

**CITY OF MENDOTA  
CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2020**

**CITY OF MENDOTA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota, California (the City) as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in financial position and 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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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-14, budgetary comparison information on pages 59-62, proportionate share of net pension liability (asset) on page 63, and schedule of contributions on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report January 19, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Clovis, California  
January 19, 2021

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

The management of the City of Mendota, California (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, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at close of the most recent fiscal year by \$37,077,043 (net position). Of this amount, \$5,093,708 (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 \$2,686,918 from the prior fiscal year. Governmental activities increased the City's total net position by \$2,055,274 and business-type activities increased by \$631,644. The overall increase in net position is due to several factors. The business-type activities of the City, which represent utility service for water, sewer and waste disposal, benefitted by an increase in utility service revenue of approximately five percent, or \$229,743, over the prior fiscal year due to an increase in both commercial and residential system connections and higher overall water usage, including a one-time receipt of \$120,030 from the Firebaugh Canal Water District for agreed upon prior usage of City water resources for fiscal years 2014 through 2018. In addition, the City recognized \$480,844 in federal grant revenue related to reconstruction of a bridge supporting the City's water enterprise fund. These revenue increases were partially offset by higher electric utility charges and depreciation expense attributable to the water enterprise fund and higher facility maintenance expenditures incurred by the sewer enterprise fund as compared to the prior year. With regard to the governmental-type activities, the City reported several large receipts of revenue during the fiscal year, including a one-time impact fee of \$884,051 from the developer of the LaColonial residential housing project in August, 2019, along with \$566,667 in assessed franchise fees from Canna-Hub, a marijuana collective operating within City limits, which represented an increase of \$471,667 over the prior fiscal year. Other increases in property tax revenue, federal highway grant funds for a completed road reconstruction project and police services also contributed to the significant increase in governmental-type revenue over the prior fiscal year. Overall operating expenses of the City increased by approximately 5% over the prior fiscal year due primarily to higher wage and employee benefits incurred within the City's police and parks departments, offset by lower expenditures for outside engineering and legal services related to planning and zoning, which showed a significant reduction due to a decrease in the number of large-scale commercial and residential development projects and compared to the prior fiscal year. In addition, higher depreciation expense attributable to park and road infrastructure projects placed in service also contributed to the increase in operating expenses incurred by the City.

At June 30, 2020, the City's governmental funds reported combined ending fund balances of \$6,774,302, an increase of \$1,417,487 in comparison with the prior year. The increase is due primarily to the receipt of developer impact fees and franchise fee assessments, along with increases in property tax revenue and federal transportation grants, as discussed in the preceding paragraph. The large revenue increase was partially offset by significantly higher capital outlay expenditures, primarily related to the completion of the Rojas-Pierce Park expansion, along with overall higher wages and benefits.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,256,829. This represents a \$754,544 increase from the unassigned fund balance of \$1,502,285 reported at June 30, 2019. The increase from the prior year is primarily the result of significant increases in property tax revenue, franchise fee revenue and police services related to fines and forfeitures and security for intergovernmental agencies and community events. Operational expenditures of the General Fund showed a 45% increase from the prior year due primarily to higher capital outlay expenditures incurred for park and road improvements, coupled with higher labor and supplies costs associated with parks and public safety.

The City's total long-term debt of \$9,239,035 decreased by \$295,031 compared to last year. There were no new debt obligations entered into by the City during the current fiscal year. The \$295,031 reduction represents scheduled repayment of the City's existing debt as required under its various loan agreements.

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

The government-wide financial statements can be found on pages 17 through 18 of this report.

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

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

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

The City maintains 42 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, HOME Investment Partnership Program Special Revenue Fund, Development Fees Special Revenue Fund, and the Local Transportation Fund (LTF) Special Revenue Fund. All of these are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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

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

The basic proprietary fund financial statements can be found on pages 24 through 28 of this report.

**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 31 through 55 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 59 through 64 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 67 through 76.

**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 \$37,077,043 at June 30, 2020.

**City of Mendota  
Condensed Statement of Net Position  
June 30, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 8,947,109	\$ 7,743,792	\$ 11,430,706	\$ 13,737,548	\$ 20,377,815	\$ 21,481,340
Capital assets, net	13,574,981	12,863,527	18,936,263	17,058,884	32,511,244	29,922,411
Total assets	<u>22,522,090</u>	<u>20,607,319</u>	<u>30,366,969</u>	<u>30,796,432</u>	<u>52,889,059</u>	<u>51,403,751</u>
Deferred outflows of resources	82,576	69,323	106,967	101,697	189,543	171,020
Long-term liabilities	411,997	492,939	8,827,038	9,041,127	9,239,035	9,534,066
Other liabilities	206,180	251,520	6,553,528	7,393,828	6,759,708	7,645,348
Total liabilities	<u>618,177</u>	<u>744,459</u>	<u>15,380,566</u>	<u>16,434,955</u>	<u>15,998,743</u>	<u>17,179,414</u>
Deferred inflows of resources	1,151	2,119	1,665	3,113	2,816	5,232
Net position:						
Net investment in capital assets	13,317,884	12,564,592	11,443,103	11,201,427	24,760,987	23,766,019
Restricted	6,571,109	5,981,748	651,239	642,856	7,222,348	6,624,604
Unrestricted	2,096,345	1,383,724	2,997,363	2,615,778	5,093,708	3,999,502
Total net position	<u>\$ 21,985,338</u>	<u>\$ 19,930,064</u>	<u>\$ 15,091,705</u>	<u>\$ 14,460,061</u>	<u>\$ 37,077,043</u>	<u>\$ 34,390,125</u>

The largest portion of the City's net position, \$24,760,987 (67 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 \$5,093,708 (14 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 \$7,222,348 (19 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net position by \$2,055,274, accounting for 76 percent of the total increase in the net position of the City of Mendota as compared to the prior fiscal year.



**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**City of Mendota  
Condensed Statement of Activities  
For the Years Ended June 30, 2020 and 2019**

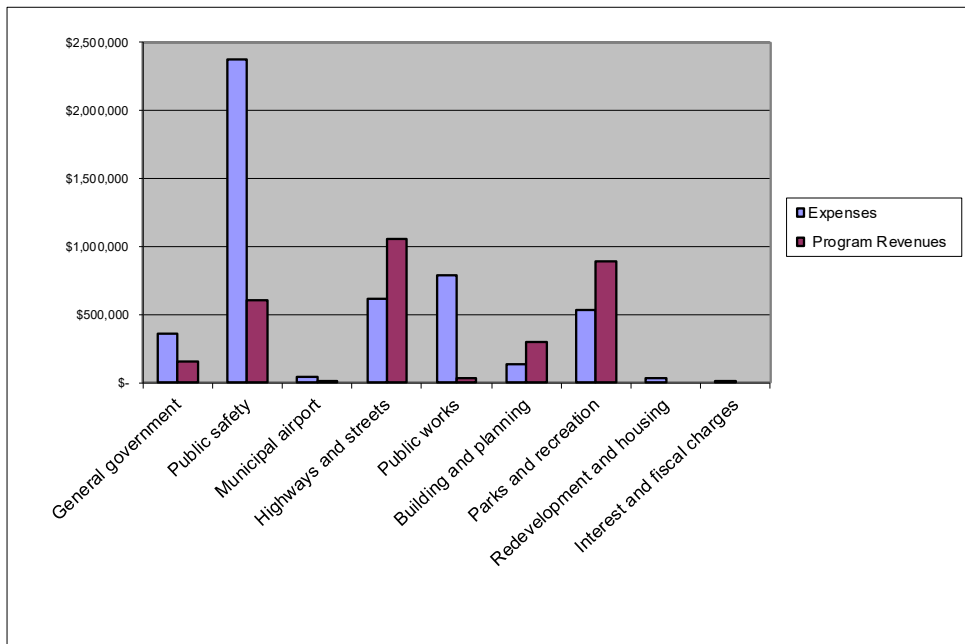
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,741,176	\$ 1,003,667	\$ 4,500,071	\$ 4,270,328	\$ 6,241,247	\$ 5,273,995
Operating grants and contributions	789,051	634,213	44,382	310,148	833,433	944,361
Capital grants and contributions	524,484	84,546	480,844	418,118	1,005,328	502,664
General revenues:						
Property taxes	1,421,731	1,299,446	-	-	1,421,731	1,299,446
Sales tax	710,409	716,048	-	-	710,409	716,048
Franchise taxes	684,636	210,173	-	-	684,636	210,173
Other taxes	931,214	721,881	-	-	931,214	721,881
Earnings on investments	103,925	102,503	22,272	22,038	126,197	124,541
Miscellaneous	49,963	50,274	-	-	49,963	50,274
Gain on sale of assets	-	39,140	-	6,982	-	46,122
<b>Total revenues</b>	<b>6,956,589</b>	<b>4,861,891</b>	<b>5,047,569</b>	<b>5,027,614</b>	<b>12,004,158</b>	<b>9,889,505</b>
<b>Expenses:</b>						
General government	363,288	372,327	-	-	363,288	372,327
Public safety	2,374,257	2,161,815	-	-	2,374,257	2,161,815
Municipal airport	46,407	48,220	-	-	46,407	48,220
Highways and streets	614,406	565,924	-	-	614,406	565,924
Public works	789,575	804,295	-	-	789,575	804,295
Building and planning	139,414	188,219	-	-	139,414	188,219
Parks and recreation	532,370	434,148	-	-	532,370	434,148
Redevelopment and housing	34,600	5,070	-	-	34,600	5,070
Interest and fiscal charges	6,998	9,726	-	-	6,998	9,726
Water	-	-	1,985,365	1,962,965	1,985,365	1,962,965
Sewer	-	-	1,700,932	1,449,689	1,700,932	1,449,689
Sanitation	-	-	729,628	719,671	729,628	719,671
<b>Total expenses</b>	<b>4,901,315</b>	<b>4,589,744</b>	<b>4,415,925</b>	<b>4,132,325</b>	<b>9,317,240</b>	<b>8,722,069</b>
Increase in net position before transfers	2,055,274	272,147	631,644	895,289	2,686,918	1,167,436
Transfers	-	(134,355)	-	134,355	-	-
Increase (decrease) in net position	2,055,274	137,792	631,644	1,029,644	2,686,918	1,167,436
Net position - beginning	19,930,064	19,792,272	14,460,061	13,430,417	34,390,125	33,222,689
<b>Net position - ending</b>	<b>\$ 21,985,338</b>	<b>\$ 19,930,064</b>	<b>\$ 15,091,705</b>	<b>\$ 14,460,061</b>	<b>\$ 37,077,043</b>	<b>\$ 34,390,125</b>

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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

