

**CITY OF MENDOTA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2013**

CITY OF MENDOTA
FINANCIAL STATEMENTS
JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2013, 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, 2013, 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.

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Clovis, CA 93612

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-13 and 54-57 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.

Other 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 nonmajor fund financial statements and the schedule of expenditures of federal awards 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 dated November 18, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
November 18, 2013

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at close of the most recent fiscal year by \$29,748,502 (net position). Of this amount, \$4,549,288 (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 \$2,127,872. Governmental activities increased the City's total net position by \$2,066,867 and business-type activities increased by \$61,005. The increase in net position is due primarily to the acquisition of the City street infrastructure assets. During the year, the City received approximately \$2.2 million in federal and California highway grants for reconstruction of several City streets and installation of a traffic signal. Overall, the City's capital assets increased by \$2,260,756 over the prior year.

At June 30, 2013, the City's governmental funds reported combined ending fund balances of \$5,318,611, a decrease of \$221,181 in comparison with the prior year. The decrease in governmental fund balances is due primarily to higher expenditures related to public safety. Costs associated with the addition of reserve police officers to the force late in the prior fiscal year was fully reflected in the current fiscal year, resulting in overall higher costs as compared to the prior fiscal year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$716,575 or 33 percent of the total general fund expenditures for the fiscal year. This percentage is consistent with the percentage reported in the prior fiscal year.

The City's total long-term debt of \$7,043,042 decreased by \$106,983 in comparison with the prior fiscal year. The decrease is the result of scheduled principal payments on the City's outstanding debt during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net 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, sanitation, public works, building and planning, parks, and redevelopment and housing. The business-type activities of the City included water, sewer, refuse, and Mendota Joint Powers Public Financing Authority.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The Mendota Public Financing Authority, 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 19 of this report.

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

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

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

The City maintains 35 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, HOME Investment Partnership Program Special Revenue Fund, Measure C Special Revenue Fund, and the Gas Tax 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 nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 32 through 52 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 54 through 57 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 60 through 69.

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 \$29,748,502 at June 30, 2013.

**City of Mendota
Condensed Statement of Net Position
June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,507,051	\$ 6,547,358	\$ 3,190,308	\$ 3,280,824	\$ 9,697,359	\$ 9,828,182
Capital assets	10,421,917	8,231,606	17,449,555	17,379,110	27,871,472	25,610,716
Total assets	<u>16,928,968</u>	<u>14,778,964</u>	<u>20,639,863</u>	<u>20,659,934</u>	<u>37,568,831</u>	<u>35,438,898</u>
Long-term liabilities	540,704	586,779	6,399,361	6,563,246	6,940,065	7,150,025
Other liabilities	411,703	282,491	468,561	385,752	880,264	668,243
Total liabilities	<u>952,407</u>	<u>869,270</u>	<u>6,867,922</u>	<u>6,948,998</u>	<u>7,820,329</u>	<u>7,818,268</u>
Net position:						
Net investment in capital assets	9,925,365	7,682,467	11,205,707	10,968,543	21,131,072	18,651,010
Restricted	3,147,774	3,789,594	920,368	962,072	4,068,142	4,751,666
Unrestricted	2,903,422	2,437,633	1,645,866	1,780,321	4,549,288	4,217,954
Total net position	<u>\$ 15,976,561</u>	<u>\$ 13,909,694</u>	<u>\$ 13,771,941</u>	<u>\$ 13,710,936</u>	<u>\$ 29,748,502</u>	<u>\$ 27,620,630</u>

The largest portion of the City's net position, \$21,131,072 (71 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 \$4,549,288 (15 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 \$4,068,142 (14 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net position by \$2,066,867 accounting for 97 percent of the total growth in the net position of the City of Mendota.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

**City of Mendota
Condensed Statement of Activities
For the Years Ended June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 375,904	\$ 348,032	\$ 3,084,214	\$ 2,834,831	\$ 3,460,118	\$ 3,182,863
Operating grants and contributions	394,954	447,382	-	-	394,954	447,382
Capital grants and contributions	2,030,338	240,665	460,708	1,511,959	2,491,046	1,752,624
General revenues:						
Property taxes	1,027,281	735,166	-	-	1,027,281	735,166
Sales tax	481,534	488,058	-	-	481,534	488,058
Franchise taxes	99,431	80,975	-	-	99,431	80,975
Other taxes	751,800	691,596	-	-	751,800	691,596
Motor vehicle in-lieu	-	733,371	-	-	-	733,371
Earnings on investments	9,741	15,017	33,164	36,611	42,905	51,628
Miscellaneous	151,362	134,506	11,419	3,178	162,781	137,684
Total revenues	5,322,345	3,914,768	3,589,505	4,386,579	8,911,850	8,301,347
Expenses:						
General government	509,748	578,618	-	-	509,748	578,618
Public safety	1,412,323	1,219,242	-	-	1,412,323	1,219,242
Municipal airport	26,189	32,953	-	-	26,189	32,953
Highways and streets	369,477	380,407	-	-	369,477	380,407
Public works	306,105	301,770	-	-	306,105	301,770
Building and planning	179,062	149,322	-	-	179,062	149,322
Parks and recreation	412,155	371,902	-	-	412,155	371,902
Redevelopment and housing	29,651	38,489	-	-	29,651	38,489
Interest and fiscal charges	10,768	263,901	-	-	10,768	263,901
Water	-	-	1,378,838	1,473,261	1,378,838	1,473,261
Sewer	-	-	1,288,360	1,248,881	1,288,360	1,248,881
Refuse	-	-	744,455	679,203	744,455	679,203
Mendota Joint Powers Financing Authority	-	-	20,731	23,056	20,731	23,056
Total expenses	3,255,478	3,336,604	3,432,384	3,424,401	6,687,862	6,761,005
Increase in net position before transfers and extraordinary item						
	-	578,164	157,121	962,178	2,223,988	1,540,342
Extraordinary item	-	4,799,611	-	-	-	4,799,611
Increase in net position	2,066,867	5,377,775	157,121	962,178	2,223,988	6,339,953
Net position - beginning	13,909,694	8,703,022	13,710,936	12,748,758	27,620,630	21,451,780
Prior period adjustments	-	(171,103)	(96,116)	-	(96,116)	(171,103)
Net position - ending	\$ 15,976,561	\$ 13,909,694	\$ 13,771,941	\$ 13,710,936	\$ 29,748,502	\$ 27,620,630

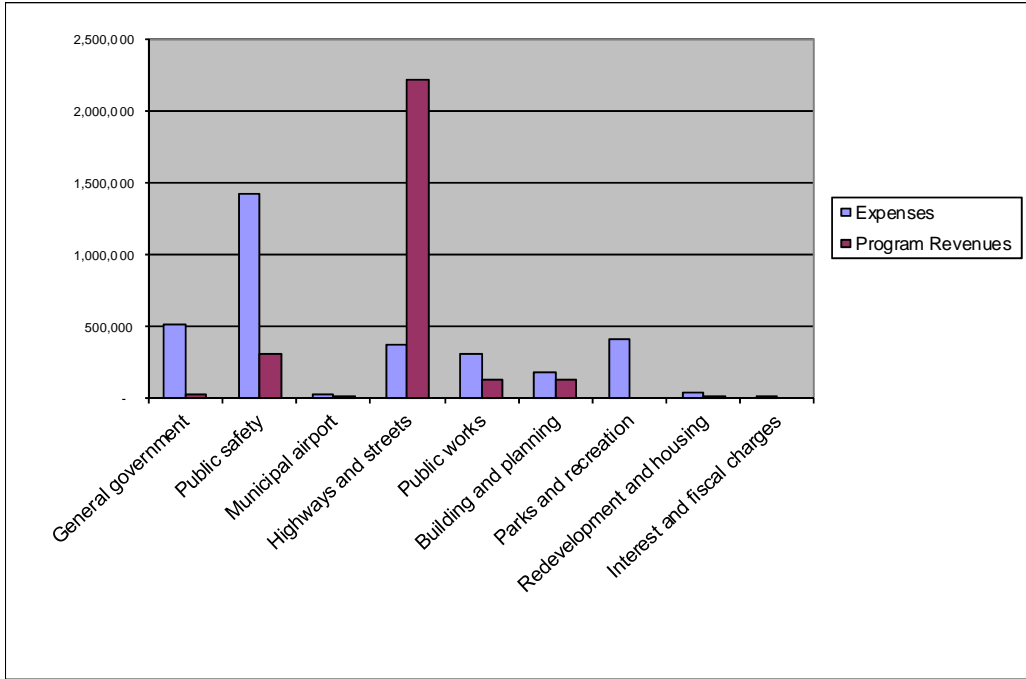
Key elements of the increase/decrease in revenue for governmental activities are as follows:

- Charges for services increased by \$27,872 to \$375,904 from the prior year. The increase is due primarily to increased revenue from vehicle abatement fines charged by the City's police department and charges to area developers for planning and zoning services.
- Governmental operating grants decreased by \$52,428 from the prior year to \$394,954. During the prior fiscal year, the City received approximately \$81,000 in one-time federal and state grant assistance related to its police department. There were no similar operating grants obtained during the current fiscal year. Governmental capital grants increased \$1,789,673 to \$2,030,338 during the fiscal year. The increase is due to federal and state grants received for reconstruction of several City streets during the year and the purchase of CNG vehicles for use by the public works department.
- Property tax and motor vehicle fees decreased by \$441,256 from the prior year to \$1,021,281. The decrease is due to the dissolution of the City's redevelopment agency in January 2012, resulting in the loss of property tax revenue previously received. Property tax increment received by the former redevelopment agency in the prior fiscal year before its dissolution totaled \$465,787.

