

**CITY OF MENDOTA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2017**

CITY OF MENDOTA
FINANCIAL STATEMENTS
JUNE 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Clovis, CA 93612
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fax 559.299.2344

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3-13, budgetary comparison information on pages 62-64, proportionate share of net pension liability on page 65, and schedule of contributions on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The combining 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 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 December 4, 2017 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
December 4, 2017

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The management of the City of Mendota (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. 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 \$31,296,727 (net position). Of this amount, \$2,008,773 (unrestricted net position) may be used to meet the City's ongoing obligation to its citizens and creditors.

The City's total net position increased by \$1,049,566 from the prior fiscal year. Governmental activities increased the City's total net position by \$652,576 and business-type activities increased by \$396,990. The overall increase in net position is due to several factors. The business-type activities of the City, which represent utility service for water, sewer and waste disposal, benefitted from a significant increase in one-time impact fees for water and sewer service collected for planned residential and commercial development in the City, coupled with higher service revenue over the prior year. These revenue increases were partially offset by higher depreciation expense recorded on water and sewer infrastructure facilities. With regard to the governmental-type activities, the City was the beneficiary of a \$950,000 budget allocation awarded by the State of California for the acquisition of a police operations facility during the fiscal year. This one-time increase was offset by lower fees for planning/zoning services and police services as compared to the prior fiscal year. In addition, higher employee related wages and benefits expense, particularly in public safety, contributed to the offset of the one-time revenue received from the State of California.

At June 30, 2017, the City's governmental funds reported combined ending fund balances of \$4,538,399, an increase of \$820,066 in comparison with the prior year. As discussed in the preceding paragraph, the receipt of a one-time budget allocation from the State of California, coupled by lower capital expenditures, and partially offset by a reduction in service revenue and an increase in public safety expenditures, are the primary reasons for the increase in the overall reporting of governmental funds in comparison to the prior fiscal year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$235,955. This represents a \$587,508 decrease from the unassigned fund balance of \$823,463 reported at June 30, 2016. The decrease from the prior year is primarily the result of lower service revenue, coupled with higher wages and related benefits related primarily to public safety, and increased debt service outlays related to obligations of the General Fund as compared to the prior fiscal year. In addition to the above operational decreases, the General Fund transferred \$156,094 in funds during the fiscal year to eliminate the cash overdraft of a debt service fund devoted to servicing the redemption of a general obligation liability of the City, which further reduced the unassigned fund balance in comparison to the prior year.

The City's total long-term debt of \$6,207,181 decreased by \$486,002 compared to last year. The decrease is the result of scheduled principal payments on the City's existing outstanding debt during the fiscal year, coupled with the early redemption of the outstanding Mendota Joint Powers Financing Authority Series 1989 Revenue Bonds on October 19, 2016.

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.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 included water, sewer, refuse, and the Mendota Joint Powers Public Financing Authority.

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

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

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

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

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

The City maintains 43 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, HOME Investment Partnership Program Special Revenue Fund, Measure C Special Revenue Fund, Police Building Capital Project Fund, and the Community Development Block Grant 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 22 through 28 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 29 through 32 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

The basic fiduciary fund financial statements can be found on pages 33 through 34 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 36 through 60 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 62 through 66 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 68 through 77.

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 \$31,296,727 at June 30, 2017.

**City of Mendota
Condensed Statement of Net Position
June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 6,952,651	\$ 6,064,454	\$ 3,500,776	\$ 3,189,605	\$ 10,453,427	\$ 9,254,059
Capital assets	11,980,010	12,300,781	15,748,993	16,145,748	27,729,003	28,446,529
Total assets	<u>18,932,661</u>	<u>18,365,235</u>	<u>19,249,769</u>	<u>19,335,353</u>	<u>38,182,430</u>	<u>37,700,588</u>
Total deferred outflows of resources	<u>27,425</u>	<u>-</u>	<u>31,753</u>	<u>-</u>	<u>59,178</u>	<u>-</u>
Long-term liabilities	700,539	819,038	5,506,642	5,874,145	6,207,181	6,693,183
Other liabilities	265,062	204,288	472,638	555,956	737,700	760,244
Total liabilities	<u>965,601</u>	<u>1,023,326</u>	<u>5,979,280</u>	<u>6,430,101</u>	<u>6,944,881</u>	<u>7,453,427</u>
Net position:						
Net investment in capital assets	11,595,694	11,548,900	10,281,094	10,345,222	21,876,788	21,894,122
Restricted	6,452,026	3,222,382	959,140	943,787	7,411,166	4,166,169
Unrestricted	(53,235)	2,570,627	2,062,008	1,616,243	2,008,773	4,186,870
Total net position	<u>\$ 17,994,485</u>	<u>\$ 17,341,909</u>	<u>\$ 13,302,242</u>	<u>\$ 12,905,252</u>	<u>\$ 31,296,727</u>	<u>\$ 30,247,161</u>