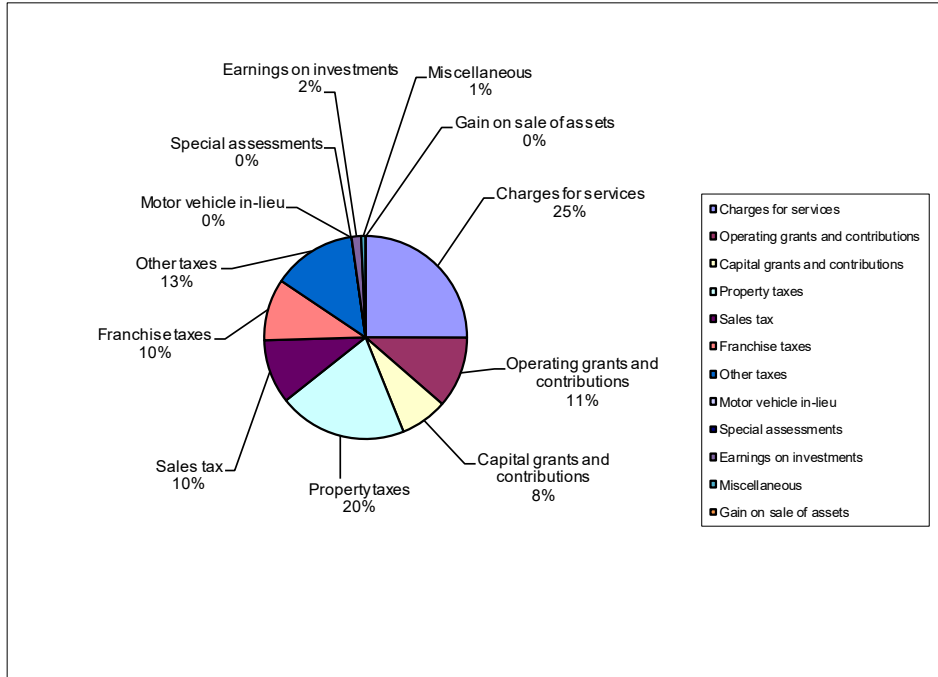
- Charges for services increased by \$737,509 to \$1,741,176 from the prior year. The increase is due almost exclusively to an \$884,051 one-time permitting fee assessed for the LaColonial residential housing development received from KSA Homes, Inc., and offset by lower planning and zoning fees as compared to the prior fiscal year.
- Operating grants and contributions increased by \$154,838 to \$789,051 from the previous year. The increase is due primarily to higher apportioned state gas tax revenue received from the State of California as compared to the prior fiscal year, coupled with higher intergovernmental income received for police services during the current fiscal year.
- Capital grants and contributions increased \$439,938 to \$524,484 during the fiscal year. Capital grants for the current fiscal year of \$524,484 consisted exclusively of federal reimbursement for the reconstruction of the Black, McCabe and Fleming Street Project, which was completed on May 31, 2020. Prior year grants totaling \$298,114 consisted primarily of one-time federal and state grants benefitting the City's police department, which were not available in the current fiscal year.
- Property taxes increased by \$122,285 or 9% during the fiscal year. The increase can be attributed to an increase in assessed values for property over the prior year, coupled with an increasing tax base from the addition of new residential housing within the City limits. The slightly lower sales tax revenue as compared to the prior fiscal year can be attributed to the COVID-19 pandemic, which had negatively affected retail sales in the first and second quarters of 2020.
- Franchise taxes increased by \$474,463 or 226% to \$684,636 during the fiscal year. The current year increase is due exclusively to the assessment and full year collection of franchise fees charged to Canna-Hub, Inc., a California marijuana collective, which began operations within the City towards the end of the prior fiscal year.
- Other taxes increased by \$209,333 to \$931,214 from the prior fiscal year. Federal highway user tax allocated to the City by the Fresno Council of Governments increased by \$172,806 from the prior year. In addition, Measure C funds, a local sales tax dedicated to highway maintenance and improvement and allocated to the City through an independent County agency, was \$41,431 higher than reported in the prior fiscal year.
- Earnings on investments increased by \$1,422 to \$103,925 from the prior fiscal year. The increase is due to higher rates of interest earnings on invested funds as compared to the prior year.

**Expenses and Program Revenue – Governmental Activities**



**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Revenues by Source – Governmental Activities**



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

- General government expenses decreased by \$9,039 to \$363,288 in 2020. The decrease is due primarily to lower administrative wages in the finance department due to the extended leave of a key employee, coupled with lower fees for administrative contract services as compared to the prior fiscal year.
- Public safety expenses increased by \$212,442 or approximately 10% from the prior year. The increase can be attributed almost exclusively to the City police department through salary raises, personnel turn-over and addition of front-line officers, increased overtime pay and higher benefits for health care insurance and retirement benefits for department staff. In addition, with the increase in departmental staffing, the City experienced corresponding increases in operational supplies, fuel, and vehicle maintenance as well.
- Highways and streets expenditures increased by \$48,482 or 9% to \$614,406. Continuing a trend that commenced in the prior fiscal year, the City has deployed more of its internal labor resources to City park projects to address several years of deferred maintenance. This realignment of labor for the past two fiscal years to City parks has resulted in a continuing reduction in salaries and related employee benefits charged to street and road maintenance. However, in total, the expenses increased because of a reclassification of the Storm Drain Master plan expenditures from construction in progress to this line item.
- Public works expenses decreased by \$7,979 to \$796,316. The decrease is due almost exclusively to a lower depreciation provision for the current fiscal year as compared to the prior year.
- Building and planning expenses decreased by \$48,805 or 26% to \$139,414. During the fiscal year, there was a significant reduction in the number of new, large-scale, commercial and residential developments requiring expenditures for outsourced engineering and legal services for planning and zoning as compared to the prior year.
- Parks and recreation expenses increased by \$98,222 to \$532,370. The increase is primarily attributable to higher employee wages and related benefits as the City allocated more of its labor force to address deferred maintenance projects, while also commencing operations at the newly expanded Rojas-Pierce Park. In direct correlation to the rise in labor and related benefits, expenditures for maintenance supplies to address the continuing maintenance backlog also showed a significant increase over the prior year.

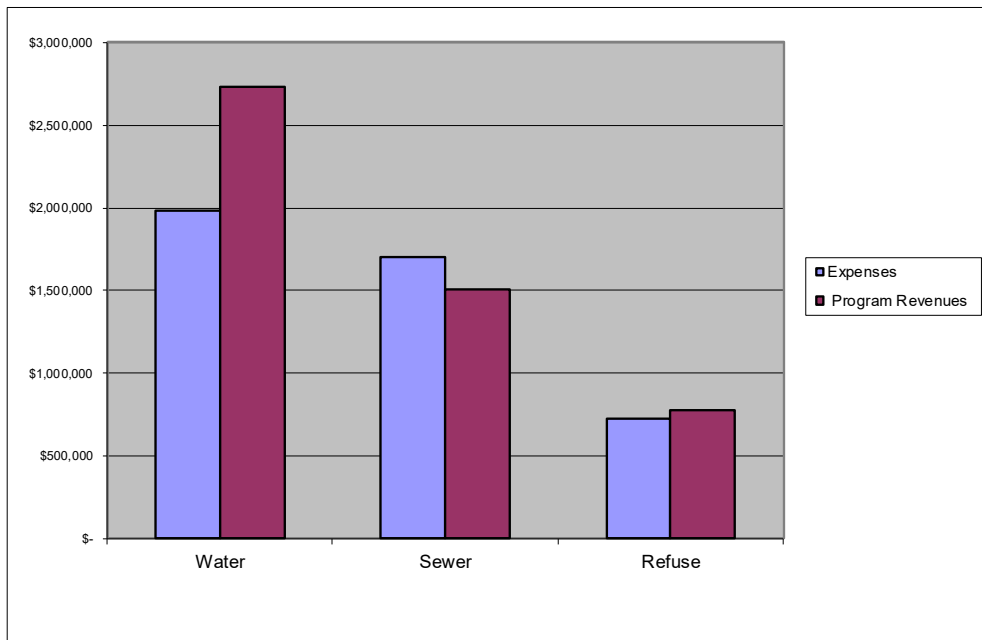
**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

- Interest and fiscal charges decreased by \$2,728 or 28% to \$6,998. The City has benefited from a significant drop in the interest rate charged on a variable rate obligation due to the successor agency of the Mendota Redevelopment Agency in the first and second quarter of 2020 due to the COVID-19 pandemic, resulting in lower interest expense as compared to the prior fiscal year.

**Business-type activities.** Business-type activities increased the City's net position by \$631,644 over the prior fiscal year. Key elements of this increase are as follows:

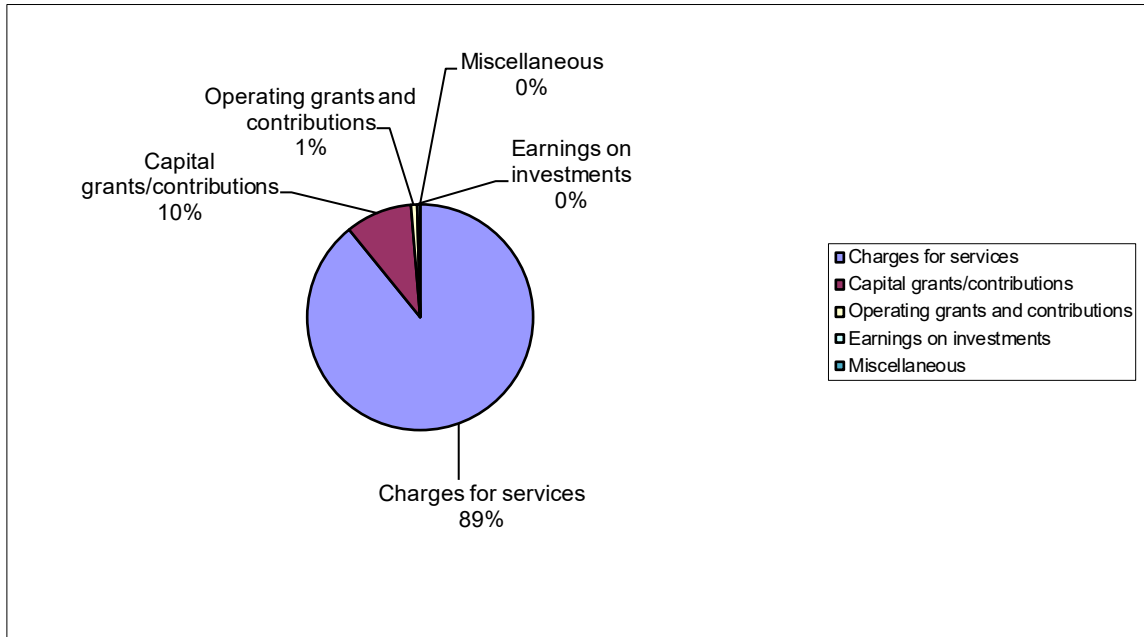
- Charges for services for the business-type activities increased by \$229,743 or 5% over the previous year. The increase is due to the growth in new connections, primarily being the addition of residential housing units in a new La Colonial development located in the northwest section of the City. In addition, the City's Water enterprise fund received a one-time payment of \$120,030 from the Firebaugh Canal Water District for past use of City water resources.
- Operating grants and contributions for the business-type activities decreased by \$265,766 or 86% from the previous year. The decrease is the result of a sharp decrease in approved large-scale development projects permitted by the City for which impact fees for water and sewer are assessed as compared to the prior fiscal year.
- Capital grant's and contributions in the amount of \$480,844 for the current fiscal year represents the earned portion of a federal cash grant the City received in the prior fiscal year for replacement of a bridge accessing the City's water wells.
- Expenses of the Water Enterprise Fund increased by \$22,400 to \$1,985,365 during the year. The increase is due to higher utility costs, depreciation expense and contract service fees, offset by lower labor costs as compared to the prior fiscal year.
- Expenses of the Sewer Enterprise Fund increased by \$251,243 or 17% from the prior fiscal year. During the current fiscal year, the City paid \$107,506 for the removal of approximately 1,800 tons of biosolids from the wastewater treatment plant, a procedure which is required every three to four years. In addition, the Lozano Lift Station project began operation at the end of the prior fiscal year, causing a significant rise in the depreciation provision reported by the fund for the current fiscal year.
- Expenses of the Sanitation Enterprise Fund increased \$9,957 over the prior year due entirely to an increase in fees charged by the City's contracted refuse service provider during the current fiscal year.

**Expenses and Program Revenue – Business-Type Activities**



**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Revenue by Source – Business-Type Activities**



**FINANCIAL ANALYSIS OF CITY'S FUNDS**

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,774,302 an increase of \$1,417,487 in comparison with the prior year. Of this total amount, \$4,706,061 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$2,068,241 at June 30, 2020. This represents an increase of \$759,380 over the prior year unassigned fund balance of \$1,308,861 at June 30, 2019.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Current year expenditures for the General Fund total \$3,449,006 at June 30, 2020; the unassigned General Fund balance is currently showing a balance of \$2,256,829 at June 30, 2020.

The fund balance of the City's General Fund increased by \$714,131 during the current fiscal year. The following table provides an explanation of revenues by source that changed significantly over the prior year.