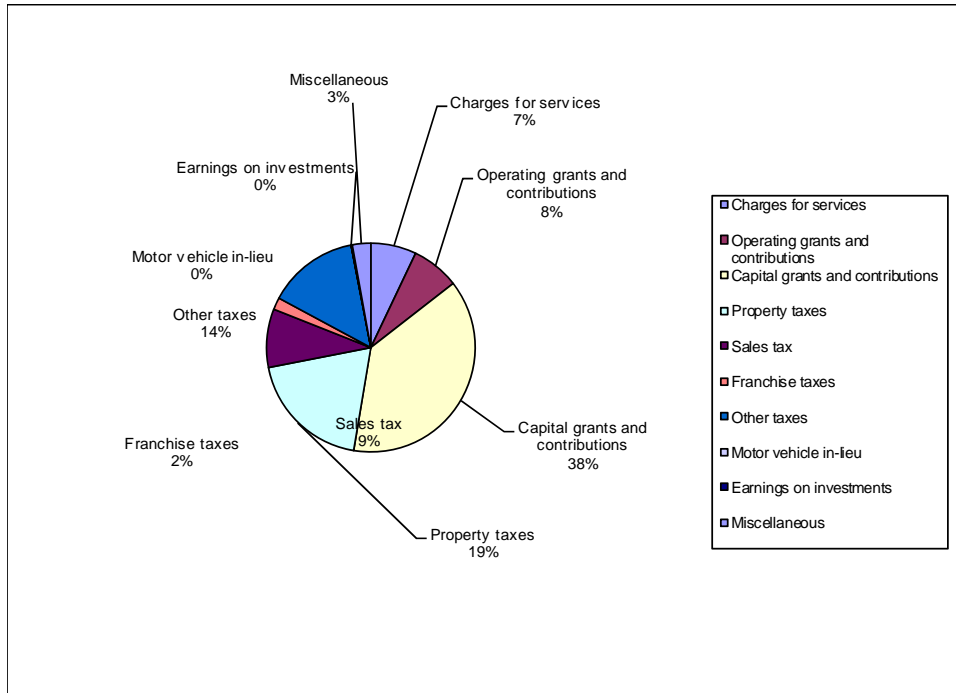
**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

- Other tax revenue increased \$60,204 or 9 percent over the prior fiscal year. The City received a larger share of apportioned federal highway user tax and higher revenue from a special local sales tax ("Measure C") dedicated to streets and roads during the current fiscal year.
- Miscellaneous revenue increased \$16,856 or 13% from the previous fiscal year. The increase is due to insurance refunds and other one-time revenue receipts received during the course of the fiscal year.

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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

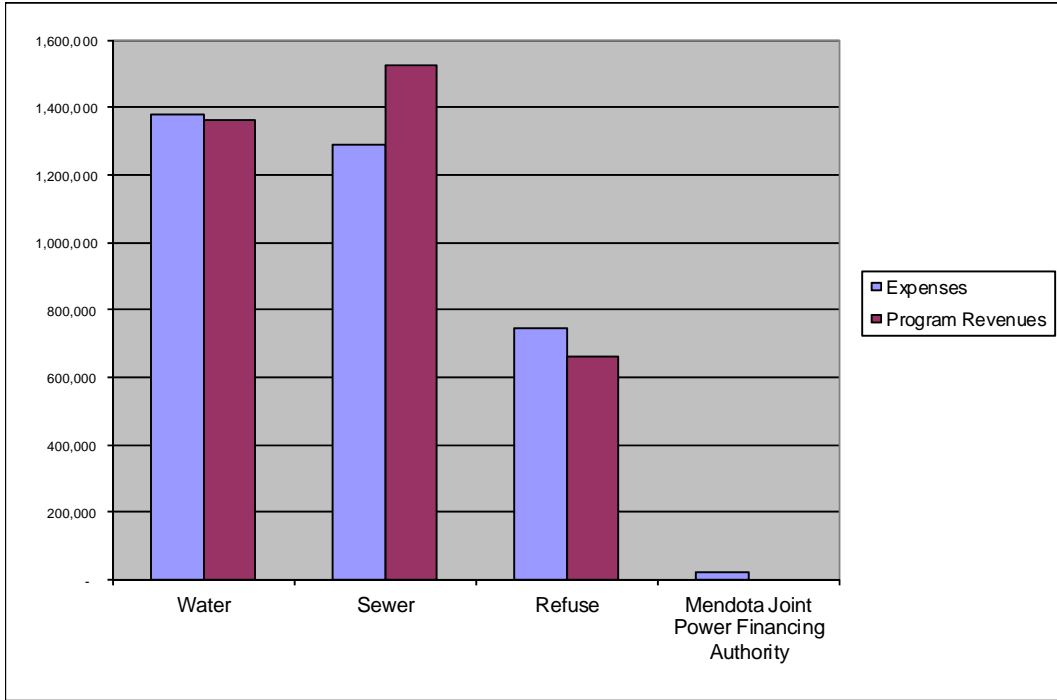
- General government expenses decreased by \$68,870 or 12 percent to \$509,748 in 2013. The decrease is due primarily to reductions in contract service costs incurred by the City during the fiscal year ended June 30, 2013. In June 2012, the City eliminated a grant writing service provided by an outside consultant, saving the City approximately \$34,000 in fees during the current year. In addition, the cost of fire protection services provided by the County of Fresno decreased by approximately \$26,000 as compared to the prior year.
- Public safety expenses increased by \$193,081 or 16% from the prior year. In the latter part of the fiscal year ended June 30, 2012, the City began adding reserve police officers to its force, resulting in higher wages and benefits expense to the City. These costs, coupled with higher health insurance costs, supplies and dispatching service costs are the primary reasons for the increase in public safety expense.
- Highways and streets expenditures decreased by \$10,930 or 3% to \$369,477. Most of the City's street and roadwork during the fiscal year was concentrated on large-scale road reconstruction projects, which have been included as Capital Outlay expenditures in the financial statement. The City devoted fewer resources to general street repair and maintenance during the fiscal year due to these large-scale projects.
- Building and planning expenses increased by \$29,740 or 20% to \$179,062. As planned building activity has increased over the previous fiscal year, outside services provided by engineering and legal firms to the City for permitting and zoning has increased, resulting in the overall increase in expenditures.
- Parks and recreation expenditures increased by \$40,253 or 11% to \$412,155. As the City has continued to add amenities to its local parks, such as the new baseball diamond at Rojas-Pierce Park, the cost to maintain these amenities continue to rise in terms of wages, employee benefits, supplies and utilities.
- Interest and fiscal charges decreased by \$253,133 or 96% to \$10,768 at June 30, 2013. The substantial drop in interest expense is due primarily to the extinguishment of \$6.55 million in revenue bonds associated with the City's former redevelopment agency, which was dissolved on January 31, 2012. The dissolution eliminated the City's obligation to pay a scheduled \$241,886 interest payment due during the year.

Business-type activities. Business-type activities increased the City's net position by \$61,005, accounting for less than one percent of the total growth in the government's net position. Key elements of this increase are as follows:

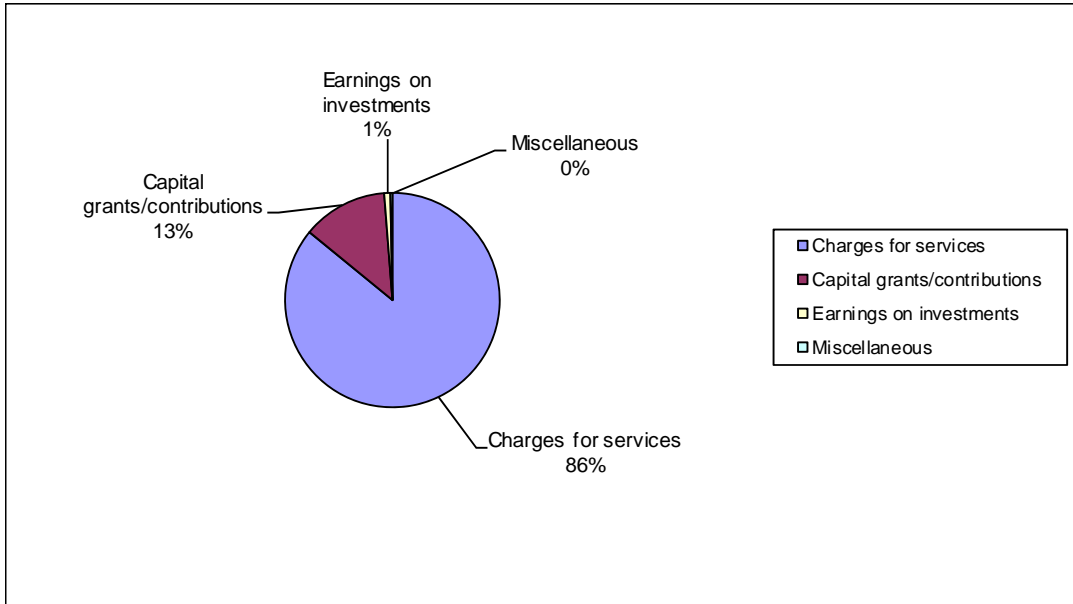
- Service revenue for the business-type activities increased by \$249,383 or 9% over the previous year. The increase is due primarily to charges for sewer service to the federal prison, which is increasing as more inmates are interned, and a resumption of charges to the Mendota Unified School District for utility service which began upon dissolution of the City's redevelopment agency late in the prior fiscal year.
- Capital grants and contributions decreased by \$1,051,251 or 70% to \$460,708 at June 30, 2013. In the prior fiscal year, the City had received \$1,134,760 in payments from the United States Department of Agriculture and the United States Department of Justice related to its expansion of the wastewater treatment plant, which was completed during the fiscal year ending June 30, 2012. In addition, the City received a CDBG grant from the United States Department of Housing and Urban Development for replacing and upgrading City fire hydrants. For the current fiscal year, the City received a capital grant from the United States Department of Agriculture in the amount of \$311,233 for improvements to its wastewater settling ponds. In addition, the City received grants totaling \$134,755 to reimburse the purchase cost of electric and CNG vehicles during the year.
- Expenses of the Water Enterprise Fund decreased by \$94,423 or 6% to \$1,378,838 during the year. The decrease is due primarily to a reduction in utility charges and depreciation expense as compared to the prior year.
- Expenses of the Sewer Enterprise Fund and Refuse Enterprise Fund increased by \$39,479 or 3% and \$65,252 or 10%, respectively from the prior fiscal year. Both increases are attributable to increase cost in outside contract services provided to both water and sewer.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Expenses and Program Revenue – Business-Type Activities



Revenue by Source – Business-Type Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 \$5,318,611, a decrease of \$221,181 in comparison with the prior year. Of this total amount, \$5,218,007 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$100,604 at June 30, 2013. This represents a decrease of \$170,064 over the prior year unassigned fund balance of \$270,668 at June 30, 2012.

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. At June 30, 2013, unassigned General Fund balance of \$716,575 represents 33 percent of total general fund expenditures for the year.

The fund balance of the City's General Fund decreased by \$8,591 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year.

