</u>
Fund balances (deficit) - ending	<u>\$ 357,939</u>	<u>\$ (7,541)</u>	<u>\$ 84,393</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, 2019
(Continued)**

	<u>Gas Tax</u>	<u>Measure C</u>	<u>CDBG Program</u>
REVENUES			
Taxes	\$ -	\$ 313,434	\$ -
Intergovernmental	455,302	2,951	-
Loan repayments	-	-	17,906
Revenue from the use of money and property	816	680	1,080
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>456,118</u>	<u>317,065</u>	<u>18,986</u>
EXPENDITURES			
Current:			
Public safety	-	-	-
Municipal airport	-	-	-
Highways and streets	102,833	231,792	-
Parks and recreation	-	-	-
Redevelopment and housing	-	-	-
Capital outlay	<u>15,117</u>	<u>15,117</u>	<u>-</u>
Total expenditures	<u>117,950</u>	<u>246,909</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>338,168</u>	<u>70,156</u>	<u>18,986</u>
Net change in fund balances	338,168	70,156	18,986
Fund balances (deficit) - beginning	<u>180,725</u>	<u>208,633</u>	<u>341,310</u>
Fund balances (deficit) - ending	<u>\$ 518,893</u>	<u>\$ 278,789</u>	<u>\$ 360,296</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, 2019
(Continued)**

	<u>LTF</u>	<u>Mendota CFD</u>	<u>Mendota Community Corporation</u>	<u>Total</u>
REVENUES				
Taxes	\$ 354,785	\$ 346,407	\$ -	\$ 1,014,626
Intergovernmental	2,951	-	-	625,171
Loan repayments	-	-	-	23,200
Revenue from the use of money and property	1,322	191	46	5,622
Miscellaneous	-	-	30,941	30,941
Total revenues	<u>359,058</u>	<u>346,598</u>	<u>30,987</u>	<u>1,699,560</u>
EXPENDITURES				
Current:				
Public safety	-	359,454	-	504,751
Municipal airport	-	-	-	9,536
Highways and streets	235,495	-	-	570,120
Parks and recreation	-	-	26,304	26,304
Redevelopment and housing	-	-	-	5,070
Capital outlay	<u>15,117</u>	<u>-</u>	<u>-</u>	<u>45,351</u>
Total expenditures	<u>250,612</u>	<u>359,454</u>	<u>26,304</u>	<u>1,161,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>108,446</u>	<u>(12,856)</u>	<u>4,683</u>	<u>538,428</u>
Net change in fund balances	108,446	(12,856)	4,683	538,428
Fund balances (deficit) - beginning	<u>391,371</u>	<u>125,966</u>	<u>16,069</u>	<u>1,688,020</u>
Fund balances (deficit) - ending	<u>\$ 499,817</u>	<u>\$ 113,110</u>	<u>\$ 20,752</u>	<u>\$ 2,226,448</u>

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
JUNE 30, 2019

	CDBG - Sewer and Drainage Projects	Street Capital Projects	Police Building	Total
ASSETS				
Cash and cash equivalents	\$ 86,003	\$ 33,539	\$ 955,620	\$ 1,075,162
Receivables	<u>72</u>	<u>50</u>	<u>799</u>	<u>921</u>
Total assets	<u>\$ 86,075</u>	<u>\$ 33,589</u>	<u>\$ 956,419</u>	<u>\$ 1,076,083</u>
FUND BALANCES (DEFICITS)				
Restricted to:				
Public safety	\$ -	\$ -	\$ 956,419	\$ 956,419
Highways and streets	86,075	-	-	86,075
Assigned to:				
Highways and streets	-	59,465	-	59,465
Unassigned	<u>-</u>	<u>(25,876)</u>	<u>-</u>	<u>(25,876)</u>
Total fund balances (deficit)	<u>86,075</u>	<u>33,589</u>	<u>956,419</u>	<u>1,076,083</u>
Total fund balances (deficit)	<u>\$ 86,075</u>	<u>\$ 33,589</u>	<u>\$ 956,419</u>	<u>\$ 1,076,083</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Police Building</u>	<u>Total</u>
REVENUES				
Revenue from the use of money and property	\$ 272	\$ 188	\$ 3,018	\$ 3,478
Total revenues	<u>272</u>	<u>188</u>	<u>3,018</u>	<u>3,478</u>
EXPENDITURES				
Current:				
Highways and streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>272</u>	<u>188</u>	<u>3,018</u>	<u>3,478</u>
Net change in fund balances	272	188	3,018	3,478
Fund balances (deficit)- beginning	<u>85,803</u>	<u>33,401</u>	<u>953,401</u>	<u>1,072,605</u>
Fund balances (deficit) - ending	<u>\$ 86,075</u>	<u>\$ 33,589</u>	<u>\$ 956,419</u>	<u>\$ 1,076,083</u>

OTHER AUDITOR'S REPORT

THIS PAGE IS LEFT BLANK INTENTIONALLY.



INDEPENDENT AUDITOR'S 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 Honorable Mayor and City Council
City of Mendota, California

We have audited, in accordance with the 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, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Pange & Company

Clovis, California
January 6, 2020

FINDINGS AND QUESTIONED COSTS

THIS PAGE IS LEFT BLANK INTENTIONALLY.

**CITY OF MENDOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weaknesses identified?	<u> </u> yes	<u> X </u> no	
Significant deficiencies identified - not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

**CITY OF MENDOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENT FINDINGS

None reported.