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Revenue by Source  
GENERAL FUND**

	FY2020		FY2019		Increase/ (Decrease)	Percent of Total
	Amount	Percent of Total	Amount	Percent of Total	Amount	
Taxes	\$ 2,437,146	70.48%	\$ 2,006,291	69.07%	\$ 430,855	77.77%
Licenses and permits	214,890	6.21%	127,134	4.38%	87,756	15.84%
Intergovernmental	58,937	1.70%	70,473	2.43%	(11,536)	-2.08%
Charges for services	469,738	13.58%	463,742	15.97%	5,996	1.08%
Fines	108,228	3.13%	87,814	3.02%	20,414	3.68%
Use of money and property	97,277	2.81%	90,583	3.12%	6,694	1.21%
Proceeds from sale of capital assets	22,371	0.65%	39,140	1.35%	(16,769)	-3.03%
Miscellaneous	49,963	1.44%	19,333	0.67%	30,630	5.53%
<b>Total</b>	<b>\$ 3,458,550</b>	<b>100%</b>	<b>\$ 2,904,510</b>	<b>100%</b>	<b>\$ 554,040</b>	<b>100%</b>

- Taxes increased by \$430,855 or 21% as compared to the prior fiscal year. The City assessed and collected from Canna-Hub, a marijuana collective operating within City limits, franchise fees totaling \$566,667 in the current fiscal year as compared to \$95,000 collected in the prior fiscal year. In addition, property tax revenue increased approximately \$122,000 from the prior fiscal year due to assessment of new residential housing and overall rising property values. These increases were offset by lower sales tax revenue, which was negatively impacted in the first and second quarters of 2020 by the COVID-19 pandemic.
- Charges for services increased by \$5,996 or 1%. During the prior fiscal year, the City significantly increased the charges to the Mendota Unified School District under a contract for the services of police resource officers assigned to the District. The current year increase in revenue can be attributed to a full fiscal year of collections on that contract. Additionally, there was a decrease in revenue attributable to lower planning and zoning fees, primarily being engineering services, charged to developers. As previously noted, there was a significant decrease in new large-scale development projects in the current fiscal year and compared to the prior year.
- Revenue from fines increased \$20,414 to \$108,228. The increase is due to a higher number of vehicle street and DUI citations issued during the year, coupled with higher revenue for police services provided for contracted public events.
- Use of money and property increased by \$6,694 to \$97,277. The primary reason for the increase is higher interest rates received on the City's invested funds as compared rates received in the prior fiscal year.
- The \$30,630 increase in miscellaneous revenue over the prior fiscal year can be attributable to one-time receipts of income not present in the prior fiscal year.

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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

**Expenditures by Function  
GENERAL FUND**

	FY2020		FY2019		Increase/ (Decrease)	Percent of Total
	Amount	Percent of Total	Amount	Percent of Total	Amount	
General government	\$ 315,974	9.16%	\$ 332,461	13.96%	\$ (16,487)	-1.54%
Public safety	1,692,331	49.08%	1,387,675	58.28%	304,656	28.52%
Highways and streets	18,093	0.52%	-	0.00%	18,093	1.69%
Public works	57,774	1.68%	43,965	1.85%	13,809	1.29%
Building and planning	137,719	3.99%	188,485	7.92%	(50,766)	-4.75%
Parks and recreation	365,985	10.61%	286,096	12.02%	79,889	7.48%
Capital outlay	750,998	21.77%	47,266	1.99%	703,732	65.88%
Debt Service	110,132	3.19%	94,790	3.98%	15,342	1.44%
<b>Total</b>	<b>\$ 3,449,006</b>	<b>100%</b>	<b>\$ 2,380,738</b>	<b>100%</b>	<b>\$ 1,068,268</b>	<b>100%</b>

- General government expenditures decreased by \$16,487 to \$315,974. The decrease is due primarily to lower wages and benefits incurred in the City's finance department due to the extended leave of a key employee. This decrease was partially offset by higher administrative legal fees incurred by the City in the current fiscal year.
- Public safety expenditures increased by \$304,656 from the previous fiscal year. The significant increase is due primarily to higher wages and benefits for the City's police department. In addition, the City's General Fund was responsible for paying \$183,230 for County fire protection services in the current fiscal year due to the lack of available resources in special revenue funds dedicated to public safety, which had previously paid the County fire assessment in previous years.
- Building and planning expenditures decreased by \$50,766 or 27% from the previous year due to a substantial decrease in outsourced engineering and planning service fees incurred by the City. This decrease directly correlates with the decrease in charges for services related to planning and zoning fees discussed in the revenue section on the previous page.
- Parks and recreation expenditures increased by \$79,889 to \$365,985 over the prior fiscal year. The increase is primarily attributable to higher supplies and employment costs as the City continued to allocate more labor resources to reduce a backlog of deferred maintenance projects at several City park venues and start operational maintenance of the newly expanded Rojos-Pierce Park dedicated in the spring of 2020.
- Capital outlay expenditures for the fiscal year ended June 30, 2020 consist of the General Fund contributions to the expansion of the Rojos-Pierce Park in the amount of \$704,587, along with capital expenditures for a new computer system server, video camera upgrades at City Hall and the Police Department, and a highway message trailer utilized by the City's police department.
- Debt service payments increased by \$15,342 to \$110,132 from the prior fiscal year. The City made an additional principal payment of \$19,858 on the obligation due to the successor agency of the former Mendota Redevelopment Agency during the current fiscal year. This increase was partially offset by lower interest expense as previously discussed.

The Home Investment Partnership Program Special Revenue Fund has a total fund deficit of \$8,702. The fund had no activity during the current fiscal year due to lack of new funding for community housing assistance.

The Development Fees Special Revenue Fund has a total fund balance of \$266,224, all of which is restricted for public safety, road maintenance, and parks and recreation. Revenues of the fund, collected from developer impact fees and interest earnings on available cash, exceeded expenses by \$477,720 for the current fiscal year. In addition to expending \$437,052 in capital outlay for the expansion of the Rojos-Pierce Park, the fund transferred \$704,587 in available funds to the City General Fund to complete the expansion of the park, resulting in a \$266,867 overall reduction in the fund balance for the current fiscal year.

**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

The Local Transportation Fund (LTF) Special Revenue Fund has a total fund balance of \$816,855, all of which is restricted to street maintenance and road improvement projects. The fund was allocated \$527,591 in federal gas tax revenue by the Fresno County Council of Governments during the year and received an intergovernmental federal reimbursement grant of \$241,262 for reconstruction of Black, McCabe and Fleming Streets project. Of the \$452,539 in fund expenditures for the fiscal year, \$190,325 was for general maintenance of City streets, while the remaining \$262,214 was devoted to capital outlay for the above mentioned Black, McCabe and Fleming Streets reconstruction.

**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 \$521,880 lower than the final budgetary appropriations. The primary reason for the positive budget variance relates to lower than expected capital outlay expenditures. Capital outlay was budgeted for \$1,378,848, while actual expenditures for the fiscal year came in at \$750,998. One project in particular, the Rojas-Pierce Park expansion, came in approximately \$200,000 under final budget. In addition, during the fiscal year, the City made the decision to utilize funds from a special revenue fund dedicated to parks and recreation to pay \$437,052 of the park expansion costs originally intended for the General Fund. These two factors are the primary reason for the \$627,850 positive budget variance in capital outlay expenditures. This positive budget variance was partially offset by negative budget variances in debt service and parks expenditures. Principal reduction payments for two of the City's debt obligations were inadvertently not budgeted for the fiscal year ended June 30, 2020, while higher than anticipated labor costs, facility repair costs and supplies for maintenance of the City's park venues, resulted in the negative variance.

During the year, actual revenues were \$756,824 higher than the final budgetary estimates. The revenue variance is due primarily to \$566,667 in assessed franchise fees collected from Canna-Hub that inadvertently had not been budgeted for by the City. In addition, the City reported higher revenue for police services, issuance of business licenses and fines and forfeitures for the year, exceeding the City's expectations when developing the original budget and contributing to the overall positive budget variance.

**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, 2020, amounts to \$32,511,244 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, building and improvements, and equipment. The total increase in the City's investments in capital assets for the current year is approximately nine percent.

**City of Mendota's Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 357,322	\$ 357,322	\$ 2,098,220	\$ 2,098,220	\$ 2,455,542	\$ 2,455,542
Construction in progress	144,788	261,640	3,567,094	1,296,132	3,711,882	1,557,772
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	12,712,674	12,075,787	10,546,505	10,294,101	23,259,179	22,369,888
Land improvements	5,770,695	4,585,148	10,279,996	10,274,882	16,050,691	14,860,030
Buildings and improvements	1,440,436	1,437,879	3,144,163	3,202,914	4,584,599	4,640,793
Equipment	2,022,805	2,181,212	-	-	2,022,805	2,181,212
Less: accumulated depreciation	(8,873,739)	(8,035,461)	(10,761,140)	(10,168,790)	(19,634,879)	(18,204,251)
Total capital assets	<u>\$ 13,574,981</u>	<u>\$ 12,863,527</u>	<u>\$ 18,936,263</u>	<u>\$ 17,058,884</u>	<u>\$ 32,511,244</u>	<u>\$ 29,922,411</u>



**CITY OF MENDOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**CAPITAL ASSETS AND LONG-TERM OBLIGATIONS (Continued)**

**Capital Assets (Continued)**

This year's additions include:

Completion of the Black, McCabe & Fleming Street reconstruction project	\$ 568,536
Completion of the Rojas-Pierce Park expansion	1,109,206
Acquisition of a new City-wide computer server	29,990
Surveillance camera equipment and upgrade	13,351
Acquisition of highway message trailer	32,510
Engineering designs of a "roundabout" road improvement at Bass Street	100,707
Continued construction of the water and sewer enterprise funds solar project	1,865,094
Continued engineering work on the Mowry bridge reconstruction project	480,844
Expansion of the waste water treatment plant effluent settling ponds	80,900
Replacement of sewer main line on Main Street	120,850
Acquisition of various other equipment and improvements	<u>58,801</u>

Total additions	<u>\$ 4,460,789</u>
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For further information, see Note 5 of the financial statements on pages 43 through 44 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$9,239,035. Of this amount, \$411,997 is the liability of governmental activities and \$8,827,038 is the liability of business-type activities.

**City of Mendota's Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>06/30/2020</u>	<u>06/30/2019</u>	<u>06/30/2020</u>	<u>06/30/2019</u>	<u>06/30/2020</u>	<u>06/30/2019</u>
Revenue bonds payable	\$ -	\$ -	\$ 4,379,788	\$ 4,539,107	\$ 4,379,788	\$ 4,539,107
Loans payable	317,097	418,935	464,279	534,350	781,376	953,285
Capital leases	-	-	3,920,000	3,920,000	3,920,000	3,920,000
Compensated absences	91,690	74,004	58,967	47,670	150,657	121,674
Net pension liability	3,210	-	4,004	-	7,214	-
Total long-term debt	<u>\$ 411,997</u>	<u>\$ 492,939</u>	<u>\$ 8,827,038</u>	<u>\$ 9,041,127</u>	<u>\$ 9,239,035</u>	<u>\$ 9,534,066</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.

**ECONOMIC FACTORS AND NEXT FIVE YEARS' BUDGETS AND RATES**

In preparing the budget for the next fiscal year, the following factors were taken into consideration:

- No employee salary adjustments for the current year.
- Health care adjustments of less than 2.50 percent.
- Increases in intergovernmental revenue to be received on various programs from the State of California. Property tax revenue and sales tax increase due to additions of new retailers in the City.