**Revenue by Source
GENERAL FUND**

	FY 2013		FY 2012		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes	\$ 1,566,490	73.44%	\$ 1,525,266	76.46%	\$ 41,224	29.97%
Licenses and permits	33,808	1.58%	77,393	3.88%	(43,585)	-31.68%
Intergovernmental	125,359	5.88%	38,474	1.93%	86,885	63.16%
Charges for services	127,395	5.97%	103,452	5.18%	23,943	17.40%
Fines	151,446	7.10%	123,186	6.17%	28,260	20.54%
Revenue from the use of money and property	77,712	3.64%	73,618	3.69%	4,094	2.98%
Miscellaneous	50,844	2.38%	54,096	2.71%	(3,252)	-2.36%
Total	\$ 2,133,054	100.00%	\$ 1,995,485	100.00%	\$ 137,569	100.00%

- Taxes and motor vehicle license fees increased by \$41,224 as compared to the prior fiscal year. The small overall increase can be attributable to higher property tax revenue, offset by a lower apportioned allocation for motor license fees.
- Licenses and permits revenue decreased by \$43,585 from the prior year. Although the City recorded a significant rise in charges for planning and zoning services for permits issued in the prior fiscal year, there were significantly fewer building permits issued during the current fiscal year, resulting in the significant drop in revenue.
- Intergovernmental revenue increased by \$86,885 over the prior fiscal year. The increase is due almost exclusively to capital grants received by the City to reimburse for the purchase of energy efficient vehicles used by the City's public works department.
- The \$23,943 increase in service charges is due entirely to a substantial increase in zoning and planning fees as compared to the previous year. Beginning in the prior fiscal year, building activity within the City has stabilized after several years of decline, resulting in higher service fee revenue during the current year.
- Fines revenue increased by \$28,260. The increase in revenue is due primarily to police service fines as compared to the prior year. Specifically, fines for vehicle abatement were up substantially from the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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

**Expenditures by Function
GENERAL FUND**

	FY 2013		FY 2012		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	\$ 476,367	22.20%	\$ 544,256	25.66%	\$ (67,889)	-274.23%
Public safety	1,163,442	54.21%	1,019,151	48.04%	144,291	582.85%
Public works	55,886	2.60%	59,096	2.79%	(3,210)	-12.97%
Building and planning	179,062	8.34%	149,322	7.04%	29,740	120.13%
Parks and recreation	202,206	9.42%	180,315	8.50%	21,891	88.43%
Capital outlay	8,231	0.38%	106,200	5.01%	(97,969)	-395.74%
Debt Service	60,949	2.84%	63,047	2.97%	(2,098)	-8.47%
Total	\$ 2,146,143	100.00%	\$ 2,121,387	100.00%	\$ 24,756	100.00%

- General government expenditures decreased by \$67,889 to \$476,364 as compared to the prior fiscal year. The City discontinued services with an outside consultant for grant writing in June 2012, reducing City expenditures by approximately \$34,000 for the current year. In addition, fire protection fees charged by the County of Fresno decreased by approximately \$26,000 over the previous fiscal year.
- Public safety expenditures increased by \$144,291 over the previous fiscal year due primarily to incurring a full year of salaries and benefits for reserve police officers added to the force late in the previous fiscal year.
- Capital outlay decreased by \$97,969 due to the City utilizing special revenue funds dedicated to the police and parks departments to purchase equipment and infrastructure as opposed to accessing General Fund moneys as was done in the prior fiscal year.

The Home Investment Partnership Program Special Revenue Fund has a total fund deficit of \$8,711. 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 Measure C Special Revenue Fund has a total fund balance of \$1,083,855, all of which is restricted to street maintenance and road improvement projects. The net increase in fund balance during the current fiscal year was \$103,770. A majority of the City's major road projects during the fiscal year were substantially reimbursed by capital grants received from the federal government and the State of California, allowing the City to retain funds for future projects. Of the \$312,633 in apportioned sales tax revenue received through Measure C, the City utilized approximately \$156,884 in general road maintenance during the year.

The Gas Tax Special Revenue Fund has a total fund balance of \$633,756, a decrease of \$189,621 from the prior year balance of \$823,377, all of which is restricted to street maintenance and road improvement. The decrease is due primarily to capital expenditures related to the 9th and Oller Street reconstruction project during the year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning these funds have already been addressed in the discussion of Government-Wide Financial Analysis of business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, actual expenditures were \$136,532 higher than the final budgetary appropriations. The higher expenditure variance is due to the General Fund's unexpected higher public safety costs related to its police department as discussed above, coupled with higher building and planning expenditures as permitting activity grows at a higher rate than originally anticipated, requiring an increased use of outside engineering services.

During the year, actual revenues were \$286,520 higher than the final budgetary estimates. The revenue variance is due primarily to higher than projected property and sales tax revenue received during the course of the year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013, amounts to \$27,871,472 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, building and improvements, and equipment. Total increase in the City's investments in capital assets for the current year is approximately eight percent.

City of Mendota's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 249,817	\$ 248,617	\$ 2,098,220	\$ 2,098,220	\$ 2,348,037	\$ 2,346,837
Construction in progress	770,365	581,691	-	26,566	770,365	608,257
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	5,713,636	3,370,411	9,361,668	8,868,035	15,075,304	12,238,446
Land improvements	4,444,239	4,329,886	-	-	4,444,239	4,329,886
Buildings and improvements	1,366,731	1,366,731	10,268,023	10,268,023	11,634,754	11,634,754
Equipment	1,485,369	1,434,588	2,558,127	2,433,609	4,043,496	3,868,197
Less: accumulated depreciation	<u>(3,608,240)</u>	<u>(3,100,318)</u>	<u>(6,897,908)</u>	<u>(6,376,768)</u>	<u>(10,506,148)</u>	<u>(9,477,086)</u>
Total capital assets	<u>\$ 10,421,917</u>	<u>\$ 8,231,606</u>	<u>\$ 17,449,555</u>	<u>\$ 17,379,110</u>	<u>\$ 27,871,472</u>	<u>\$ 25,610,716</u>

This year's additions included:

▪ Completion of Belmont Avenue signalization project	\$ 1,047,395
▪ Completion of Naples Avenue road reconstruction	555,827
▪ Completion of 9th and Oller Street road reconstruction	283,826
▪ Completion of the Rojas-Pierce Park baseball diamond	45,884
▪ Commencement of East side streets reconstruction	550,830
▪ Smoot, Sorenson & McCabe roads reconstruction project	109,350
▪ Waste water treatment settling pond improvements	250,975
▪ Water line replacement and relocation projects	216,092
▪ Various other infrastructure projects under construction	54,341
▪ Various equipment and vehicles purchased	<u>175,297</u>
	<u>\$ 3,289,817</u>

For further information see Note 5 of the financial statements on pages 44 through 45 of this report.

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$7,043,042. Of this amount, \$540,704 is the liability of governmental activities and \$6,502,338 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue bonds payable	\$ -	\$ -	\$ 5,731,000	\$ 5,774,342	\$ 5,731,000	\$ 5,774,342
Loans payable	496,552	549,139	724,000	758,000	1,220,552	1,307,139
Compensated absences	<u>44,152</u>	<u>37,640</u>	<u>47,338</u>	<u>30,904</u>	<u>91,490</u>	<u>68,544</u>
Total long-term liabilities	<u>\$ 540,704</u>	<u>\$ 586,779</u>	<u>\$ 6,502,338</u>	<u>\$ 6,563,246</u>	<u>\$ 7,043,042</u>	<u>\$ 7,150,025</u>

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 45 through 49 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 5.0 percent.
- Reductions in intergovernmental revenue to be received on various programs from the State of California.
- Property tax revenue reduction due to reassessment of property at lower valuations, and appropriation of a portion of the City's property tax revenue by the State of California.

REQUESTS FOR INFORMATION

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF MENDOTA

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental	Business-Type	
	Activities	Activities	Total
	<hr/>	<hr/>	<hr/>
ASSETS			
Cash and cash equivalents	\$ 5,120,429	\$ 1,858,612	\$ 6,979,041
Receivables	966,645	697,875	1,664,520
Prepaid expenses	29,335	4,876	34,211
Internal balances	390,642	(390,642)	-
Restricted assets:			
Cash and cash equivalents	-	1,019,587	1,019,587
Capital assets:			
Non-depreciable	1,020,182	2,159,645	3,179,827
Depreciable (net)	<u>9,401,735</u>	<u>15,289,910</u>	<u>24,691,645</u>
Total assets	<u>16,928,968</u>	<u>20,639,863</u>	<u>37,568,831</u>
LIABILITIES			
Accounts payable	395,897	182,425	578,322
Deposits	5,000	136,816	141,816
Accrued interest	10,806	149,320	160,126
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	32,071	32,879	64,950
Revenue bonds payable	-	157,000	157,000
Loans payable	54,283	35,000	89,283
Portion due or payable after one year:			
Compensated absences payable	12,081	14,459	26,540
Revenue bonds payable	-	5,471,023	5,471,023
Loans payable	<u>442,269</u>	<u>689,000</u>	<u>1,131,269</u>
Total liabilities	<u>952,407</u>	<u>6,867,922</u>	<u>7,820,329</u>
NET POSITION			
Net investment in capital assets	9,925,365	11,205,707	21,131,072
Restricted for:			
Redevelopment and housing	757,928	-	757,928
Public safety	590,230	-	590,230
Highways and streets	1,770,992	-	1,770,992
Parks and recreation	28,624	-	28,624
Debt service reserve	-	920,368	920,368
Unrestricted	<u>2,903,422</u>	<u>1,645,866</u>	<u>4,549,288</u>
Total net position	<u>\$ 15,976,561</u>	<u>\$ 13,771,941</u>	<u>\$ 29,748,502</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, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 509,748	\$ 19,207	\$ -	\$ -
Public safety	1,412,323	170,203	137,538	-
Municipal airport	26,189	-	-	11,792
Highways and streets	369,477	17,253	252,103	1,937,225
Public works	306,105	38,732	-	81,321
Building and planning	179,062	130,509	-	-
Parks and recreation	412,155	-	-	-
Redevelopment and housing	29,651	-	5,313	-
Interest and fiscal charges	10,768	-	-	-
Total governmental activities	3,255,478	375,904	394,954	2,030,338
Business-Type Activities:				
Water	1,378,838	1,283,543	-	76,254
Sewer	1,288,360	1,139,094	-	384,454
Refuse	744,455	661,577	-	-
Mendota Joint Powers Financing Authority	20,731	-	-	-
Total business-type activities	3,432,384	3,084,214	-	460,708
Total City of Mendota	\$ 6,687,862	\$ 3,460,118	\$ 394,954	\$ 2,491,046