The largest portion of the City's net position, \$21,876,788 (70 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 \$2,008,773 (6 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 \$7,411,166 (24 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net position by \$625,573, accounting for 62 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, 2017**

**City of Mendota
Condensed Statement of Activities
For the Years Ended June 30, 2017 and 2016**

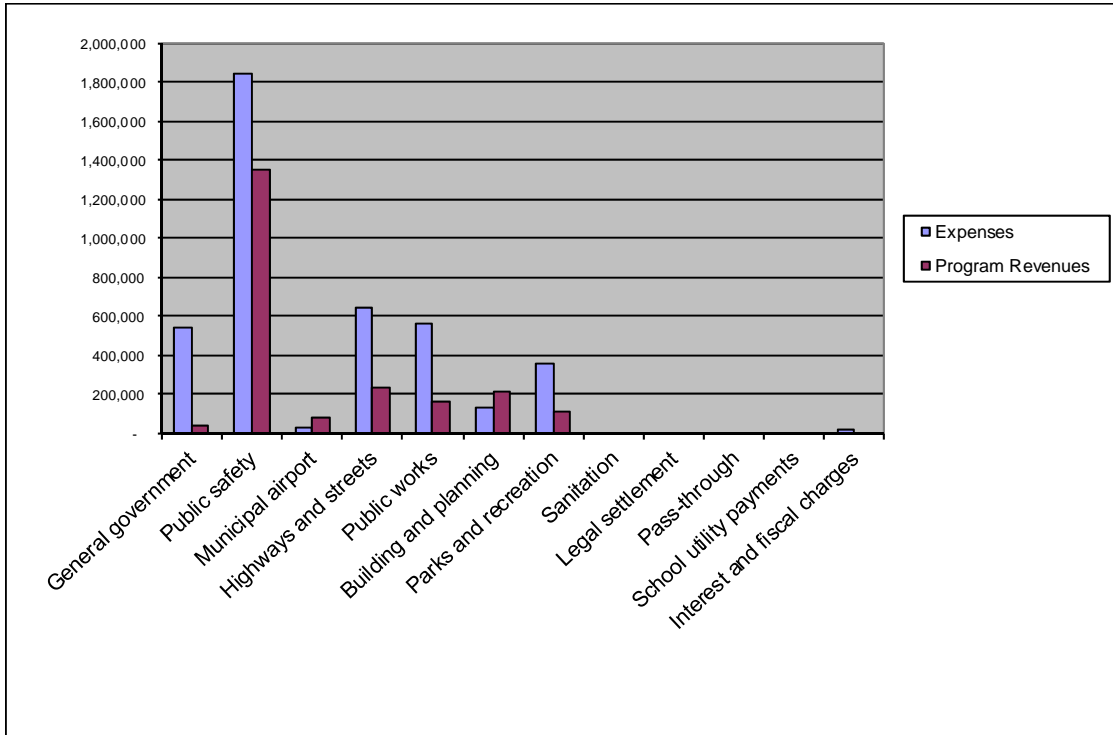
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 693,820	\$ 678,976	\$ 3,914,541	\$ 3,506,682	\$ 4,608,361	\$ 4,185,658
Operating grants and contributions	388,750	436,695	196,718	116,447	585,468	553,142
Capital grants and contributions	1,106,321	284,487	-	5,390	1,106,321	289,877
General revenues:						
Property taxes	1,009,370	1,026,176	-	-	1,009,370	1,026,176
Sales tax	527,888	447,086	-	-	527,888	447,086
Franchise taxes	110,595	115,100	-	-	110,595	115,100
Other taxes	850,078	756,207	-	-	850,078	756,207
Earnings on investments	7,954	4,775	18,617	21,312	26,571	26,087
Miscellaneous	137,582	155,458	119,664	1,150	257,246	156,608
Total revenues	4,832,358	3,904,960	4,249,540	3,650,981	9,081,898	7,555,941
Expenses:						
General government	537,285	587,810	-	-	537,285	587,810
Public safety	1,838,312	1,676,776	-	-	1,838,312	1,676,776
Municipal airport	25,036	26,748	-	-	25,036	26,748
Highways and streets	646,398	594,399	-	-	646,398	594,399
Public works	559,665	525,933	-	-	559,665	525,933
Building and planning	131,298	280,040	-	-	131,298	280,040
Parks and recreation	360,426	421,614	-	-	360,426	421,614
Redevelopment and housing	11,770	5,080	-	-	11,770	5,080
Sanitation	-	-	-	-	-	-
Legal settlement	-	650,000	-	-	-	650,000
Interest and fiscal charges	15,165	17,332	-	-	15,165	17,332
Water	-	-	1,724,153	1,717,634	1,724,153	1,717,634
Sewer	-	-	1,427,957	1,469,857	1,427,957	1,469,857
Refuse	-	-	697,275	686,070	697,275	686,070
Mendota Joint Powers Financing Authority	-	-	3,165	13,014	3,165	13,014
Total expenses	4,179,782	4,785,732	3,852,550	3,886,575	8,032,332	8,672,307
Increase (decrease) in net position	652,576	(880,772)	396,990	(235,594)	1,049,566	(1,116,366)
Net position - beginning	17,341,909	18,222,681	12,905,252	13,140,846	30,247,161	31,363,527
Net position - ending	<u>\$ 17,994,485</u>	<u>\$ 17,341,909</u>	<u>\$ 13,302,242</u>	<u>\$ 12,905,252</u>	<u>\$ 31,296,727</u>	<u>\$ 30,247,161</u>