**REQUESTS FOR INFORMATION**

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CITY OF MENDOTA**

**STATEMENT OF NET POSITION  
JUNE 30, 2020**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,060,095	\$ 2,918,257	\$ 8,978,352
Receivables, net	2,879,402	651,201	3,530,603
Prepaid expenses	6,458	8,375	14,833
Internal balances	1,154	(1,154)	-
Restricted assets:			
Cash and cash equivalents	-	7,854,027	7,854,027
Capital assets:			
Nondepreciable	502,110	5,726,739	6,228,849
Depreciable, net	<u>13,072,871</u>	<u>13,209,524</u>	<u>26,282,395</u>
Total assets	<u>22,522,090</u>	<u>30,366,969</u>	<u>52,889,059</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	<u>82,576</u>	<u>106,967</u>	<u>189,543</u>
Total deferred outflows of resources	<u>82,576</u>	<u>106,967</u>	<u>189,543</u>
<b>LIABILITIES</b>			
Accounts payable	195,995	290,326	486,321
Deposits	-	199,263	199,263
Accrued interest	5,445	132,055	137,500
Unearned revenues	4,740	5,931,884	5,936,624
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	10,578	21,777	32,355
Capital lease payable	-	54,325	54,325
Revenue bonds payable	-	170,000	170,000
Loans payable	16,638	55,970	72,608
Settlement payable	60,000	-	60,000
Portion due or payable after one year:			
Compensated absences payable	81,112	37,190	118,302
Capital lease payable	-	3,865,675	3,865,675
Revenue bonds payable	-	4,209,788	4,209,788
Loans payable	240,459	408,309	648,768
Net pension liability	<u>3,210</u>	<u>4,004</u>	<u>7,214</u>
Total liabilities	<u>618,177</u>	<u>15,380,566</u>	<u>15,998,743</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	<u>1,151</u>	<u>1,665</u>	<u>2,816</u>
Total deferred inflows of resources	<u>1,151</u>	<u>1,665</u>	<u>2,816</u>
<b>NET POSITION</b>			
Net investment in capital assets	13,317,884	11,443,103	24,760,987
Restricted for:			
Redevelopment and housing	2,847,141	-	2,847,141
Public safety	1,427,086	-	1,427,086
Highways and streets	2,254,510	-	2,254,510
Parks and recreation	42,372	-	42,372
Debt service	-	651,239	651,239
Unrestricted	<u>2,096,345</u>	<u>2,997,363</u>	<u>5,093,708</u>
Total net position	<u>\$ 21,985,338</u>	<u>\$ 15,091,705</u>	<u>\$ 37,077,043</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, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 363,288	\$ 109,863	\$ 43,872	\$ -	\$ (209,553)	\$ -	\$ (209,553)
Public safety	2,374,257	391,813	214,885	-	(1,767,559)	-	(1,767,559)
Municipal airport	46,407	-	10,000	-	(36,407)	-	(36,407)
Highways and streets	614,406	14,553	520,294	524,484	444,925	-	444,925
Public works	789,575	36,925	-	-	(752,650)	-	(752,650)
Building and planning	139,414	295,784	-	-	156,370	-	156,370
Parks and recreation	532,370	892,238	-	-	359,868	-	359,868
Redevelopment and housing	34,600	-	-	-	(34,600)	-	(34,600)
Interest and fiscal charges	6,998	-	-	-	(6,998)	-	(6,998)
<b>Total governmental activities</b>	<b>4,901,315</b>	<b>1,741,176</b>	<b>789,051</b>	<b>524,484</b>	<b>(1,846,604)</b>	<b>-</b>	<b>(1,846,604)</b>
<b>Business-Type Activities:</b>							
Water	1,985,365	2,234,002	18,802	480,844	-	748,283	748,283
Sewer	1,700,932	1,495,694	15,580	-	-	(189,658)	(189,658)
Sanitation	729,628	770,375	10,000	-	-	50,747	50,747
<b>Total business-type activities</b>	<b>4,415,925</b>	<b>4,500,071</b>	<b>44,382</b>	<b>480,844</b>	<b>-</b>	<b>609,372</b>	<b>609,372</b>
<b>Total City of Mendota</b>	<b>\$ 9,317,240</b>	<b>\$ 6,241,247</b>	<b>\$ 833,433</b>	<b>\$ 1,005,328</b>	<b>(1,846,604)</b>	<b>609,372</b>	<b>(1,237,232)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					1,421,731	-	1,421,731
Sales tax					710,409	-	710,409
Franchise taxes					684,636	-	684,636
Other taxes					931,214	-	931,214
Revenue from the use of money and property					103,925	22,272	126,197
Miscellaneous					49,963	-	49,963
<b>Total general revenues</b>					<b>3,901,878</b>	<b>22,272</b>	<b>3,924,150</b>
<b>Change in net position</b>					<b>2,055,274</b>	<b>631,644</b>	<b>2,686,918</b>
<b>Net position - beginning</b>					<b>19,930,064</b>	<b>14,460,061</b>	<b>34,390,125</b>
<b>Net position - ending</b>					<b>\$ 21,985,338</b>	<b>\$ 15,091,705</b>	<b>\$ 37,077,043</b>

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

## FUND FINANCIAL STATEMENTS

**CITY OF MENDOTA**

**BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	Special Revenue Funds					Total Governmental Funds
	General	Development Fees	HOME Investment Partnership Program	Local Transportation Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,209,126	\$ 265,895	\$ -	\$ 450,423	\$ 3,134,651	\$ 6,060,095
Receivables	246,729	329	1,142,244	379,532	1,110,568	2,879,402
Due from other funds	48,260	-	-	-	-	48,260
Prepaid expenses	6,458	-	-	-	-	6,458
<b>Total assets</b>	<b>\$ 2,510,573</b>	<b>\$ 266,224</b>	<b>\$ 1,142,244</b>	<b>\$ 829,955</b>	<b>\$ 4,245,219</b>	<b>\$ 8,994,215</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 154,714	\$ -	\$ -	\$ 13,100	\$ 28,181	\$ 195,995
Unearned revenues	4,740	-	-	-	-	4,740
Due to other funds	-	-	8,702	-	31,311	40,013
Settlement payable - current	60,000	-	-	-	-	60,000
Advances from other funds	7,093	-	-	-	-	7,093
<b>Total liabilities</b>	<b>226,547</b>	<b>-</b>	<b>8,702</b>	<b>13,100</b>	<b>59,492</b>	<b>307,841</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - loans	-	-	1,142,244	-	769,828	1,912,072
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>1,142,244</b>	<b>-</b>	<b>769,828</b>	<b>1,912,072</b>
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable:						
Prepaid expenses	6,458	-	-	-	-	6,458
Restricted for:						
Redevelopment and housing	-	81,648	-	-	853,421	935,069
Public safety	-	269,833	-	-	1,157,253	1,427,086
Highways and streets	-	63,309	-	816,855	1,374,346	2,254,510
Parks and recreation	-	-	-	-	42,372	42,372
Assigned to:						
Public Safety	867	-	-	-	19,827	20,694
Highways and streets	19,872	-	-	-	-	19,872
Unassigned	2,256,829	(148,566)	(8,702)	-	(31,320)	2,068,241
<b>Total fund balances (deficit)</b>	<b>2,284,026</b>	<b>266,224</b>	<b>(8,702)</b>	<b>816,855</b>	<b>3,415,899</b>	<b>6,774,302</b>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficit)</b>	<b>\$ 2,510,573</b>	<b>\$ 266,224</b>	<b>\$ 1,142,244</b>	<b>\$ 829,955</b>	<b>\$ 4,245,219</b>	<b>\$ 8,994,215</b>

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, 2020**

Total fund balances - governmental funds		\$ 6,774,302
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$22,448,720 and the accumulated depreciation is \$8,873,739.		13,574,981
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in governmental funds.		1,912,072
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.		(5,445)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Loan payable	(257,097)	
Compensated absences	<u>(91,690)</u>	(348,787)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in governmental funds.		
Net pension liability	(3,210)	
Deferred outflows	82,576	
Deferred inflows	<u>(1,151)</u>	<u>78,215</u>
Net position of governmental activities		<u>\$ 21,985,338</u>



**CITY OF MENDOTA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds					
	General	Development Fees	HOME Investment Partnership Program	Local Transportation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 2,437,146	\$ -	\$ -	\$ 527,591	\$ 783,254	\$ 3,747,991
Licenses and permits	214,890	948,320	-	-	-	1,163,210
Intergovernmental	58,937	-	-	241,262	969,464	1,269,663
Charges for services	469,738	-	-	-	-	469,738
Fines	108,228	-	-	-	-	108,228
Loan repayments	-	-	-	-	144,598	144,598
Use of money and property	97,277	1,731	-	724	4,192	103,924
Miscellaneous	49,963	-	-	-	43,872	93,835
	<u>3,436,179</u>	<u>950,051</u>	<u>-</u>	<u>769,577</u>	<u>1,945,380</u>	<u>7,101,187</u>
<b>EXPENDITURES</b>						
Current:						
General government	315,974	-	-	-	-	315,974
Public safety	1,692,331	35,279	-	-	562,555	2,290,165
Municipal airport	-	-	-	-	7,989	7,989
Highways and streets	18,093	-	-	190,325	411,396	619,814
Public works	57,774	-	-	-	-	57,774
Building and planning	137,719	-	-	-	-	137,719
Parks and recreation	365,985	-	-	-	22,328	388,313
Redevelopment and housing	-	-	-	-	10,600	10,600
Capital outlay	750,998	437,052	-	262,214	317,327	1,767,591
Debt service:						
Principal	101,838	-	-	-	-	101,838
Interest	8,294	-	-	-	-	8,294
	<u>3,449,006</u>	<u>472,331</u>	<u>-</u>	<u>452,539</u>	<u>1,332,195</u>	<u>5,706,071</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,827)</u>	<u>477,720</u>	<u>-</u>	<u>317,038</u>	<u>613,185</u>	<u>1,395,116</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	22,371	-	-	-	-	22,371
Transfers in	704,587	-	-	-	-	704,587
Transfers out	-	(704,587)	-	-	-	(704,587)
	<u>726,958</u>	<u>(704,587)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,371</u>
Net change in fund balances	714,131	(226,867)	-	317,038	613,185	1,417,487
Fund balances (deficit) - beginning	<u>1,569,895</u>	<u>493,091</u>	<u>(8,702)</u>	<u>499,817</u>	<u>2,802,714</u>	<u>5,356,815</u>
Fund balances (deficit) - ending	<u>\$ 2,284,026</u>	<u>\$ 266,224</u>	<u>\$ (8,702)</u>	<u>\$ 816,855</u>	<u>\$ 3,415,899</u>	<u>\$ 6,774,302</u>

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

**CITY OF MENDOTA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds	\$ 1,417,487
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.	816,266
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.	(104,812)
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.	101,838
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).	(17,686)
Prior year unavailable revenues previously recognized in the statement of activities were recognized in the governmental funds in the current fiscal year when made available.	(168,598)
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.	1,296
Changes to the pension related deferred outflows do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>9,483</u>
Change in net position of governmental activities	<u>\$ 2,055,274</u>

**CITY OF MENDOTA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020**

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,321,921	\$ 596,336	\$ -	\$ 2,918,257
Receivables, net	378,970	182,137	90,094	651,201
Prepaid expenses	4,983	3,392	-	8,375
Total current assets	<u>2,705,874</u>	<u>781,865</u>	<u>90,094</u>	<u>3,577,833</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	7,202,788	651,239	-	7,854,027
Advances to other funds	1,324,547	14,186	-	1,338,733
Capital assets:				
Nondepreciable	2,306,044	3,420,695	-	5,726,739
Depreciable, net	5,160,097	8,049,427	-	13,209,524
Total noncurrent assets	<u>15,993,476</u>	<u>12,135,547</u>	<u>-</u>	<u>28,129,023</u>
Total assets	<u>18,699,350</u>	<u>12,917,412</u>	<u>90,094</u>	<u>31,706,856</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	<u>67,595</u>	<u>34,167</u>	<u>5,205</u>	<u>106,967</u>
Total deferred outflows of resources	<u>67,595</u>	<u>34,167</u>	<u>5,205</u>	<u>106,967</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	125,779	51,185	113,362	290,326
Deposits	199,263	-	-	199,263
Due to other funds	-	-	8,247	8,247
Accrued interest	19,803	112,252	-	132,055
Unearned revenue	5,931,884	-	-	5,931,884
Compensated absences payable	12,730	6,398	2,649	21,777
Capital lease payable	54,325	-	-	54,325
Revenue bonds payable	-	170,000	-	170,000
Loans payable	48,000	7,970	-	55,970
Total current liabilities	<u>6,391,784</u>	<u>347,805</u>	<u>124,258</u>	<u>6,863,847</u>
Noncurrent liabilities:				
Advances from other funds	7,093	1,324,547	-	1,331,640
Compensated absences payable	20,846	15,835	509	37,190
Capital lease payable	3,865,675	-	-	3,865,675
Revenue bonds payable	-	4,209,788	-	4,209,788
Loans payable	395,000	13,309	-	408,309
Net pension liability	2,561	1,250	193	4,004
Total noncurrent liabilities	<u>4,291,175</u>	<u>5,564,729</u>	<u>702</u>	<u>9,856,606</u>
Total liabilities	<u>10,682,959</u>	<u>5,912,534</u>	<u>124,960</u>	<u>16,720,453</u>

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

**CITY OF MENDOTA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020  
(Continued)**

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	<u>1,006</u>	<u>575</u>	<u>84</u>	<u>1,665</u>
Total deferred outflows of resources	<u>1,006</u>	<u>575</u>	<u>84</u>	<u>1,665</u>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	5,698,595	5,744,508	-	11,443,103
Restricted for:				
Debt service	-	651,239	-	651,239
Unrestricted	<u>2,384,385</u>	<u>642,723</u>	<u>(29,745)</u>	<u>2,997,363</u>
Total net position (deficit)	<u>\$ 8,082,980</u>	<u>\$ 7,038,470</u>	<u>\$ (29,745)</u>	<u>\$ 15,091,705</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, 2020**