General revenues:
 Taxes:
 Property taxes
 Sales tax
 Franchise taxes
 Other taxes
 Earnings on investments
 Miscellaneous

Total general revenues

Change in net position

Net position - beginning

Prior period adjustments

Net position - ending

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (490,541)	\$ -	\$ (490,541)
(1,104,582)	-	(1,104,582)
(14,397)	-	(14,397)
1,837,104	-	1,837,104
(186,052)	-	(186,052)
(48,553)	-	(48,553)
(412,155)	-	(412,155)
(24,338)	-	(24,338)
<u>(10,768)</u>	<u>-</u>	<u>(10,768)</u>
<u>(454,282)</u>	<u>-</u>	<u>(454,282)</u>
-	(19,041)	(19,041)
-	235,188	235,188
-	(82,878)	(82,878)
<u>-</u>	<u>(20,731)</u>	<u>(20,731)</u>
<u>-</u>	<u>112,538</u>	<u>112,538</u>
<u>(454,282)</u>	<u>112,538</u>	<u>(341,744)</u>
1,027,281	-	1,027,281
481,534	-	481,534
99,431	-	99,431
751,800	-	751,800
9,741	33,164	42,905
<u>151,362</u>	<u>11,419</u>	<u>162,781</u>
<u>2,521,149</u>	<u>44,583</u>	<u>2,565,732</u>
2,066,867	157,121	2,223,988
13,909,694	13,710,936	27,620,630
<u>-</u>	<u>(96,116)</u>	<u>(96,116)</u>
<u>\$ 15,976,561</u>	<u>\$ 13,771,941</u>	<u>\$ 29,748,502</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF MENDOTA

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	Gas Tax Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,495,222	\$ 1,089,643	\$ -	\$ 658,290	\$ 1,877,274	\$ 5,120,429
Receivables	148,751	33,700	549,975	47,143	187,076	966,645
Due from other funds	629,980	-	-	-	-	629,980
Prepaid expenses	29,040	295	-	-	-	29,335
Total assets	\$ 2,302,993	\$ 1,123,638	\$ 549,975	\$ 705,433	\$ 2,064,350	\$ 6,746,389
LIABILITIES						
Accounts payable	\$ 133,145	\$ 26,783	\$ -	\$ 48,172	\$ 187,797	\$ 395,897
Deposits	5,000	-	-	-	-	5,000
Due to other funds	-	-	8,711	-	146,712	155,423
Advances from other funds	63,915	-	-	-	20,000	83,915
Total liabilities	202,060	26,783	8,711	48,172	354,509	640,235
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	15,623	13,000	-	23,505	440	52,568
Deferred loans	-	-	549,975	-	185,000	734,975
Total deferred inflows of resources	15,623	13,000	549,975	23,505	185,440	787,543
FUND BALANCES						
Nonspendable:						
Prepays	29,040	295	-	-	-	29,335
Restricted for:						
Redevelopment and housing	-	-	898	-	757,030	757,928
Public safety	-	-	-	-	590,230	590,230
Highways and streets	-	1,083,560	-	-	687,432	1,770,992
Parks and recreation	-	-	-	-	28,624	28,624
Committed to:						
Emergency contingency	1,300,000	-	-	-	-	1,300,000
Public safety	-	-	-	-	8,380	8,380
Highways and streets	-	-	-	633,756	59,067	692,823
Assigned to:						
Streets and roads	32,983	-	-	-	-	32,983
Other	6,712	-	-	-	-	6,712
Unassigned	716,575	-	(9,609)	-	(606,362)	100,604
Total fund balances	2,085,310	1,083,855	(8,711)	633,756	1,524,401	5,318,611
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,302,993	\$ 1,123,638	\$ 549,975	\$ 705,433	\$ 2,064,350	\$ 6,746,389

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, 2013**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$	5,318,611
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$14,030,157 and the accumulated depreciation is \$3,608,240.		10,421,917
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		787,543
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.		(10,806)
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	(496,552)	
Compensated absences	<u>(44,152)</u>	<u>(540,704)</u>
Net position of governmental activities	\$	<u>15,976,561</u>

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	Gas Tax Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 1,566,490	\$ 312,633	\$ -	\$ -	\$ 475,169	\$ 2,354,292
Licenses and permits	33,808	-	-	-	52,945	86,753
Intergovernmental	125,359	1,568,337	-	584,486	117,105	2,395,287
Charges for services	127,395	-	-	-	-	127,395
Fines	151,446	-	-	-	-	151,446
Revenue from the use of money and property	77,712	722	1	984	4,200	83,619
Miscellaneous	50,844	-	-	-	30,157	81,001
Total revenues	2,133,054	1,881,692	1	585,470	679,576	5,279,793
EXPENDITURES						
Current:						
General government	476,367	-	-	-	-	476,367
Public safety	1,163,442	-	-	-	193,010	1,356,452
Municipal airport	-	-	-	-	9,558	9,558
Highways and streets	-	156,884	-	79,710	132,882	369,476
Public works	55,886	-	-	-	-	55,886
Building and planning	179,062	-	-	-	-	179,062
Parks and recreation	202,206	-	-	-	66,132	268,338
Redevelopment and housing	-	-	-	-	29,651	29,651
Capital outlay	8,231	1,621,038	-	695,381	373,583	2,698,233
Debt service:						
Principal	52,587	-	-	-	-	52,587
Interest	8,362	-	-	-	1,500	9,862
Total expenditures	2,146,143	1,777,922	-	775,091	806,316	5,505,472
Excess (deficiency) of revenues over (under) expenditures	(13,089)	103,770	1	(189,621)	(126,740)	(225,679)
OTHER FINANCING SOURCES (USES)						
Other sources income	4,498	-	-	-	-	4,498
Total other financing sources (uses)	4,498	-	-	-	-	4,498
Net change in fund balances	(8,591)	103,770	1	(189,621)	(126,740)	(221,181)
Fund balances - beginning	2,093,901	980,085	(8,712)	823,377	1,651,141	5,539,792
Fund balances - ending	\$ 2,085,310	\$ 1,083,855	\$ (8,711)	\$ 633,756	\$ 1,524,401	\$ 5,318,611

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, 2013**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (221,181)

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 as depreciation expense. This is the amount by which capital outlay (\$2,698,233) exceeds depreciation expense (\$507,922) in the current period. 2,190,311

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. 52,587

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). (6,512)

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 52,568

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. (906)

Change in net position of governmental activities \$ 2,066,867

CITY OF MENDOTA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

	Business-Type Activities -- Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 892,424	\$ 966,188	\$ -	\$ -	\$ 1,858,612
Accounts receivable, net	229,723	183,230	79,369	-	492,322
Interest receivable	292	261	-	-	553
Other receivables	-	-	-	205,000	205,000
Advances to other funds	-	-	63,915	176,825	240,740
Prepaid expenses	667	4,209	-	-	4,876
Total current assets	<u>1,123,106</u>	<u>1,153,888</u>	<u>143,284</u>	<u>381,825</u>	<u>2,802,103</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	611,823	-	407,764	1,019,587
Capital assets:					
Non-depreciable	75,170	2,084,475	-	-	2,159,645
Depreciable (net)	6,649,576	8,640,334	-	-	15,289,910
Total noncurrent assets	<u>6,724,746</u>	<u>11,336,632</u>	<u>-</u>	<u>407,764</u>	<u>18,469,142</u>
Total assets	<u>7,847,852</u>	<u>12,490,520</u>	<u>143,284</u>	<u>789,589</u>	<u>21,271,245</u>
LIABILITIES					
Current liabilities:					
Accounts payable	56,465	30,806	95,154	-	182,425
Deposits	136,816	-	-	-	136,816
Due to other funds	-	-	267,070	207,487	474,557
Accrued interest	16,290	124,473	-	8,557	149,320
Compensated absences payable	14,097	13,746	5,036	-	32,879
Revenue bonds payable	-	127,000	-	30,000	157,000
Loans payable	35,000	-	-	-	35,000
Total current liabilities	<u>258,668</u>	<u>296,025</u>	<u>367,260</u>	<u>246,044</u>	<u>1,167,997</u>
Noncurrent liabilities:					
Advances from other funds	156,825	-	-	-	156,825
Compensated absences payable	5,833	5,731	2,895	-	14,459
Revenue bonds payable	-	5,236,023	-	235,000	5,471,023
Loans payable	689,000	-	-	-	689,000
Total noncurrent liabilities	<u>851,658</u>	<u>5,241,754</u>	<u>2,895</u>	<u>235,000</u>	<u>6,331,307</u>
Total liabilities	<u>1,110,326</u>	<u>5,537,779</u>	<u>370,155</u>	<u>481,044</u>	<u>7,499,304</u>
NET POSITION					
Net investment in capital assets	5,843,921	5,361,786	-	-	11,205,707
Restricted for:					
Debt service	-	611,823	-	308,545	920,368
Unrestricted	893,605	979,132	(226,871)	-	1,645,866
Total net position	<u>\$ 6,737,526</u>	<u>\$ 6,952,741</u>	<u>\$ (226,871)</u>	<u>\$ 308,545</u>	<u>\$ 13,771,941</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, 2013**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Operating revenues:					
Charges for services	\$ 1,283,543	\$ 1,139,094	\$ 661,577	\$ -	\$ 3,084,214
Miscellaneous	-	836	11,419	-	12,255
Total operating revenues	<u>1,283,543</u>	<u>1,139,930</u>	<u>672,996</u>	<u>-</u>	<u>3,096,469</u>
Operating expenses:					
Wages and benefits	416,294	338,219	107,740	-	862,253
Maintenance and supplies	656,038	434,001	636,471	-	1,726,510
Depreciation	263,265	257,875	-	-	521,140
Amortization	-	8,438	-	-	8,438
Bad debt	2,211	-	244	-	2,455
Total operating expenses	<u>1,337,808</u>	<u>1,038,533</u>	<u>744,455</u>	<u>-</u>	<u>3,120,796</u>
Operating income (loss)	<u>(54,265)</u>	<u>101,397</u>	<u>(71,459)</u>	<u>-</u>	<u>(24,327)</u>
Non-operating revenue (expenses):					
Interest income	1,568	1,409	4,349	25,838	33,164
Interest expense	(41,030)	(250,663)	-	(20,731)	(312,424)
Total non-operating revenues (expenses)	<u>(39,462)</u>	<u>(249,254)</u>	<u>4,349</u>	<u>5,107</u>	<u>(279,260)</u>
Income before contributions and transfers	(93,727)	(147,857)	(67,110)	5,107	(303,587)
Capital contributions	<u>76,254</u>	<u>384,454</u>	<u>-</u>	<u>-</u>	<u>460,708</u>
Change in net position	(17,473)	236,597	(67,110)	5,107	157,121
Net position - beginning	6,754,999	6,812,260	(159,761)	303,438	13,710,936
Prior period adjustment	-	(96,116)	-	-	(96,116)
Net position - ending	<u>\$ 6,737,526</u>	<u>\$ 6,952,741</u>	<u>\$ (226,871)</u>	<u>\$ 308,545</u>	<u>\$ 13,771,941</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, 2013**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Cash flow from operating activities:					
Cash received from customers	\$ 1,254,062	\$ 1,038,935	\$ 669,602	\$ -	\$ 2,962,599
Cash payments to employees	(409,547)	(331,711)	(104,561)	-	(845,819)
Cash payments to suppliers	(629,352)	(390,810)	(592,555)	-	(1,612,717)
Other operating cash receipts	94	-	11,419	-	11,513
Net cash provided (used) by operating activities	215,257	316,414	(16,095)	-	515,576
Cash flow from noncapital financing activities:					
Operating transfers from (to) other funds	(16,400)	-	(96,730)	80,301	(32,829)
Net cash provided (used) by noncapital financing activities	(16,400)	-	(96,730)	80,301	(32,829)
Cash flow from capital and related financing activities:					
Cash received from capital grants	69,203	428,700	-	-	497,903
Cash received from developers	7,051	5,843	-	-	12,894
Principal and interest paid	(75,795)	(469,460)	-	(51,700)	(596,955)
Acquisition or construction of capital assets	(283,509)	(308,077)	-	-	(591,586)
Net cash provided (used) by capital and related financing activities	(283,050)	(342,994)	-	(51,700)	(677,744)
Cash flow from investing activities:					
Interest and dividends on investments	1,568	1,480	4,349	25,838	33,235
Net cash provided (used) by investing activities	1,568	1,480	4,349	25,838	33,235
Net increase (decrease) in cash	(82,625)	(25,100)	(108,476)	54,439	(161,762)
Cash and cash equivalents, July 1, 2012	975,049	1,506,995	108,476	353,325	2,943,845
Cash and cash equivalents, June 30, 2013	\$ 892,424	\$ 1,481,895	\$ -	\$ 407,764	\$ 2,782,083