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

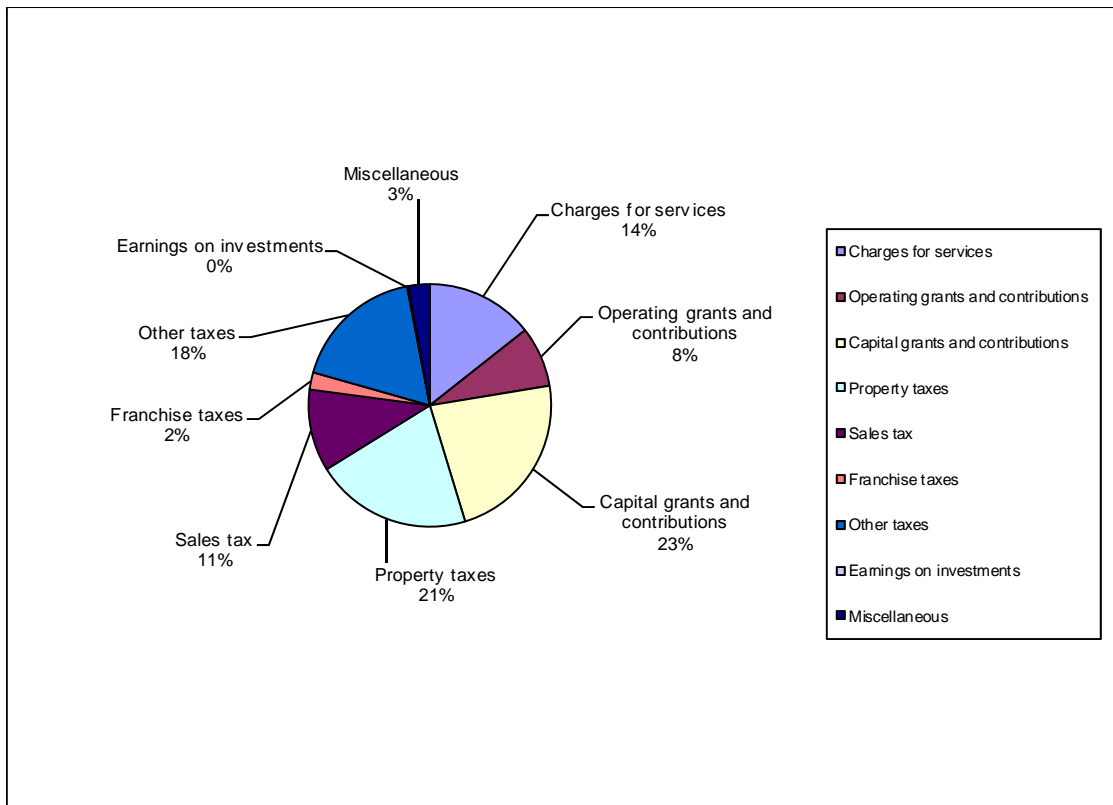
- Charges for services increased by \$14,844 to \$693,820 from the prior year. The increase is due primarily to an increase in permit revenue for use of City park facilities and building permits issued to area developers for residential and commercial projects. These increases were partially offset by a decrease in planning and zoning service fees, along with a decrease in police service revenue for contracted private events and motor vehicle fines.
- Governmental operating grants decreased by \$47,945 from the prior year to \$388,750. The decrease can be attributed to lower state gasoline tax revenues, coupled with a reduction in a state aviation operational grant.
- Governmental capital grants increased \$821,834 to \$1,106,321 during the fiscal year. The increase is due primarily to receipt of state funds for the acquisition of a police operational facility and aviation equipment, offset by lower federal and state highway grants.
- Sales tax revenue increased \$80,802 or 18% over the prior fiscal year. The increase can be attributed to several new retail businesses along the Highway 33 corridor, which opening during the current fiscal year.
- Other Taxes increased by \$93,871 to \$850,078. The increase is due to higher federal gas tax revenues received as compared to the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