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating revenues:				
Charges for services	\$ 2,234,002	\$ 1,495,694	\$ 770,375	\$ 4,500,071
Miscellaneous	-	-	10,000	10,000
Total operating revenues	<u>2,234,002</u>	<u>1,495,694</u>	<u>780,375</u>	<u>4,510,071</u>
Operating expenses:				
Wages and benefits	559,324	423,873	49,041	1,032,238
Maintenance and supplies	998,043	620,086	680,587	2,298,716
Depreciation	325,279	346,816	-	672,095
Amortization	-	4,681	-	4,681
Bad debt	1,604	-	-	1,604
Total operating expenses	<u>1,884,250</u>	<u>1,395,456</u>	<u>729,628</u>	<u>4,009,334</u>
Operating income	<u>349,752</u>	<u>100,238</u>	<u>50,747</u>	<u>500,737</u>
Nonoperating revenue (expenses):				
Developer fees	18,802	15,580	-	34,382
Interest income	15,353	6,919	-	22,272
Interest expense	(69,733)	(274,734)	-	(344,467)
Capital grant revenue	480,844	-	-	480,844
Gain (loss) on sale of assets	<u>(31,382)</u>	<u>(30,742)</u>	<u>-</u>	<u>(62,124)</u>
Total nonoperating revenues (expenses)	<u>413,884</u>	<u>(282,977)</u>	<u>-</u>	<u>130,907</u>
Change in net position	763,636	(182,739)	50,747	631,644
Net position (deficit) - beginning	<u>7,319,344</u>	<u>7,221,209</u>	<u>(80,492)</u>	<u>14,460,061</u>
Net position (deficit) - ending	<u>\$ 8,082,980</u>	<u>\$ 7,038,470</u>	<u>\$ (29,745)</u>	<u>\$ 15,091,705</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, 2020**

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Cash flow from operating activities:				
Cash received from customers	\$ 2,098,177	\$ 1,483,846	\$ 763,464	\$ 4,345,487
Cash payments to suppliers	(1,065,393)	(985,113)	(622,626)	(2,673,132)
Cash payments to employees	(556,222)	(417,560)	(47,628)	(1,021,410)
Other operating cash receipts	-	-	10,000	10,000
Net cash provided by operating activities	<u>476,562</u>	<u>81,173</u>	<u>103,210</u>	<u>660,945</u>
Cash flow from noncapital financing activities:				
Loans from/(to) other funds	<u>(1,332,571)</u>	<u>1,340,595</u>	<u>(103,210)</u>	<u>(95,186)</u>
Net cash provided (used) by noncapital financing activities	<u>(1,332,571)</u>	<u>1,340,595</u>	<u>(103,210)</u>	<u>(95,186)</u>
Cash flow from capital and related financing activities:				
Cash received from developers	18,802	15,580	-	34,382
Proceeds from sale of capital assets	6,663	6,663	-	13,326
Principal and interest paid on capital debt	(126,603)	(456,484)	-	(583,087)
Acquisition or construction of capital assets	<u>(1,084,606)</u>	<u>(1,540,318)</u>	<u>-</u>	<u>(2,624,924)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,185,744)</u>	<u>(1,974,559)</u>	<u>-</u>	<u>(3,160,303)</u>
Cash flow from investing activities:				
Interest and dividends on investments	<u>15,245</u>	<u>7,690</u>	<u>-</u>	<u>22,935</u>
Net cash provided by investing activities	<u>15,245</u>	<u>7,690</u>	<u>-</u>	<u>22,935</u>
Net increase (decrease) in cash	(2,026,508)	(545,101)	-	(2,571,609)
Cash and cash equivalents, July 1, 2019	<u>11,551,217</u>	<u>1,792,676</u>	<u>-</u>	<u>13,343,893</u>
Cash and cash equivalents, June 30, 2020	<u>\$ 9,524,709</u>	<u>\$ 1,247,575</u>	<u>\$ -</u>	<u>\$ 10,772,284</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, 2020  
 (Continued)**

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating income	\$ 349,752	\$ 100,238	\$ 50,747	\$ 500,737
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>				
Depreciation and amortization	325,279	351,497	-	676,776
<i>Change in assets and liabilities:</i>				
Decrease (increase) in receivables	(145,355)	(11,848)	(6,911)	(164,114)
Decrease (increase) in prepaid expenses	(4,983)	(3,392)	-	(8,375)
Decrease (increase) in pension deferred outflows	(6,025)	821	(66)	(5,270)
Increase (decrease) in accounts payable	(62,367)	(361,635)	57,961	(366,041)
Increase (decrease) in compensated absences	6,081	3,970	1,246	11,297
Increase (decrease) in customer deposits	11,134	-	-	11,134
Increase (decrease) in net pension liabilities	3,909	2,033	307	6,249
Increase (decrease) in pension deferred inflows	(863)	(511)	(74)	(1,448)
Net cash provided by operating activities	<u>\$ 476,562</u>	<u>\$ 81,173</u>	<u>\$ 103,210</u>	<u>\$ 660,945</u>

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS



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**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government’s operations. Further, the City Council has significant influence over the operations of the component units and data from these units are combined with data of the primary government. The blended component unit has a June 30 year-end.

**B. Blended Component Unit**

***Mendota Community Corporation***

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

**C. Basis of Presentation**

***Management’s Discussion and Analysis***

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

***Government-Wide Financial Statements***

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

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

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**C. Basis of Presentation (Continued)**

***Fund Financial Statements***

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

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

**D. Major Funds**

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

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

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

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

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

***Local Transportation Fund (LTF) Special Revenue Fund*** – This fund is used to account for the City's apportioned share of assessed federal gas tax revenue as determined by and passed through the Fresno Council of Governments, as well as other intergovernmental revenue for streets and roads projects. The funds are to be used exclusively for maintenance and improvement of the City's streets and roads.

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

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

***Sewer Fund*** - This fund is used to account for the activities of the City's wastewater utility and collection.

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

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**E. Measurement Focus, Basis of Accounting**

***Government-Wide and Proprietary Fund Financial Statements***

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

***Governmental Fund Financial Statements***

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

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

***Cash and Cash Equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

***Restricted Assets***

Certain proceeds of general obligation debt and enterprise debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. "Cash with Fiscal Agent" is used to report resources set aside for potential deficiencies in the repayment ability of the debt service fund and enterprise funds, and for payment of construction projects undertaken by the City.

***Interfund Transactions***

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

***Capital Assets***

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

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

<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 Payable***

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

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

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

***Unearned Revenue***

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

***Unavailable Revenue***

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

***Compensated Absences***

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

***Pensions***

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

***Net Position and Fund Balance***

**Net Position**

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

- *Net Investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvements of the assets.
- *Restricted Net Position* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted Net Position* – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

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

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

***Net Position and Fund Balance*** (Continued)

Fund Balance Classification

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

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

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

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

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

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

***Property Tax Calendar***

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

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

***Use of Estimates***

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

**NOTE 2 – CASH AND INVESTMENTS**

The City of Mendota maintains a cash and investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments. The City apportions interest earnings to all funds based on their monthly cash balances. Certain restricted funds which are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include cash and investment held by trustees.

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 8,978,352
Cash and cash equivalents - restricted	<u>7,854,027</u>
 Total cash and investments	 <u>\$ 16,832,379</u>

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 700
Bank deposits	15,014,470
State investment pool	1,165,971
Investments	<u>651,238</u>
 Total cash and investments	 <u>\$ 16,832,379</u>



**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**A. Deposits**

The carrying amount of the City's cash deposit was \$15,014,471 at June 30, 2020. The bank balance at June 30, 2020 was \$14,954,048 the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as described below.

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

**B. Investments**

***Investments Authorized by the City's Investment Policy***

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

***Investments Authorized by Debt Agreements***

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

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

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**B. Investments (Continued)**

***Disclosures Relating to Interest Rate Risk***

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

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

Investment Type	Amount	Remaining Maturity Date
State investment pool	\$ 1,165,971	12 months or less
Held by fiscal agents:		
Money market	<u>651,238</u>	12 months or less
Total	<u><u>\$ 1,817,209</u></u>	

***Disclosure Relating to Credit Risk***

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

Investment Type	Amount	Ratings as of Year-End	
		AAAm	Not Rated
State investment pool	\$ 1,165,971	\$ -	\$ 1,165,971
Held by fiscal agents:			
Money market	<u>651,238</u>	<u>651,238</u>	<u>-</u>
Total	<u><u>\$ 1,817,209</u></u>	<u><u>\$ 651,238</u></u>	<u><u>\$ 1,165,971</u></u>

***Concentration of Credit Risk***

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

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

- \$651,238 of cash and investments (including amounts held by bond trustee) reported in the Sewer Fund are held in the form of the above-described money market funds.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**B. Investments (Continued)**

***Custodial Credit Risk***

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

***Investment in State Investment Pool***

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

***Investments Valuation***

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

Fair value measurements of the City's investments are as follows at June 30, 2020.

- Investment in the Local Agency Investment Fund: valued at \$1,165,971, based on the City's pro-rata share of the fair value provided by the LAIF for the entire LAIF portfolio. LAIF invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, LAIF is not an investment type that can be categorized in any particular level in the fair value hierarchy.
- Investment in the money market is valued at \$651,238. Money market funds have a maturity of less than one year and are presented at amortized costs, which approximates fair value. Since they are presented at amortized costs, they are not an investment type that can be categorized in any particular level in the fair value hierarchy.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2020 consist of the following:

***Governmental Activities***

	General	Development Fees	HOME Investment Partnership Program	Local Transportation Fund	Nonmajor Governmental	Total
Receivables:						
Intergovernmental	\$ 246,276	\$ -	\$ -	\$ 379,393	\$ 339,909	\$ 965,578
Interest	453	329	-	139	831	1,752
Loans	-	-	1,142,244	-	769,828	1,912,072
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total receivables	<u>\$ 246,729</u>	<u>\$ 329</u>	<u>\$ 1,142,244</u>	<u>\$ 379,532</u>	<u>\$ 1,110,568</u>	<u>\$ 2,879,402</u>

***Business-Type Activities***

	Water Fund	Sewer Fund	Sanitation Fund	Total
Receivables:				
Accounts	\$ 424,694	\$ 194,230	\$ 100,699	\$ 719,623
Interest	2,320	182	-	2,502
Allowance for uncollectible	<u>(48,044)</u>	<u>(12,275)</u>	<u>(10,605)</u>	<u>(70,924)</u>
Total receivables, net	<u>\$ 378,970</u>	<u>\$ 182,137</u>	<u>\$ 90,094</u>	<u>\$ 651,201</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 – INTERFUND ACTIVITY**

***Due from/Due to Other Funds***

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

Activities within due from/due to other fund balances at June 30, 2020 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 48,260	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,702
Sanitation Fund	-	8,247
Nonmajor Funds:		
Aviation Assistance Special Revenue Fund	-	5,508
Street Capital Projects Fund	-	25,803
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 48,260</u>	<u>\$ 48,260</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, 2020, 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	\$ -	\$ 7,093
Water Fund	1,324,547	7,093
Sewer Fund	14,186	1,324,547
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 1,338,733</u>	<u>\$ 1,338,733</u>

***Interfund Transfers***

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

Interfund transfers for the year ended June 30, 2020 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$ 704,587	\$ -
Development Fees Special Revenue Fund	-	704,587
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 704,587</u>	<u>\$ 704,587</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 – CAPITAL ASSETS**

A summary of governmental activities capital assets activity for the year ended June 30, 2020 is as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 357,322	\$ -	\$ -	\$ 357,322
Construction in progress	<u>261,640</u>	<u>1,787,691</u>	<u>(1,904,543)</u>	<u>144,788</u>
Total capital assets, not being depreciated	<u>618,962</u>	<u>1,787,691</u>	<u>(1,904,543)</u>	<u>502,110</u>
Capital assets, being depreciated:				
Infrastructure	12,075,787	636,887	-	12,712,674
Land improvements	4,585,148	1,185,547	-	5,770,695
Buildings and improvements	1,437,879	2,557	-	1,440,436
Equipment	<u>2,181,212</u>	<u>54,859</u>	<u>(213,266)</u>	<u>2,022,805</u>
Total capital assets, being depreciated	<u>20,280,026</u>	<u>1,879,850</u>	<u>(213,266)</u>	<u>21,946,610</u>
Less: accumulated depreciation	<u>(8,035,461)</u>	<u>(1,025,763)</u>	<u>187,485</u>	<u>(8,873,739)</u>
Total capital asset, being depreciated, net	<u>12,244,565</u>	<u>854,087</u>	<u>(25,781)</u>	<u>13,072,871</u>
Governmental activities capital assets, net	<u>\$ 12,863,527</u>	<u>\$ 2,641,778</u>	<u>\$ (1,930,324)</u>	<u>\$ 13,574,981</u>