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

Operating income (loss)	\$ (54,265)	\$ 101,397	\$ (71,459)	\$ -	\$ (24,327)
<i>Adjustments to reconcile operating income (loss) to net cash used by operating activities:</i>					
Depreciation and amortization	263,265	266,313	-	-	529,578
<i>Change in assets and liabilities:</i>					
Decrease (increase) in receivables	(31,184)	(100,995)	8,269	-	(123,910)
Decrease (increase) in prepaid	7,017	24,560	-	-	31,577
Increase (decrease) in accounts payable	19,669	18,631	43,916	-	82,216
Increase (decrease) in compensated absences	6,747	6,508	3,179	-	16,434
Increase (decrease) in deposits and liabilities	4,008	-	-	-	4,008
Net cash provided (used) by operating activities	\$ 215,257	\$ 316,414	\$ (16,095)	\$ -	\$ 515,576

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

CITY OF MENDOTA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Pension Trust Fund</u>	<u>Assessment District Agency Fund</u>	<u>Mendota RDA Successor Agency Fund</u>
ASSETS			
Cash and cash equivalents:			
Held in City treasury	\$ -	\$ -	\$ 2,962,336
Held with fiscal agent	968,978	-	290,689
Accounts receivable	-	98,299	-
Interest receivable	-	-	44,416
Other receivables	-	-	<u>1,295,012</u>
 Total assets	<u>968,978</u>	<u>98,299</u>	<u>4,592,453</u>
LIABILITIES			
Cash overdraft	-	98,299	-
Due to Successor Agency of the Mendota Redevelopment Agency	-	-	<u>4,592,453</u>
 Total liabilities	-	<u>\$ 98,299</u>	<u>\$ 4,592,453</u>
NET POSITION			
Held in trust for pension benefits	<u>968,978</u>		
	<u>\$ 968,978</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, 2013**

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 34,072
Unrealized appreciation in plan assets	31,737
Employer contributions	44,434
Employee contributions	<u>51,437</u>
Total additions	<u>161,680</u>
DEDUCTIONS	
Plan fees	8,573
Forfeitures and withdrawals	<u>6,416</u>
Total deductions	<u>14,989</u>
Change in net position	146,691
Net position - beginning	<u>822,287</u>
Net position - ending	<u>\$ 968,978</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

The basic financial statements of City of Mendota (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting principles are described below.

Reporting Entity

The City was incorporated in 1942 as a general law city of the State of California and, as such, can exercise the powers specified by the constitution and laws of the State of California. The City is governed by an elected five-member City Council under the administration of an appointed City Manager. The City provides the following services: public safety; community services; planning and zoning; street construction and maintenance; water; refuse collection and disposal; sewer; street cleaning and general administrative services.

As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government’s operations. Further, the City Council has significant influence over the operations of the component units and data from these units are combined with data of the primary government. The blended component units have a June 30 year-end.

Blended Component Unit

Mendota Joint Powers Financing Authority (the “Authority”) – The Authority was established by the Mendota City Council to facilitate the issuance of the City’s debt. The activity of the Mendota Joint Powers Financing Authority is reported in these financial statements as an enterprise fund.

Basis of Presentation

Management’s Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide 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, 2013**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements:

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

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

The City reports the following major governmental funds:

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

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

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

Gas Tax Special Revenue Fund: This fund is used to account for City's apportioned share of revenue assessed by the State of California on the sale of gasoline in the State. The funds are to be used exclusively for maintenance and improvement of the City's street and roads.

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following fiduciary fund types:

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

Assessment District Agency Fund: This fund is used to account for assets that the City holds on behalf of the assessment district.

Mendota RDA Successor Agency Fund: This fund is used to account for assets that the City holds on behalf of the Successor Agency of the Mendota Redevelopment Agency as a result of the dissolution of the redevelopment agency.

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, as well as compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

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, 2013**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Inventories

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

Capital Assets

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

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

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

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

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

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

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Interest Payable

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

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

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 not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which unavailable revenue is recorded are grants received but not yet earned or available.

Compensated Absences

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

Net 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, 2013**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (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, 2013

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Net Position and Fund Equity (Continued)

Stabilization Arrangement

The City Council adopted the Emergency Fund Policy on March 27, 2012 through the adoption of Resolution No. 12-10. It formally set aside amounts for use in emergency situations. An emergency reserve fund was setup in the General Fund to account for unanticipated, emergency situations. As of June 30, 2013, the emergency contingency amount was \$1,300,000 of the committed fund balance.

The Emergency Fund balance may be used if one of the following conditions is present:

- The fund balance maintained by the City of Mendota meets or falls below 110% of the amount of unpaid obligations remaining within the same fund, in an individual fiscal year.
- The Emergency Operations Center is activated at Level 2 or higher.

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.

New Pronouncements

Government Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 6,979,041
Cash and cash equivalents - restricted	1,019,587
Fiduciary Funds Statement of Net Position	<u>4,123,704</u>
Total cash and investments	<u>\$ 12,122,332</u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 800
Bank deposits	5,805,376
City of Mendota 401(k) Profit Sharing Plan	968,979
Investments	<u>5,347,177</u>
Total cash and investments	<u>\$ 12,122,332</u>

Deposits

The carrying amount of the City's cash deposit was \$5,805,374 at June 30, 2013. The bank balance at June 30, 2013 was \$6,142,197, 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.

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.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>		<u>Remaining Maturity Date</u>
State investment pool	\$ 4,036,901	12 months or less
Held by fiscal agents:		
Money market	<u>1,310,276</u>	12 months or less
Total	<u>\$ 5,347,177</u>	

Disclosure Relating to Credit Risk

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

<u>Investment Type</u>		<u>Ratings as of Year-End</u>	
		<u>AAA</u>	<u>Not Rated</u>
State investment pool	\$ 4,036,901	\$ -	\$ 4,036,901
Held by fiscal agents:			
Money market	<u>1,310,276</u>	<u>1,019,587</u>	<u>290,689</u>
Total	<u>\$ 5,347,177</u>	<u>\$ 1,019,587</u>	<u>\$ 4,327,590</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

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:

\$611,823 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.

\$407,764 of cash and investments (including amounts held by bond trustee) reported in the Mendota Joint Powers Financing Authority Fund are held in the form of the above-described money market funds.

Custodial Credit Risk

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

Investment in State Investment Pool

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

As of June 30, 2013, the City had \$4,036,901 invested in LAIF which had invested 1.96% of the pool investment funds in medium-term and short-term Structured Notes and Assets-Backed Securities. The LAIF fair value factor of 1.000273207 was used to calculate the fair value of the investments in LAIF.