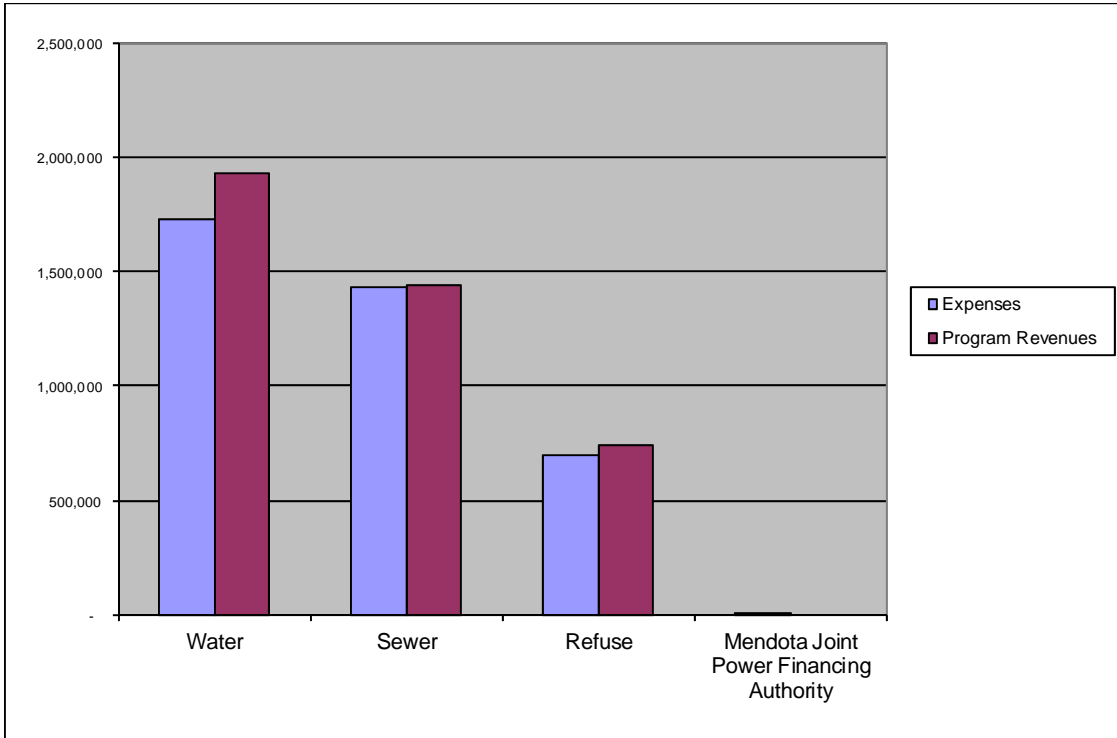
- General government expenses decreased by \$50,525 to \$537,285 in 2017. The decrease is due primarily to a reduction in legal and contract service fees as compared to the prior fiscal year, coupled with lower administrative salaries and related benefits.
- Public safety expenses increased by \$161,536 or approximately 9% from the prior year. Salaries and related employee benefits related to police personnel increased by approximately \$117,000 during the current fiscal year, as the department continues to expand its force and pay competitive wages and benefits. In addition, dispatch services provided by the City of Firebaugh increased by \$25,000 over the prior year.
- Highways and streets expenditures increased by \$51,999 or 9% to \$646,398. During the current fiscal year, the City devoted more internal labor resources to general street repair and maintenance than it has in prior years, resulting in higher wage and employee benefits paid as compared to the prior fiscal year.
- Public works expenses increased by \$33,732 to \$559,665. The increase is due almost exclusively to an increase in depreciation expense for large infrastructure projects placed in service during the current and prior years.
- Building and planning expenses decreased by \$148,742 or 53% to \$131,298. In direct correlation with the significant decrease in planning and zoning service revenue during the year, the need for outside services provided by engineering and legal firms to the City for permitting and zoning have decreased as well, resulting in the reported overall decrease in expenditures as compared to the prior year.
- Parks and recreation expenses decreased by \$61,188 or 15% to \$360,426. The decrease is primarily attributable to employee wages and related benefits. As discussed above, the City shifted additional labor resources to general street repair and maintenance during the current fiscal year, resulting in overall lower costs to the parks as compared to the prior fiscal year.
- In the case of *Warkentine et al v. Soria et al*, in which the City was a defendant, a legal settlement in the amount of \$650,000 was agreed to by the parties on March 2, 2016, and reported for the fiscal year ended June 30, 2016. There were no reportable amounts related to this or any other legal settlement for the fiscal year ended June 30, 2017.
- Interest and fiscal charges decreased by \$2,167, which correlates with scheduled interest payments on existing debt.