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

<b>Governmental Activities</b>	
General government	\$ 21,353
Public safety	66,406
Municipal airport	38,577
Highways and streets	691,901
Public works	32,520
Parks and recreation	<u>175,006</u>
Total depreciation expense - governmental activities	<u>\$ 1,025,763</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

A summary of business-type capital assets activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Acquisitions	Dispositions	Balance June 30, 2020
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,098,220	\$ -	\$ -	\$ 2,098,220
Construction in progress	1,296,132	2,346,413	(75,451)	3,567,094
Infrastructure	<u>61,425</u>	<u>-</u>	<u>-</u>	<u>61,425</u>
Total capital assets, not being depreciated	<u>3,455,777</u>	<u>2,346,413</u>	<u>(75,451)</u>	<u>5,726,739</u>
Capital assets, being depreciated:				
Infrastructure	10,294,101	252,404	-	10,546,505
Buildings and improvements	10,274,882	5,114	-	10,279,996
Equipment	<u>3,202,914</u>	<u>20,994</u>	<u>(79,745)</u>	<u>3,144,163</u>
Total capital assets, being depreciated	<u>23,771,897</u>	<u>278,512</u>	<u>(79,745)</u>	<u>23,970,664</u>
Less: accumulated depreciation	<u>(10,168,790)</u>	<u>(672,095)</u>	<u>79,745</u>	<u>(10,761,140)</u>
Total capital asset, being depreciated, net	<u>13,603,107</u>	<u>(393,583)</u>	<u>-</u>	<u>13,209,524</u>
Business-type activities capital assets, net	<u>\$ 17,058,884</u>	<u>\$ 1,952,830</u>	<u>\$ (75,451)</u>	<u>\$ 18,936,263</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 325,279
Sewer	<u>346,816</u>
Total depreciation expense - business-type activities	<u>\$ 672,095</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 – LONG-TERM LIABILITIES**

A summary of governmental activities long-term debt transactions for the year ended June 30, 2020 are as follows:

	<u>Balance July 1, 2019</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<i>Notes from direct borrowings and direct placements:</i>					
Westamerica Bank Loan, payable in monthly installments of \$1,626, including interest at 5.50%. Instrument matured on October 1, 2020 and is secured by first trust deed on real property acquired. There is a provision whereby if the City is unable to make payment then all principal and interest becomes immediately due and payable. Additionally, the lender may modify this loan without the consent or of notice to the City.	\$ 25,074	\$ -	\$ (18,579)	\$ 6,495	\$ 6,495
Loan due to the Successor Agency of the Mendota Redevelopment Agency. Interest is calculated and accrued quarterly based on the current rate of interest earned with the California Local Agency Investment Fund. Annual principal reductions of \$10,143, including interest equal to the Local Agency Investment Fund (LAIF) current rate, is payable on January 1 each year until paid in full on January 1, 2024. There is a provision in the loan whereby in an event of default the lender may declare the entire unpaid principal and interest immediately due and payable, with an increase in interest per annum of 10% or the maximum amount permitted by applicable law. Additionally, the lender may modify this loan without the consent or of notice to the City.	<u>273,861</u>	<u>-</u>	<u>(23,259)</u>	<u>250,602</u>	<u>10,143</u>
<i>Total notes from direct borrowings and direct placements:</i>	<u>298,935</u>	<u>-</u>	<u>(41,838)</u>	<u>257,097</u>	<u>16,638</u>
Contractual legal settlement in the case of <i>Warkentine et al. v. Soria et al.</i> , in which the City of Mendota was a party. Initial principal reduction of \$350,000 paid on March 11, 2016, to be followed by five equal, non-interest bearing, annual installments of \$60,000 beginning March 2, 2017. Maturing on March 2, 2021.	120,000	-	(60,000)	60,000	60,000
Compensated absences	<u>74,004</u>	<u>174,548</u>	<u>(156,862)</u>	<u>91,690</u>	<u>10,578</u>
<b>Governmental activities long-term liabilities</b>	<u>\$ 492,939</u>	<u>\$ 174,548</u>	<u>\$ (258,700)</u>	<u>\$ 408,787</u>	<u>\$ 87,216</u>



**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

A summary of business-type activities long-term debt transactions for the year ended June 30, 2020 are as follows:

	<u>Balance July 1, 2019</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
<i>Revenue Bonds:</i>					
Mendota Joint Powers Financing Authority Wastewater Revenue Bonds, Series 2005, payable in annual principal reductions from \$30,000 to \$200,000, interest payable on January 1 and July 1; serial bonds with annual maturities on July 1 beginning in 2006, in amounts from \$30,000 to \$135,000, with interest rates from 3.00% to 4.75%; term bonds in the amount of \$620,000 at 5.10% maturing July 1, 2024, and in the amount of \$1,725,000 at 5.25% maturing July 1, 2035, with annual payments ranging from \$135,000 to \$200,000 beginning 2024. The bonds are secured by revenues received from ownership and operation of the Wastewater Enterprise Fund. There is a provision in the bonds whereby in an event of default the lender may accelerate the installment payments; however, there can be no assurance that there will be sufficient revenue to pay the accelerated amount.					
	\$ 2,610,000	\$ -	\$ (130,000)	\$ 2,480,000	\$ 135,000
Less: unamortized bond discount	<u>(74,893)</u>	<u>-</u>	<u>4,681</u>	<u>(70,212)</u>	<u>-</u>
Subtotal	2,535,107	-	(125,319)	2,409,788	135,000
<i>Notes from direct borrowings and direct placements:</i>					
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum. The loan is secured by a pledge of net revenues.					
	489,000	-	(46,000)	443,000	48,000
Westamerica Bank Loan, payable in monthly installments of \$1,552, including interest at 5.50%. Instrument matures on July 20, 2020 and is secured by three work trucks acquired. There is a provision whereby if the City is unable to make payment then all principal and interest becomes immediately due and payable. Additionally, the lender may modify this loan without the consent or of notice to the City.					
	19,528	-	(17,983)	1,545	1,545
Westamerica Bank Loan, payable in monthly installments of \$610, including interest at 5.25%. Instrument matures on May 21, 2023 and is secured by administrative vehicle acquired. There is a provision whereby if the City is unable to make payment then all principal and interest becomes immediately due and payable. Additionally, the lender may modify this loan without the consent or of notice to the City.					
	25,822	-	(6,088)	19,734	6,425
Mendota Joint Powers Financing Authority Wastewater Certificates of Participation, Series 2010-1, payable in annual principal reductions from \$18,000 to \$110,000 beginning on July 1, 2010 through July 1, 2049, interest payable semi-annually on January 1 and July 1 at the stated interest rate of 4.00%. The loan is secured by a pledge of net revenues. There is a provision in the loan whereby in an event of default the lender may declare the entire unpaid principal and interest immediately due and payable.					
	<u>2,004,000</u>	<u>-</u>	<u>(34,000)</u>	<u>1,970,000</u>	<u>35,000</u>
<i>Total notes from direct borrowings and direct placements:</i>	<u>2,538,350</u>	<u>-</u>	<u>(104,071)</u>	<u>2,434,279</u>	<u>90,970</u>
Signature Bank capital lease obligation, payable in quarterly principal reductions from \$226 to \$120,577 beginning on May 28, 2020 through February 28, 2035, interest payable quarterly on February 28, May 28, August 28 and November 30 at a stated rate of 3.394%. Secured by the solar project acquired. There is a provision whereby if the City is unable to make payment then all principal and interest becomes immediately due and payable. There is also a provision in the lease whereby, in the event of default on other loans that are greater than or equal to \$500,000, the outstanding principal and interest may become immediately due and payable.					
	3,920,000	-	-	3,920,000	54,325
Compensated absences	<u>47,670</u>	<u>114,907</u>	<u>(103,610)</u>	<u>58,967</u>	<u>21,777</u>
<b>Business-type activities long-term liabilities</b>	<u>\$ 9,041,127</u>	<u>\$ 114,907</u>	<u>\$ (333,000)</u>	<u>\$ 8,823,034</u>	<u>\$ 302,072</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

As of June 30, 2020, annual debt service requirements for governmental activities are as follows:

**Westamerica Bank Loan (Land Acquisition)**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	<u>\$ 6,495</u>	<u>\$ 77</u>	<u>\$ 6,572</u>
Total	<u>\$ 6,495</u>	<u>\$ 77</u>	<u>\$ 6,572</u>

**Successor Agency of the Mendota Redevelopment Agency Loan**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	<u>\$ 10,143</u>	<u>\$ 4,026</u>	<u>\$ 14,169</u>
2022	<u>10,143</u>	<u>3,684</u>	<u>13,827</u>
2023	<u>10,143</u>	<u>3,535</u>	<u>13,678</u>
2024	<u>220,173</u>	<u>5,004</u>	<u>225,177</u>
Total	<u>\$ 250,602</u>	<u>\$ 16,249</u>	<u>\$ 266,851</u>

**Contractual Legal Settlement (Warkentine, et. al.)**

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

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

As of June 30, 2020, annual debt service requirements for business-type activities are as follows:

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

Year Ending June 30	Principal	Interest	Totals
2021	\$ 135,000	\$ 123,044	\$ 258,044
2022	145,000	116,213	261,213
2023	150,000	108,838	258,838
2024	160,000	101,088	261,088
2025	165,000	92,963	257,963
2026-2030	665,000	361,916	1,026,916
2031-2035	860,000	166,603	1,026,603
2036	200,000	5,150	205,150
Subtotal	2,480,000	1,075,815	3,555,815
Less: unamortized discount	(70,212)	-	(70,212)
Total	<u>\$ 2,409,788</u>	<u>\$ 1,075,815</u>	<u>\$ 3,485,603</u>

**USDA Water Improvement Loan**

Year Ending June 30	Principal	Interest	Totals
2021	\$ 48,000	\$ 18,855	\$ 66,855
2022	50,000	16,650	66,650
2023	52,000	14,355	66,355
2024	54,000	11,970	65,970
2025	57,000	9,473	66,473
Thereafter	182,000	12,285	194,285
Total	<u>\$ 443,000</u>	<u>\$ 83,588</u>	<u>\$ 526,588</u>

**Westamerica Bank Loan (Vehicles)**

Year Ending June 30	Principal	Interest	Totals
2021	\$ 1,545	\$ 7	\$ 1,552
Total	<u>\$ 1,545</u>	<u>\$ 7</u>	<u>\$ 1,552</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

<b>Westamerica Jeep Cherokee</b>			
Year Ending June 30	Principal	Interest	Totals
2021	\$ 6,425	\$ 895	\$ 7,320
2022	6,775	545	7,320
2023	6,534	175	6,709
Total	<u>\$ 19,734</u>	<u>\$ 1,615</u>	<u>\$ 21,349</u>

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

Year Ending June 30	Principal	Interest	Totals
2021	\$ 35,000	\$ 78,310	\$ 113,310
2022	37,000	76,654	113,654
2023	38,000	75,154	113,154
2024	40,000	73,593	113,593
2025	41,000	72,173	113,173
2026-2030	231,000	333,562	564,562
2031-2035	282,000	282,432	564,432
2036-2040	342,000	220,156	562,156
2041-2045	417,000	144,518	561,518
2046-2050	507,000	52,240	559,240
Total	<u>\$ 1,970,000</u>	<u>\$ 1,408,792</u>	<u>\$ 3,378,792</u>

**Signature Bank Capital Lease Obligation (Solar Project)**

Year Ending June 30	Principal	Interest	Totals
2021	\$ 54,325	\$ 184,835	\$ 239,160
2022	119,326	129,750	249,076
2023	137,523	125,473	262,996
2024	156,993	120,562	277,555
2025	182,784	114,953	297,737
2026-2030	1,312,795	458,576	1,771,371
2031-2035	1,956,254	175,634	2,131,888
Total	<u>\$ 3,920,000</u>	<u>\$ 1,309,783</u>	<u>\$ 5,229,783</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other government entities in the State as a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA). RMA is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to CSJVRMA for its above insurance coverage. The agreement for the formation of CSJVRMA provides that CSJVRMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The financial statements of CSJVRMA can be obtained at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

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

**NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

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

	HOME Investment Partnership Program	Nonmajor Governmental Funds	Total
Unavailable revenues - loans	\$ 1,142,244	\$ 769,828	\$ 1,912,072
Total deferred inflows of resources	<u>\$ 1,142,244</u>	<u>\$ 769,828</u>	<u>\$ 1,912,072</u>

**NOTE 9 – 401(K) PENSION PLAN**

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

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City Council. For each employee in the Plan, the City is required to contribute 5 percent of annual salary and may contribute additional matching contributions to an individual employee account. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code Limits. For the year ended June 30, 2020, employee contributions totaled \$87,353 and the City recognized pension expense of \$13,412, which comprise of contributions made by the City to the Plan.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – 401(K) PENSION PLAN (Continued)**

Employees are immediately vested in their own contributions and earnings on those contributions and become fully vested in City contributions and earnings after completing 3 years of creditable service with the City. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the Plan's administrative expenses and contributions. For the year ended June 30, 2020, there were no forfeitures reported.