Pension Trust Fund

The City is the plan administrator for the City's 401(K) Profit Sharing Plan. The market value of plan assets at June 30, 2013, is \$968,978.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3 – RECEIVABLES

Accounts receivable as of June 30, 2013, consist of the following:

	<u>General Fund</u>	<u>Measure C Special Revenue Fund</u>	<u>HOME Investment Partnership Program</u>	<u>Gas Tax Special Revenue Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:						
Taxes	\$ 80,209	\$ 20,539	\$ -	\$ -	\$ 1,169	\$ 101,917
Accounts	68,069	-	-	23,447	440	91,956
Interest	473	161	-	191	467	1,292
Loans	-	-	549,975	-	185,000	734,975
Grants	-	13,000	-	23,505	-	36,505
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Receivables, net	<u>\$ 148,751</u>	<u>\$ 33,700</u>	<u>\$ 549,975</u>	<u>\$ 47,143</u>	<u>\$ 187,076</u>	<u>\$ 966,645</u>

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Mendota Joint Powers Financing Authority</u>	<u>Total</u>
Receivables:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	247,874	195,401	89,180	-	532,455
Interest	292	261	-	-	553
Loans	-	-	-	205,000	205,000
Allowance for uncollectible	<u>(18,151)</u>	<u>(12,171)</u>	<u>(9,811)</u>	<u>-</u>	<u>(40,133)</u>
Receivables, net	<u>\$ 230,015</u>	<u>\$ 183,491</u>	<u>\$ 79,369</u>	<u>\$ 205,000</u>	<u>\$ 697,875</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 – INTERFUND ACTIVITY

Interfund Receivables and Payables

The City had the following interfund receivables and payables as of June 30, 2013:

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, 2013 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 629,980	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,711
Sanitation Fund	-	267,070
Mendota Joint Powers Financing Authority	-	207,487
Non-Major Funds:		
Aviation Assistance Special Revenue Fund	-	13,618
General Bond Debt Service Fund	-	133,094
	<u> </u>	<u> </u>
Total	<u>\$ 629,980</u>	<u>\$ 629,980</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, 2013, 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	\$ -	\$ 63,915
Water Fund	-	156,825
Sewer Fund	-	-
Sanitation Fund	63,915	-
Mendota Joint Powers Financing Authority	176,825	-
Non-Major Funds:		
General Bond Debt Service Fund	-	20,000
	<u> </u>	<u> </u>
Total	<u>\$ 240,740</u>	<u>\$ 240,740</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity for the year ended June 30, 2013 is as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 248,617	\$ 1,200	\$ -	\$ 249,817
Construction in progress	<u>581,691</u>	<u>713,321</u>	<u>(524,647)</u>	<u>770,365</u>
Total capital assets, not being depreciated	<u>830,308</u>	<u>714,521</u>	<u>(524,647)</u>	<u>1,020,182</u>
Capital assets, being depreciated:				
Infrastructure	3,370,411	2,343,225	-	5,713,636
Land improvements	4,329,886	114,353	-	4,444,239
Buildings and improvements	1,366,731	-	-	1,366,731
Equipment	<u>1,434,588</u>	<u>50,781</u>	<u>-</u>	<u>1,485,369</u>
Total capital assets, being depreciated	<u>10,501,616</u>	<u>2,508,359</u>	<u>-</u>	<u>13,009,975</u>
Less: accumulated depreciation	<u>3,100,318</u>	<u>507,922</u>	<u>-</u>	<u>3,608,240</u>
Total capital assets, being depreciated, net	<u>7,401,298</u>	<u>2,000,437</u>	<u>-</u>	<u>9,401,735</u>
Governmental activities capital assets, net	<u>\$ 8,231,606</u>	<u>\$ 2,714,958</u>	<u>\$ (524,647)</u>	<u>\$ 10,421,917</u>
	<u>Balance</u> <u>July 1, 2012</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2013</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,098,220	\$ -	\$ -	\$ 2,098,220
Construction in progress	26,566	-	(26,566)	-
Infrastructure	<u>61,425</u>	<u>-</u>	<u>-</u>	<u>61,425</u>
Total capital assets, not being depreciated	<u>2,186,211</u>	<u>-</u>	<u>(26,566)</u>	<u>2,159,645</u>
Capital assets, being depreciated:				
Infrastructure	8,868,035	493,633	-	9,361,668
Buildings and improvements	10,268,023	-	-	10,268,023
Equipment	<u>2,433,609</u>	<u>124,518</u>	<u>-</u>	<u>2,558,127</u>
Total capital assets, being depreciated	<u>21,569,667</u>	<u>618,151</u>	<u>-</u>	<u>22,187,818</u>
Less: accumulated depreciation	<u>6,376,768</u>	<u>521,140</u>	<u>-</u>	<u>6,897,908</u>
Total capital asset, being depreciated, net	<u>15,192,899</u>	<u>97,011</u>	<u>-</u>	<u>15,289,910</u>
Business-type activities capital assets, net	<u>\$ 17,379,110</u>	<u>\$ 97,011</u>	<u>\$ (26,566)</u>	<u>\$ 17,449,555</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Activities:

General government	\$ 26,869
Public safety	56,736
Municipal airport	16,631
Highways and streets	214,849
Public works	35,371
Parks and recreation	<u>157,466</u>

Total depreciation expense - governmental activities \$ 507,922

Business-Type Activities:

Water	\$ 263,265
Sewer	<u>257,875</u>

Total depreciation expense - business-type activities \$ 521,140

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2013 is as follows:

	<u>Balance July 1, 2012</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Governmental Activities:					
Westamerica Bank Loan, payable in monthly installments of \$3,050, including interest at 5.083%. Instrument matures on March 15, 2015 and is secured by a first trust deed on real property.	\$ 93,746	\$ -	\$ (32,587)	\$ 61,159	\$ 3,424
Central San Joaquin Valley Risk Management Authority Loan, payable in annual principal reductions from \$20,000 to \$11,103, non-interest bearing. Instrument matures on February 12, 2020.	151,103	-	(20,000)	131,103	20,000
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. Principal and accumulated interest are due in a single payment on or before April 9, 2015.	304,290	-	-	304,290	-
Compensated absences	<u>37,640</u>	<u>62,542</u>	<u>(56,030)</u>	<u>44,152</u>	<u>32,071</u>
Governmental activities long-term liabilities	<u>\$ 586,779</u>	<u>\$ 62,542</u>	<u>\$ (108,617)</u>	<u>\$ 540,704</u>	<u>\$ 55,495</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

	<u>Balance July 1, 2012</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Business-Type Activities:					
1989 Finance Authority Revenue Bonds, payable in annual principal reductions from \$30,000 to \$160,000, interest payable semi-annually at 7.75% per annum.	\$ 295,000	\$ -	\$ (30,000)	\$ 265,000	\$ 30,000
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum.	758,000	-	(34,000)	724,000	35,000
Compensated absences	<u>30,904</u>	<u>57,911</u>	<u>(41,477)</u>	<u>47,338</u>	<u>32,879</u>
Subtotal	1,083,904	57,911	(105,477)	1,036,338	97,879
Mendota Joint Power 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%.	2,207,000	-	(26,000)	2,181,000	27,000
Mendota Joint Powers Financing Authority Wastewater Revenue Bonds, Series 2005, payable in annual principal reductions from \$30,000 to \$200,000, interest payable on January 1 and July 1; serial bonds with annual maturities on July 1 beginning in 2006, in amounts from \$30,000 to \$135,000, with interest rates from 3.00% to 4.75%; term bonds in the amount of \$620,000 at 5.10% maturing July 1, 2024, and in the amount of \$1,725,000 at 5.25% maturing July 1, 2035, with annual payments ranging from \$135,000 to \$200,000 beginning 2024.	<u>3,380,000</u>	<u>-</u>	<u>(95,000)</u>	<u>3,285,000</u>	<u>100,000</u>
Less: unamortized bond discount	<u>(107,658)</u>	<u>-</u>	<u>4,681</u>	<u>(102,977)</u>	<u>-</u>
	<u>3,272,342</u>	<u>-</u>	<u>(90,319)</u>	<u>3,182,023</u>	<u>127,000</u>
Business-type activities long-term liabilities	<u>\$ 6,563,246</u>	<u>\$ 57,911</u>	<u>\$ (221,796)</u>	<u>\$ 6,399,361</u>	<u>\$ 251,879</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2013, annual debt service requirements for governmental activities are as follows:

Westamerica Bank Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 34,283	\$ 2,317	\$ 36,600
2015	<u>26,876</u>	<u>573</u>	<u>27,449</u>
Total	<u>\$ 61,159</u>	<u>\$ 2,890</u>	<u>\$ 64,049</u>

Central San Joaquin Valley Risk Management Authority

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 20,000	\$ -	\$ 20,000
2015	20,000	-	20,000
2016	20,000	-	20,000
2017	20,000	-	20,000
2018	20,000	-	20,000
2019-2020	<u>31,103</u>	<u>-</u>	<u>31,103</u>
Total	<u>\$ 131,103</u>	<u>\$ -</u>	<u>\$ 131,103</u>

Successor Agency of the Mendota Redevelopment Agency Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ -	\$ -	\$ -
2015	<u>304,290</u>	<u>10,806</u>	<u>315,096</u>
Total	<u>\$ 304,290</u>	<u>\$ 10,806</u>	<u>\$ 315,096</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2013, annual debt service requirements for business-type activities are as follows:

1989 Finance Authority Revenue Bonds

Year Ended June 30	Principal	Interest	Totals
2014	\$ 30,000	\$ 19,375	\$ 49,375
2015	35,000	16,856	51,856
2016	35,000	14,144	49,144
2017	40,000	11,238	51,238
2018	40,000	8,138	48,138
2019-2020	<u>85,000</u>	<u>6,781</u>	<u>91,781</u>
Total	<u>\$ 265,000</u>	<u>\$ 76,532</u>	<u>\$ 341,532</u>

USDA Water Improvement Loan

Year Ended June 30	Principal	Interest	Totals
2014	\$ 35,000	\$ 31,793	\$ 66,793
2015	36,000	30,195	66,195
2016	38,000	28,530	66,530
2017	40,000	26,775	66,775
2018	42,000	24,930	66,930
2019-2023	240,000	93,825	333,825
2024-2028	<u>293,000</u>	<u>33,728</u>	<u>326,728</u>
Total	<u>\$ 724,000</u>	<u>\$ 269,776</u>	<u>\$ 993,776</u>

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

Year Ended June 30	Principal	Interest	Totals
2014	\$ 27,000	\$ 86,696	\$ 113,696
2015	28,000	85,595	113,595
2016	29,000	84,455	113,455
2017	30,000	83,505	113,505
2018	31,000	82,055	113,055
2019-2023	176,000	390,387	566,387
2024-2028	214,000	351,364	565,364
2029-2033	260,000	304,296	564,296
2034-2038	317,000	246,500	563,500
2039-2043	385,000	176,538	561,538
2044-2048	469,000	91,288	560,288
2049-2050	<u>215,000</u>	<u>8,688</u>	<u>223,688</u>
Total	<u>\$ 2,181,000</u>	<u>\$ 1,991,367</u>	<u>\$ 4,172,367</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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

Year Ended June 30	Principal	Interest	Totals
2014	\$ 100,000	\$ 160,323	\$ 260,323
2015	105,000	155,965	260,965
2016	110,000	151,288	261,288
2017	115,000	146,280	261,280
2018	120,000	140,933	260,933
2019-2023	685,000	612,665	1,297,665
2024-2028	705,000	431,980	1,136,980
2029-2033	775,000	250,676	1,025,676
2034-2037	<u>570,000</u>	<u>45,063</u>	<u>615,063</u>
Subtotal	3,285,000	2,095,173	5,380,173
Less: unamortized discount	<u>(102,977)</u>	-	<u>(102,977)</u>
Total	<u>\$ 3,182,023</u>	<u>\$ 2,095,173</u>	<u>\$ 5,277,196</u>

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 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 (RMA). RMA is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to RMA for its above insurance coverage. The agreement for the formation of RMA provides that RMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance.

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

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* as of June 30, 2013.

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

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 only one type of item, which arises only under an accrual method of accounting that qualifies for reporting in this category. Accordingly, the item, unamortized costs of bond issuance, is reported only on the government-wide statement of net position. Unamortized costs of bond issuance reported in the governmental activities portion of the government-wide statement of net position total \$96,116.

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 arise 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 and deferred loans are as follows:

	<u>General Fund</u>	<u>Measure C Special Revenue Fund</u>	<u>HOME Investment Partnership Program Special Revenue Fund</u>	<u>Gas Tax Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Unavailable Revenue:						
Property Taxes	\$ 5,314	\$ -	\$ -	\$ -	\$ 440	\$ 5,754
Fines	10,309	-	-	-	-	10,309
Grants	-	<u>13,000</u>	-	<u>23,505</u>	-	<u>36,505</u>
Total Unavailable Revenue	<u>15,623</u>	<u>13,000</u>	-	<u>23,505</u>	<u>440</u>	<u>52,568</u>
Deferred Loans	-	-	<u>549,975</u>	-	<u>185,000</u>	<u>734,975</u>
Total deferred inflows of resources	<u>\$ 15,623</u>	<u>\$ 13,000</u>	<u>\$ 549,975</u>	<u>\$ 23,505</u>	<u>\$ 185,440</u>	<u>\$ 787,543</u>

NOTE 9 – PENSION PLAN

The City contributes and acts as plan administrator to the City's 401(K) Profit Sharing Plan, a defined contribution pension plan. Plan provisions and contribution requirements are established and may be amended by the Mendota City Council. All full-time employees with six months service may participate. The Plan, as amended, provides that the City's rate of contribution is 5 percent with an additional 3 percent to 15 percent being contributed by the employees. The Plan is independently administered by Wilmington Trust and all investments are self-directed by each individual employee. During the current fiscal year, the City contributed \$44,434 and the employees contributed \$51,437. All Plan assets are stated at market value as determined by the administrator.

Statement of Net Plan Assets of the
City of Mendota 401(K) Profit Sharing Plan
6/30/2013

Mutual Funds	\$ 891,853
Note/Master Participant Loan	<u>77,126</u>
Net Assets	<u>\$ 968,979</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – DEFICIT EQUITY BALANCES

The following funds had deficit fund equity at June 30, 2013:

Major Funds:

HOME Investment Partnership Program Special Revenue Fund	\$ 8,711
Sanitation Enterprise Fund	226,871

Non-major Governmental Funds:

General Bond Debt Service Fund	153,094
Aviation Assistance Special Revenue Fund	13,811

NOTE 11 – LOANS RECEIVABLE

Deferred payment loans receivable under the Community Development Block Grant programs and the Redevelopment Homebuyer Assistance Programs are not required to be paid back for 30 years or until the participating homeowner sells the property at which time the full amount of the deferred loan is due. Deferred payment loans are considered “non-performing loans” and are not recorded as a receivable or deferred revenue on the City’s books. Such loans totaled \$1,408,674 as of June 30, 2013.

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 – SUCCESSOR AGENCY TRUST FUND

On January 18, 2012, the City Council elected not to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the “Bill”) which dissolved all redevelopment agencies in the State of California.

Under the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably for the City.

After the date of the dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (agency fund) in the financial statements of the City as a result of the City Council electing not to serve as the Successor Agency for the former redevelopment agency.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 14 – PRIOR PERIOD ADJUSTMENT

The statement of net position at June 30, 2012 has been restated from an amount previously reported to correct for the following:

To conform with the requirements from the adoption of Government Accounting Standards Board Pronouncement No. 65, the City has removed bond issuance costs as an asset. According to the pronouncement, all bond issuance costs must be expensed immediately.	\$ (96,116)
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NOTE 15 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,380,231	\$ 1,380,231	\$ 1,566,490	\$ 186,259
Licenses and permits	98,800	98,800	33,808	(64,992)
Intergovernmental	6,000	6,000	125,359	119,359
Charges for services	80,053	80,053	127,395	47,342
Fines	130,200	130,200	151,446	21,246
Revenue from the use of money and property	76,000	76,000	77,712	1,712
Miscellaneous	<u>75,250</u>	<u>75,250</u>	<u>50,844</u>	<u>(24,406)</u>
Total revenues	<u>1,846,534</u>	<u>1,846,534</u>	<u>2,133,054</u>	<u>286,520</u>
EXPENDITURES				
Current:				
General government	541,470	541,470	476,367	65,103
Public safety	1,046,394	1,046,394	1,163,442	(117,048)
Public works	52,112	52,112	55,886	(3,774)
Building and planning	99,490	99,490	179,062	(79,572)
Parks	203,445	203,445	202,206	1,239
Capital outlay	30,000	30,000	8,231	21,769
Debt service:				
Principal	36,700	36,700	52,587	(15,887)
Interest	<u>-</u>	<u>-</u>	<u>8,362</u>	<u>(8,362)</u>
Total expenditures	<u>2,009,611</u>	<u>2,009,611</u>	<u>2,146,143</u>	<u>(136,532)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(163,077)</u>	<u>(163,077)</u>	<u>(13,089)</u>	<u>149,988</u>
OTHER FINANCING SOURCES (USES)				
Other sources of income	<u>-</u>	<u>-</u>	<u>4,498</u>	<u>4,498</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,498</u>	<u>4,498</u>
Net change in fund balance	(163,077)	(163,077)	(8,591)	154,486
Fund balance - beginning	<u>2,093,901</u>	<u>2,093,901</u>	<u>2,093,901</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,930,824</u>	<u>\$ 1,930,824</u>	<u>\$ 2,085,310</u>	<u>\$ 154,486</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
MEASURE C SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 311,476	\$ 311,476	\$ 312,633	\$ 1,157
Intergovernmental	-	-	1,568,337	1,568,337
Revenue from the use of money and property	<u>500</u>	<u>500</u>	<u>722</u>	<u>222</u>
Total revenues	<u>311,976</u>	<u>311,976</u>	<u>1,881,692</u>	<u>1,569,716</u>
EXPENDITURES				
Current:				
Highways and streets	213,424	213,424	156,884	56,540
Capital outlay	<u>316,939</u>	<u>316,939</u>	<u>1,621,038</u>	<u>(1,304,099)</u>
Total expenditures	<u>530,363</u>	<u>530,363</u>	<u>1,777,922</u>	<u>(1,247,559)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(218,387)</u>	<u>(218,387)</u>	<u>103,770</u>	<u>322,157</u>
Net change in fund balance	(218,387)	(218,387)	103,770	322,157
Fund balance - beginning	<u>980,085</u>	<u>980,085</u>	<u>980,085</u>	<u>-</u>
Fund balance - ending	<u>\$ 761,698</u>	<u>\$ 761,698</u>	<u>\$ 1,083,855</u>	<u>\$ 322,157</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GAS TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 264,996	\$ 264,996	\$ 584,486	\$ 319,490
Revenue from the use of money and property	<u>-</u>	<u>-</u>	<u>984</u>	<u>984</u>
Total revenues	<u>264,996</u>	<u>264,996</u>	<u>585,470</u>	<u>320,474</u>
EXPENDITURES				
Current:				
Highways and streets	149,485	149,485	79,710	69,775
Capital outlay	<u>894,528</u>	<u>894,528</u>	<u>695,381</u>	<u>199,147</u>
Total expenditures	<u>1,044,013</u>	<u>1,044,013</u>	<u>775,091</u>	<u>268,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(779,017)</u>	<u>(779,017)</u>	<u>(189,621)</u>	<u>589,396</u>
Net change in fund balance	(779,017)	(779,017)	(189,621)	589,396
Fund balances - beginning	<u>823,377</u>	<u>823,377</u>	<u>823,377</u>	<u>-</u>
Fund balances - ending	<u>\$ 44,360</u>	<u>\$ 44,360</u>	<u>\$ 633,756</u>	<u>\$ 589,396</u>

CITY OF MENDOTA

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Public safety	117,048
Public works	3,774
Building and planning	79,572
Principal	15,887
Interest	8,362
Measure C Special Revenue Fund:	
Capital outlay	1,304,099

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SUPPLEMENTARY INFORMATION

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 1,670,436	\$ -	\$ 206,838	\$ 1,877,274
Receivables	<u>187,048</u>	<u>-</u>	<u>28</u>	<u>187,076</u>
Total assets	<u>\$ 1,857,484</u>	<u>\$ -</u>	<u>\$ 206,866</u>	<u>\$ 2,064,350</u>
LIABILITIES				
Accounts payable	\$ 187,797	\$ -	\$ -	\$ 187,797
Due to other funds	13,618	133,094	-	146,712
Advances from other funds	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total liabilities	<u>201,415</u>	<u>153,094</u>	<u>-</u>	<u>354,509</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	440	-	-	440
Deferred loans	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
Total deferred inflows of resources	<u>185,440</u>	<u>-</u>	<u>-</u>	<u>185,440</u>
FUND BALANCES				
Restricted for:				
Redevelopment and housing	757,030	-	-	757,030
Public safety	590,230	-	-	590,230
Highways and streets	513,565	-	173,867	687,432
Parks and recreation	28,624	-	-	28,624
Committed to:				
Public safety	8,380	-	-	8,380
Highways and streets	-	-	59,067	59,067
Unassigned	<u>(427,200)</u>	<u>(153,094)</u>	<u>(26,068)</u>	<u>(606,362)</u>
Total fund balances	<u>1,470,629</u>	<u>(153,094)</u>	<u>206,866</u>	<u>1,524,401</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,857,484</u>	<u>\$ -</u>	<u>\$ 206,866</u>	<u>\$ 2,064,350</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
REVENUES				
Taxes	\$ 475,169	\$ -	\$ -	\$ 475,169
Licenses and permits	52,945	-	-	52,945
Intergovernmental	117,105	-	-	117,105
Revenue from the use of money and property	4,075	-	125	4,200
Miscellaneous	<u>30,157</u>	<u>-</u>	<u>-</u>	<u>30,157</u>
Total revenues	<u>679,451</u>	<u>-</u>	<u>125</u>	<u>679,576</u>
EXPENDITURES				
Current:				
Public safety	193,010	-	-	193,010
Municipal airport	9,558	-	-	9,558
Highways and streets	132,882	-	-	132,882
Parks and recreation	66,132	-	-	66,132
Redevelopment and housing	29,651	-	-	29,651
Capital outlay	373,583	-	-	373,583
Debt service:				
Interest	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total expenditures	<u>804,816</u>	<u>1,500</u>	<u>-</u>	<u>806,316</u>
Net change in fund balances	(125,365)	(1,500)	125	(126,740)
Fund balances - beginning	<u>1,595,994</u>	<u>(151,594)</u>	<u>206,741</u>	<u>1,651,141</u>
Fund balances - ending	<u>\$ 1,470,629</u>	<u>\$ (153,094)</u>	<u>\$ 206,866</u>	<u>\$ 1,524,401</u>