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

**A. General Information about the Pension Plan**

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

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

The rate plan provisions and benefits in effect at June 30, 2020 are summarized as follows:

	<u>Miscellaneous PEPRA</u>
Hire date	Prior to on or after January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 - 67
Monthly benefits, as a % of annual salary	1.0% to 2.5%
Required employee contribution rates	6.75%
Required employer contribution rates	6.985%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$308 for the fiscal year ended June 30, 2020.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)**

**A. General Information about the Pension Plan (Continued)**

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

The City’s contributions to the plan that were recognized as a part of pension expense for the year ended June 30, 2020 were \$87,172.

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

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the Plan of \$7,214.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.0000%
Proportion - June 30, 2019	0.0001%
Change - Inrease (Decrease)	0.0001%

For the year ended June 30, 2020, the City recognized pension expense of \$71,017. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 80,969	\$ -
Changes of assumptions	344	122
Differences between actual and expected experience	501	39
Net differences between projected and actual earnings on plan investments	-	126
Change in employer's proportion	10,057	2,529
Differences between the employer's actual contributions and the employer's proportionate share of contributions	<u>97,672</u>	<u>-</u>
Total	<u>\$ 189,543</u>	<u>\$ 2,816</u>

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)**

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

\$80,969 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ending June 30	
2021	\$ 52,095
2022	35,699
2023	17,939
2024	25

**C. Actuarial Assumptions**

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry- Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% <sup>(1)</sup>
Mortality	Derived using CalPERS' Membership Data for all Funds <sup>(2)</sup>

<sup>(1)</sup> Net of pension plan investment expenses, including inflation

<sup>(2)</sup> The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

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

**D. Discount Rate**

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



**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)**

**D. Discount Rate (Continued)**

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

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

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

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

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

<sup>(b)</sup> An expected inflation of 2.00% used for this period

<sup>(c)</sup> An expected inflation of 2.92% used for this period

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

Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
\$ 59,705	\$ 7,214	\$ (36,114)

**E. Pension Plan Fiduciary Net Position**

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

**F. Payable to the Pension Plan**

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

**CITY OF MENDOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – DEFICIT FUND BALANCES/NET POSITIONS**

The following funds had deficit fund equity at June 30, 2020:

Major Funds:

HOME Investment Partnership Program Special Revenue Fund	\$	8,702
Sanitation Fund		29,745

Nonmajor Governmental Funds:

Aviation Assistance Special Revenue Fund		5,530
Streets Capital Projects Fund		25,790

**NOTE 12 – CONTINGENCIES**

**A. Grants**

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.

**B. COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, the State of California has issued Stay At Home Orders which include the temporary closure of all businesses deemed to be nonessential. The most recent Regional Stay At Home Order, effective December 7, 2020 for Fresno County, requires individuals living in the San Joaquin Valley Region to stay at home, except as allowed, to maintain continuity of the federal critical infrastructure sectors. Accordingly, some functions of the City's operations have been limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF MENDOTA**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,909,660	\$ 1,909,660	\$ 2,437,146	\$ 527,486
Licenses and permits	177,000	177,000	214,890	37,890
Intergovernmental	10,500	10,500	58,937	48,437
Charges for services	400,082	400,082	469,738	69,656
Fines	73,000	73,000	108,228	35,228
Revenue from the use of money and property	92,613	92,613	97,277	4,664
Miscellaneous	17,286	16,500	49,963	33,463
	<u>2,680,141</u>	<u>2,679,355</u>	<u>3,436,179</u>	<u>756,824</u>
<b>EXPENDITURES</b>				
Current:				
General government	424,857	571,905	315,974	255,931
Public safety	1,333,357	1,487,449	1,692,331	(204,882)
Highways and streets	18,093	18,093	18,093	-
Public works	64,650	64,650	57,774	6,876
Building and planning	100,862	145,400	137,719	7,681
Parks and recreation	274,911	274,541	365,985	(91,444)
Capital outlay	7,900	1,378,848	750,998	627,850
Debt service:				
Principal	-	23,259	101,838	(78,579)
Interest	14,300	6,741	8,294	(1,553)
	<u>2,238,930</u>	<u>3,970,886</u>	<u>3,449,006</u>	<u>521,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>441,211</u>	<u>(1,291,531)</u>	<u>(12,827)</u>	<u>1,278,704</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	22,371	22,371
Transfers in	-	1,268,651	704,587	(564,064)
Transfers out	(14,300)	(6,741)	-	6,741
	<u>(14,300)</u>	<u>1,261,910</u>	<u>726,958</u>	<u>(534,952)</u>
Net change in fund balance	426,911	(29,621)	714,131	743,752
Fund balance - beginning	<u>1,569,895</u>	<u>1,569,895</u>	<u>1,569,895</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,996,806</u>	<u>\$ 1,540,274</u>	<u>\$ 2,284,026</u>	<u>\$ 743,752</u>

**CITY OF MENDOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEVELOPMENT FEES**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Licenses and permits	\$ 842,829	\$ -	\$ 948,320	\$ 948,320
Revenue from the use of money and property	-	-	1,731	1,731
Total revenues	<u>842,829</u>	<u>-</u>	<u>950,051</u>	<u>950,051</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	39,944	39,944	35,279	4,665
Capital outlay	<u>1,604,271</u>	<u>292,941</u>	<u>437,052</u>	<u>(144,111)</u>
Total expenditures	<u>1,644,215</u>	<u>332,885</u>	<u>472,331</u>	<u>(139,446)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(801,386)</u>	<u>(332,885)</u>	<u>477,720</u>	<u>810,605</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	<u>(704,587)</u>	<u>(704,587)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(704,587)</u>	<u>(704,587)</u>
Net change in fund balance	(801,386)	(332,885)	(226,867)	106,018
Fund balance - beginning	<u>493,091</u>	<u>493,091</u>	<u>493,091</u>	<u>-</u>
Fund balance - ending	<u>\$ (308,295)</u>	<u>\$ 160,206</u>	<u>\$ 266,224</u>	<u>\$ 106,018</u>

**CITY OF MENDOTA**

**BUDGETARY COMPARISON SCHEDULE  
LOCAL TRANSPORTATION FEES  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 395,875	\$ 428,082	\$ 527,591	\$ 99,509
Intergovernmental	-	450,000	241,262	(208,738)
Revenue from the use of money and property	<u>100</u>	<u>100</u>	<u>724</u>	<u>624</u>
Total revenues	<u>395,975</u>	<u>878,182</u>	<u>769,577</u>	<u>(108,605)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	234,568	228,326	190,325	38,001
Capital outlay	<u>161,407</u>	<u>649,856</u>	<u>262,214</u>	<u>387,642</u>
Total expenditures	<u>395,975</u>	<u>878,182</u>	<u>452,539</u>	<u>425,643</u>
Net change in fund balance	-	-	317,038	317,038
Fund balance - beginning	<u>499,817</u>	<u>499,817</u>	<u>499,817</u>	<u>-</u>
Fund balance - ending	<u>\$ 499,817</u>	<u>\$ 499,817</u>	<u>\$ 816,855</u>	<u>\$ 317,038</u>



**CITY OF MENDOTA**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2020**

**BUDGETARY BASIS OF ACCOUNTING**

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

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

Once a budget is approved, it can be amended only by approval of a 4/5<sup>ths</sup> 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.

A budget was not prepared for the HOME Investment Partnership Program fund for the year ended June 30, 2020. Accordingly, a budgetary comparison schedule is not presented.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

As of June 30, 2020, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Public safety	\$ 204,882
Parks and recreation	91,444
Principal	78,579
Interest	1,553
Development Fee Fund:	
Capital outlay	144,111

**CITY OF MENDOTA**

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Proportion of the net pension liability (asset)	0.0000%	0.0000%	0.0001%
Proportionate share of the net pension liability (asset)	\$ -	\$ (3,773)	\$ 7,214
Covered payroll	\$ 902,792	\$ 1,141,007	\$ 1,274,069
Proportionate share of the net pension liability (asset) as percentage of covered payroll	0.00%	-0.33%	0.57%
Plan fiduciary net position as a percentage of the total pension liability (asset)	0.00%	102.66%	98.15%

**NOTES TO SCHEDULE**

**Changes in Benefit Terms:** None

**Changes of Assumptions:** None

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

**CITY OF MENDOTA**

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially required contribution (actuarially determined)	\$ 59,178	\$ 74,542	\$ 87,172	\$ 80,969
Contributions in relation to the actuarially determined contributions	<u>59,178</u>	<u>74,542</u>	<u>87,172</u>	<u>80,969</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 902,792	\$ 1,141,007	\$ 1,274,069	\$ 1,154,780
Contributions as a percentage of covered payroll	6.55%	6.53%	6.84%	7.01%

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

## SUPPLEMENTARY INFORMATION

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**CITY OF MENDOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,091,103	\$ 1,043,548	\$ 3,134,651
Receivables	<u>1,110,262</u>	<u>306</u>	<u>1,110,568</u>
Total assets	<u>\$ 3,201,365</u>	<u>\$ 1,043,854</u>	<u>\$ 4,245,219</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 28,181	\$ -	\$ 28,181
Due to other funds	<u>5,508</u>	<u>25,803</u>	<u>31,311</u>
Total liabilities	<u>33,689</u>	<u>25,803</u>	<u>59,492</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - loans	<u>769,828</u>	<u>-</u>	<u>769,828</u>
Total deferred inflows of resources	<u>769,828</u>	<u>-</u>	<u>769,828</u>
<b>FUND BALANCES (DEFICIT)</b>			
Restricted for:			
Redevelopment and housing	853,421	-	853,421
Public safety	199,599	957,654	1,157,253
Highways and streets	1,288,159	86,187	1,374,346
Parks and recreation	42,372	-	42,372
Assigned to:			
Public safety	19,827	-	19,827
Unassigned	<u>(5,530)</u>	<u>(25,790)</u>	<u>(31,320)</u>
Total fund balances (deficit)	<u>2,397,848</u>	<u>1,018,051</u>	<u>3,415,899</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 3,201,365</u>	<u>\$ 1,043,854</u>	<u>\$ 4,245,219</u>

**CITY OF MENDOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
<b>REVENUES</b>			
Taxes	\$ 783,254	\$ -	\$ 783,254
Intergovernmental	969,464	-	969,464
Loan repayments	144,598	-	144,598
Use of money and property	2,800	1,392	4,192
Miscellaneous	<u>43,872</u>	<u>-</u>	<u>43,872</u>
Total revenues	<u>1,943,988</u>	<u>1,392</u>	<u>1,945,380</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	562,555	-	562,555
Municipal airport	7,989	-	7,989
Highways and streets	351,972	59,424	411,396
Parks and recreation	22,328	-	22,328
Redevelopment and housing	10,600	-	10,600
Capital outlay	<u>317,327</u>	<u>-</u>	<u>317,327</u>
Total expenditures	<u>1,272,771</u>	<u>59,424</u>	<u>1,332,195</u>
Net change in fund balances	671,217	(58,032)	613,185
Fund balances (deficit) - beginning	<u>1,726,631</u>	<u>1,076,083</u>	<u>2,802,714</u>
Fund balances (deficit) - ending	<u>\$ 2,397,848</u>	<u>\$ 1,018,051</u>	<u>\$ 3,415,899</u>