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>
ASSETS				
Cash and cash equivalents	\$ 214,621	\$ -	\$ 344,237	\$ 493,661
Receivables	<u>62</u>	<u>-</u>	<u>147</u>	<u>114</u>
Total assets	<u>\$ 214,683</u>	<u>\$ -</u>	<u>\$ 344,384</u>	<u>\$ 493,775</u>
LIABILITIES				
Accounts payable	\$ -	\$ 193	\$ -	\$ 186,612
Due to other funds	<u>-</u>	<u>13,618</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>13,811</u>	<u>-</u>	<u>186,612</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Deferred loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Redevelopment and housing	233,683	-	-	-
Public safety	-	-	318,747	-
Highways and streets	-	-	206,402	307,163
Parks and recreations	-	-	28,624	-
Committed to				
Public safety	-	-	-	-
Unassigned	<u>(19,000)</u>	<u>(13,811)</u>	<u>(209,389)</u>	<u>-</u>
Total fund balances	<u>214,683</u>	<u>(13,811)</u>	<u>344,384</u>	<u>307,163</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 214,683</u>	<u>\$ -</u>	<u>\$ 344,384</u>	<u>\$ 493,775</u>

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Police Grants	Community Development Block Grant	Mendota CFD	Total
ASSETS				
Cash and cash equivalents	\$ 142,805	\$ 338,277	\$ 136,835	\$ 1,670,436
Receivables	<u>31</u>	<u>185,070</u>	<u>1,624</u>	<u>187,048</u>
Total assets	<u>\$ 142,836</u>	<u>\$ 523,347</u>	<u>\$ 138,459</u>	<u>\$ 1,857,484</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 992	\$ 187,797
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,618</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>992</u>	<u>201,415</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	440	440
Deferred loans	<u>-</u>	<u>185,000</u>	<u>-</u>	<u>185,000</u>
Total deferred inflows of resources	<u>-</u>	<u>185,000</u>	<u>440</u>	<u>185,440</u>
FUND BALANCES				
Restricted for:				
Redevelopment and housing	-	523,347	-	757,030
Public safety	134,456	-	137,027	590,230
Highways and streets	-	-	-	513,565
Parks and recreations	-	-	-	28,624
Committed to				
Public safety	8,380	-	-	8,380
Unassigned	<u>-</u>	<u>(185,000)</u>	<u>-</u>	<u>(427,200)</u>
Total fund balances	<u>142,836</u>	<u>338,347</u>	<u>137,027</u>	<u>1,470,629</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 142,836</u>	<u>\$ 523,347</u>	<u>\$ 138,459</u>	<u>\$ 1,857,484</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, 2013**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 330,309
Licenses and permits	-	-	52,945	-
Intergovernmental	-	11,792	-	-
Revenue from the use of money and property	311	-	753	642
Miscellaneous	<u>7,154</u>	<u>-</u>	<u>14,515</u>	<u>7,304</u>
Total revenues	<u>7,465</u>	<u>11,792</u>	<u>68,213</u>	<u>338,255</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Municipal airport	-	9,558	-	-
Highways and streets	-	-	-	132,882
Parks and recreation	-	-	66,132	-
Redevelopment and housing	13,900	-	-	-
Capital outlay	<u>-</u>	<u>1,792</u>	<u>92,705</u>	<u>279,086</u>
Total expenditures	<u>13,900</u>	<u>11,350</u>	<u>158,837</u>	<u>411,968</u>
Net change in fund balances	(6,435)	442	(90,624)	(73,713)
Fund balances - beginning	<u>221,118</u>	<u>(14,253)</u>	<u>435,008</u>	<u>380,876</u>
Fund balances - ending	<u>\$ 214,683</u>	<u>\$ (13,811)</u>	<u>\$ 344,384</u>	<u>\$ 307,163</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, 2013**

	Police Grants	Community Development Block Grant	Mendota CFD	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 144,860	\$ 475,169
Licenses and permits	-	-	-	52,945
Intergovernmental	100,000	5,313	-	117,105
Revenue from the use of money and property	184	949	1,236	4,075
Miscellaneous	-	-	1,184	30,157
Total revenues	<u>100,184</u>	<u>6,262</u>	<u>147,280</u>	<u>679,451</u>
EXPENDITURES				
Current:				
Public safety	98,351	-	94,659	193,010
Municipal airport	-	-	-	9,558
Highways and streets	-	-	-	132,882
Parks and recreation	-	-	-	66,132
Redevelopment and housing	-	15,751	-	29,651
Capital outlay	-	-	-	373,583
Total expenditures	<u>98,351</u>	<u>15,751</u>	<u>94,659</u>	<u>804,816</u>
Net change in fund balances	1,833	(9,489)	52,621	(125,365)
Fund balances - beginning	<u>141,003</u>	<u>347,836</u>	<u>84,406</u>	<u>1,595,994</u>
Fund balances - ending	<u>\$ 142,836</u>	<u>\$ 338,347</u>	<u>\$ 137,027</u>	<u>\$ 1,470,629</u>

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
JUNE 30, 2013

	<u>General Bond</u>
ASSETS	
Cash and cash equivalents	\$ _____ -
Total assets	<u>\$ _____ -</u>
LIABILITIES	
Due to other funds	\$ 133,094
Advances from other funds	<u>20,000</u>
Total liabilities	<u>153,094</u>
FUND BALANCES	
Unassigned	<u>(153,094)</u>
Total fund balances	<u>(153,094)</u>
Total liabilities and fund balances	<u><u>\$ _____ -</u></u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
FOR THE YEAR ENDED 30, 2013**

	<u>General Bond</u>
REVENUES	
Revenue from the use of money and property	\$ _____ -
Total revenues	_____ -
EXPENDITURES	
Debt service: Interest	_____ 1,500
Total expenditures	_____ 1,500
Net change in fund balance	(1,500)
Fund balances - beginning	_____ (151,594)
Fund balances - ending	<u>\$ (153,094)</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
JUNE 30, 2013**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 85,228	\$ 121,610	\$ 206,838
Receivables	<u>21</u>	<u>7</u>	<u>28</u>
Total assets	<u>\$ 85,249</u>	<u>\$ 121,617</u>	<u>\$ 206,866</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted to:			
Highways and streets	85,249	88,618	173,867
Committed to:			
Highways and streets	-	59,067	59,067
Unassigned	<u>-</u>	<u>(26,068)</u>	<u>(26,068)</u>
Total fund balances	<u>85,249</u>	<u>121,617</u>	<u>206,866</u>
Total liabilities and fund balances	<u>\$ 85,249</u>	<u>\$ 121,617</u>	<u>\$ 206,866</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, 2013**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
REVENUES			
Revenue from the use of money and property	<u>\$ 110</u>	<u>\$ 15</u>	<u>\$ 125</u>
Total revenues	<u>110</u>	<u>15</u>	<u>125</u>
EXPENDITURES			
Current:			
Highways and streets	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	110	15	125
Fund balances - beginning	<u>85,139</u>	<u>121,602</u>	<u>206,741</u>
Fund balances - ending	<u>\$ 85,249</u>	<u>\$ 121,617</u>	<u>\$ 206,866</u>

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OVERALL COMPLIANCE, INTERNAL CONTROLS AND
FEDERAL AWARDS SECTION

CITY OF MENDOTA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE (USDA)</u>			
Direct Award			
Water and Waste Disposal for Rural Communities	10.760	04-010-0946000369-9	\$ 323,782
Total U.S. Department of Agriculture			<u>323,782</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through County of Fresno			
Community Development Block Grants	14.228	12-549	<u>95,000</u>
Total U.S. Department of Housing and Urban Development			<u>95,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Award			
ARRA - Public Safety Partnership Community Policing Grants	16.71	2012UMWX0041	<u>32,849</u>
Total U.S. Department of Justice			<u>32,849</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION (DOT)</u>			
Direct Award			
Airport Improvement Program	20.106	3-06-0151-03-2009	1,792
Passed Through California State Department of Transportation			
Highway planning and Construction	20.205	STPL-5285(012)	496,452
Highway planning and Construction	20.205	STPL-5285(008)	<u>222,659</u>
Total U.S. Department of Transportation			<u>720,903</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,172,534</u>

See accompanying notes to the schedule of expenditures of federal awards

CITY OF MENDOTA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 – BASIS OF PRESENTATION

The accompanying of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Mendota under programs of the federal government for the year ended June 30, 2013. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Mendota, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Mendota.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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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 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 18, 2013.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-001 that we consider to be a significant deficiency.

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*.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
November 18, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council
City of Mendota, California

Report on Compliance for Each Major Federal Program

We have audited the City of Mendota, California's (the City) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Mendota, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Price Pange & Company

Clovis, California
November 18, 2013

**CITY OF MENDOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(s) identified - not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

 yes X no

IDENTIFICATION OF MAJOR PROGRAMS

CFDA Number(s)

20.205

Name of Federal Program or Cluster

Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X yes no

**CITY OF MENDOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2013-001

Revenue Classification

Condition: The City’s billing system does not record credit adjustments across proper funds which result in incorrect revenue balances. Credit adjustments are sometimes required to correct input errors for other miscellaneous purposes.

Criteria: Generally accepted accounting principles require that revenues be properly recorded by fund.

Cause: The City has no procedures in place for adjusting incorrect utilities billings to the correct revenue accounts and for reviewing those adjustments.

Effect: Revenue and cash in the water fund were understated by \$43,436 and revenue and cash were overstated in the sewer and refuse funds by \$43,261 and \$175, respectively.

Recommendation: We recommend that the City implement procedures to record utilities billing adjustments to the correct revenue accounts and have procedures in place to have management review these adjustments.

Response: The City will implement the recommended procedures.

SECTION III – COMPLIANCE AUDIT FINDINGS

None reported.

**CITY OF MENDOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENT FINDINGS

None reported.

COMPLIANCE AUDIT FINDINGS

None reported.