**CITY OF MENDOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
JUNE 30, 2020**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Police Grants</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 469,012	\$ -	\$ 65,241
Receivables	<u>135</u>	<u>-</u>	<u>21</u>
Total assets	<u>\$ 469,147</u>	<u>\$ -</u>	<u>\$ 65,262</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 22	\$ -
Due to other funds	<u>-</u>	<u>5,508</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>5,530</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - loans	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable:			
Restricted for:			
Redevelopment and housing	469,147	-	-
Public safety	-	-	45,435
Highways and streets	-	-	-
Parks and recreations	-	-	-
Assigned to:			
Public safety	-	-	19,827
Unassigned	<u>-</u>	<u>(5,530)</u>	<u>-</u>
Total fund balances (deficit)	<u>469,147</u>	<u>(5,530)</u>	<u>65,262</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 469,147</u>	<u>\$ -</u>	<u>\$ 65,262</u>



**CITY OF MENDOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
JUNE 30, 2020  
(Continued)**

	<u>Gas Tax</u>	<u>Measure C</u>	<u>CDBG Program</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 723,284	\$ 257,050	\$ 384,173
Receivables	<u>205,044</u>	<u>129,805</u>	<u>769,929</u>
Total assets	<u>\$ 928,328</u>	<u>\$ 386,855</u>	<u>\$ 1,154,102</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 18,650	\$ 8,374	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>18,650</u>	<u>8,374</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - loans	<u>-</u>	<u>-</u>	<u>769,828</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>769,828</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable:			
Restricted for:			
Redevelopment and housing	-	-	384,274
Public safety	-	-	-
Highways and streets	909,678	378,481	-
Parks and recreations	-	-	-
Assigned to:			
Public safety	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>909,678</u>	<u>378,481</u>	<u>384,274</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 928,328</u>	<u>\$ 386,855</u>	<u>\$ 1,154,102</u>

**CITY OF MENDOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
JUNE 30, 2020  
(Continued)**

	<u>Mendota CFD</u>	<u>Mendota Community Corporation</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 149,983	\$ 42,360	\$ 2,091,103
Receivables	<u>5,316</u>	<u>12</u>	<u>1,110,262</u>
Total assets	<u>\$ 155,299</u>	<u>\$ 42,372</u>	<u>\$ 3,201,365</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,135	\$ -	\$ 28,181
Due to other funds	<u>-</u>	<u>-</u>	<u>5,508</u>
Total liabilities	<u>1,135</u>	<u>-</u>	<u>33,689</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - loans	<u>-</u>	<u>-</u>	<u>769,828</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>769,828</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable:			
Restricted for:			
Redevelopment and housing	-	-	853,421
Public safety	154,164	-	199,599
Highways and streets	-	-	1,288,159
Parks and recreations	-	42,372	42,372
Assigned to:			
Public safety	-	-	19,827
Unassigned	<u>-</u>	<u>-</u>	<u>(5,530)</u>
Total fund balances (deficit)	<u>154,164</u>	<u>42,372</u>	<u>2,397,848</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 155,299</u>	<u>\$ 42,372</u>	<u>\$ 3,201,365</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, 2020**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Police Grants</u>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	10,000	155,948
Loan repayments	121,098	-	-
Use of money and property	710	-	84
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>121,808</u>	<u>10,000</u>	<u>156,032</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	-	-	175,163
Municipal airport	-	7,989	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Redevelopment and housing	10,600	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>10,600</u>	<u>7,989</u>	<u>175,163</u>
Net change in fund balances	111,208	2,011	(19,131)
Fund balances (deficit) - beginning	<u>357,939</u>	<u>(7,541)</u>	<u>84,393</u>
Fund balances (deficit) - ending	<u>\$ 469,147</u>	<u>\$ (5,530)</u>	<u>\$ 65,262</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, 2020  
(Continued)**

	<u>Gas Tax</u>	<u>Measure C</u>	<u>CDBG Program</u>
<b>REVENUES</b>			
Taxes	\$ -	\$ 354,865	\$ -
Intergovernmental	693,374	110,142	-
Loan repayments	-	-	23,500
Use of money and property	1,026	369	478
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>694,400</u>	<u>465,376</u>	<u>23,978</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	-	-	-
Municipal airport	-	-	-
Highways and streets	116,049	235,923	-
Parks and recreation	-	-	-
Redevelopment and housing	-	-	-
Capital outlay	<u>187,566</u>	<u>129,761</u>	<u>-</u>
Total expenditures	<u>303,615</u>	<u>365,684</u>	<u>-</u>
Net change in fund balances	390,785	99,692	23,978
Fund balances (deficit) - beginning	<u>518,893</u>	<u>278,789</u>	<u>360,296</u>
Fund balances (deficit) - ending	<u>\$ 909,678</u>	<u>\$ 378,481</u>	<u>\$ 384,274</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, 2020  
(Continued)**

	<u>Mendota CFD</u>	<u>Mendota Community Corporation</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes	\$ 428,389	\$ -	\$ 783,254
Intergovernmental	-	-	969,464
Loan repayments	-	-	144,598
Use of money and property	57	76	2,800
Miscellaneous	-	43,872	43,872
	<u>428,446</u>	<u>43,948</u>	<u>1,943,988</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
Public safety	387,392	-	562,555
Municipal airport	-	-	7,989
Highways and streets	-	-	351,972
Parks and recreation	-	22,328	22,328
Redevelopment and housing	-	-	10,600
Capital outlay	-	-	317,327
	<u>387,392</u>	<u>22,328</u>	<u>1,272,771</u>
Total expenditures			
Net change in fund balances	41,054	21,620	671,217
Fund balances (deficit) - beginning	113,110	20,752	1,726,631
Fund balances (deficit) - ending	<u>\$ 154,164</u>	<u>\$ 42,372</u>	<u>\$ 2,397,848</u>

**CITY OF MENDOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2020**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Police Building</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 86,163	\$ -	\$ 957,385	\$ 1,043,548
Receivables	<u>24</u>	<u>13</u>	<u>269</u>	<u>306</u>
Total assets	<u>\$ 86,187</u>	<u>\$ 13</u>	<u>\$ 957,654</u>	<u>\$ 1,043,854</u>
<b>LIABILITIES</b>				
Due to other funds	<u>\$ -</u>	<u>\$ 25,803</u>	<u>\$ -</u>	<u>\$ 25,803</u>
Total liabilities	<u>-</u>	<u>25,803</u>	<u>-</u>	<u>25,803</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted to:				
Public safety	-	-	957,654	957,654
Highways and streets	86,187	-	-	86,187
Unassigned	<u>-</u>	<u>(25,790)</u>	<u>-</u>	<u>(25,790)</u>
Total fund balances (deficit)	<u>86,187</u>	<u>(25,790)</u>	<u>957,654</u>	<u>1,018,051</u>
Total fund balances (deficit)	<u>\$ 86,187</u>	<u>\$ 13</u>	<u>\$ 957,654</u>	<u>\$ 1,043,854</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, 2020**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Police Building</u>	<u>Total</u>
<b>REVENUES</b>				
Use of money and property	\$ 112	\$ 45	\$ 1,235	\$ 1,392
Total revenues	<u>112</u>	<u>45</u>	<u>1,235</u>	<u>1,392</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets	-	<u>59,424</u>	-	<u>59,424</u>
Total expenditures	<u>-</u>	<u>59,424</u>	<u>-</u>	<u>59,424</u>
Net change in fund balances	112	(59,379)	1,235	(58,032)
Fund balances (deficit)- beginning	<u>86,075</u>	<u>33,589</u>	<u>956,419</u>	<u>1,076,083</u>
Fund balances (deficit) - ending	<u>\$ 86,187</u>	<u>\$ (25,790)</u>	<u>\$ 957,654</u>	<u>\$ 1,018,051</u>

OTHER AUDITOR'S REPORT



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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 Honorable Mayor and City Council  
City of Mendota, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Mendota, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 19, 2021.

#### 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) as a basis for designing 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

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## **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 financial statements. 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*.

## **City of Mendota'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.



Clovis, California  
January 19, 2021

## FINDINGS AND QUESTIONED COSTS

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**CITY OF MENDOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2020-001 –Bank Reconciliation (Significant Deficiency)**

**Condition:** Bank reconciliations were not prepared and reviewed in a timely manner. Bank statements accumulated for several months before they were reconciled to the appropriate general ledger accounts.

**Criteria:** A strong system of internal control requires that bank reconciliations be properly prepared and reviewed in a timely manner. Additionally, without the presence of other mitigating controls, the bank reconciliations should be prepared and/or reviewed by someone without access to the City’s assets.

**Cause:** The Finance Department was short-staffed and, accordingly, unable to prioritize the preparation of the bank reconciliations. Additionally, in the absence of a Finance Department employee, the City did not develop controls allowing for a person without access to the City’s assets to prepare and/or review the bank reconciliations.

**Effect:** Without a timely preparation of the bank reconciliations and a review by someone without access to the City’s assets, errors or fraud may not be recognized and resolved in a timely manner.

**Recommendation:** We recommend bank reconciliations are prepared and reviewed monthly as quickly as possible, but no later than 30 days after month-end. Additionally, we recommend they are prepared and/or reviewed by someone without access to the City’s assets.

**Client’s Response:** It is the City’s understanding that the timeline in which bank reconciliations should be completed were not previously discussed with the Finance Department. Previously, the deadline for which bank reconciliations should be completed was not thirty (30) days after month-end. Due to the lack of information, staff (specifically the Finance Officer) was unable to ensure that the City prepared the bank reconciliations in a timely manner. Despite this fact, bank statements were being reviewed for returned checks, direct deposits received for the prison utility payment, and bond payment withdrawals. Furthermore, the quarterly reporting for the Federal and State taxes were completed in a timely manner since there is a specified deadline, as such, all reporting was completed. Moreover, should staff have been aware that there is a specified period in which bank reconciliations should be completed, the task would have been done in a timely manner.

It is also important to take into account that the Finance Department was short-staffed. Two full-time senior-ranking employees were on long-term leave during portions of the year, and one full-time employee was laid-off. As a result of these changes in personnel, the Finance Department was left with two (2) employees to complete all finance tasks for the City as well as other tasks as assigned, including processing building permits, utility payments, and bank deposits, apply for grants, post revenues, process a bi-weekly payroll, process business license payments, prepare and deliver the fiscal year budget for 2020-2021, and various other duties within the Finance Department. Additionally, the ongoing COVID-19 pandemic created additional tasks for the department aside from those conducted during normal operations and in numerous complications that created burdens for the department.

**CITY OF MENDOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

(Continued)

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2020-002 – Segregation of Duties over Payroll (Significant Deficiency)**

**Condition:** Segregation of duties over payroll processing did not exist during the fiscal year.

**Criteria:** A strong system of internal control requires segregation of duties exist for all significant transaction cycles, including cash receipts, cash disbursements, and payroll.

**Cause:** The Finance Department was short-staffed and accordingly, the same employee was responsible for all functions of the payroll process, including updating pay rates and processing payroll without a subsequent review.

**Effect:** A lack of segregation of duties in any transaction class could result in a material error or fraud.

**Recommendation:** We recommend the City cross-train employees in a manner that allows for an adequate segregation of duties over all transaction classes when the Finance Department is short-staffed. This would include different employees authorize transactions, process transactions, have custody or access to the City's assets, and review transactions. When all of those activities cannot be adequately segregated, other mitigating controls should be designed and implemented to minimize the possibility of error or fraud occurring.

**Client's Response:** Prior to August 2019, payroll processing was completed by the Finance Officer or Finance Director. Due to the Finance Director's leave of absence that began in August 2019 and the lack of trained management employees, payroll processing was solely completed by the Finance Officer as it was impossible to allow for a segregation of duties. However, when Price, Paige & Company met with staff to discuss internal controls, this deficiency was discussed and the City immediately corrected the condition and assigned an additional management employee to be cross-trained and allow for a segregation of duties.

Despite the fact that this condition has resulted in a finding, it is important to note that this condition was only caused due to the Finance Director taking an unexpected long-term leave of absence and thus removing the secondary employee to allow for the segregation of duties. Given that the staffing within the Finance Department was not at full capacity, it was extremely difficult to ensure that the segregation of duties existed during the absence of the Finance Director. However, as noted earlier, once the City was informed that the condition could not continue as is during the absence of the Finance Director, it ensured that another employee was cross-trained to allow for an adequate segregation of duties over all transaction classes when the Finance Department is short-staffed.

There are other mechanisms in place to avoid fraud or error. The pay rates are submitted by a separate department and approved by the City Manager and Supervisor. Although input by the Finance Department, the pay rate is not generated by the Finance Department. Additionally, there are two signatures required for payroll checks.

**CITY OF MENDOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT FINDINGS**

None reported.