Business-type activities. Business-type activities increased the City's net position by \$396,990 over the prior fiscal year. Key elements of this decrease are as follows:

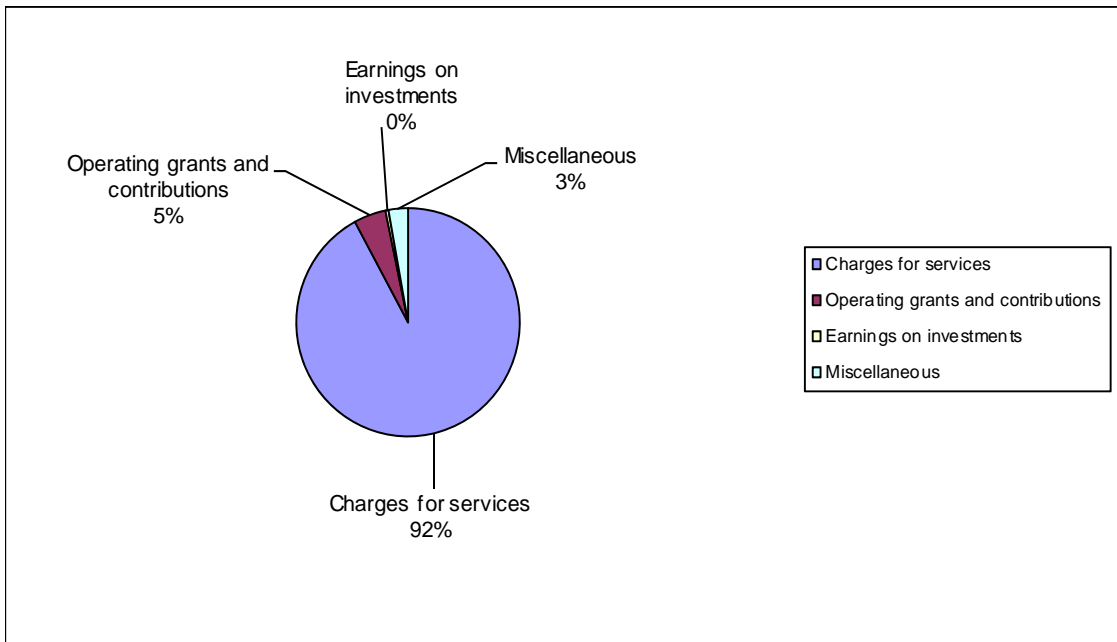
- Service revenue for the business-type activities increased by \$407,859 or 12% over the previous year. The increase is due primarily to an across the board increase in its customer base for water, sewer and sanitation enacted midway during the prior fiscal year. In addition, an easing in state water restrictions due to the California drought during the current fiscal year resulted in improved water sales by the City, as well.
- Operating grants and developer contributions for the business-type activities increased by \$80,271 or 69% over the previous year. The substantial increase is directly related to the increase in building permits issued by the City during the current fiscal year. Assessments for water and sewer impact fees are calculated and paid at the time the permit is issued.
- Expenses of the Water Enterprise Fund increased by \$6,519 to \$1,724,153 during the year. The decrease is due primarily to lower utility costs incurred due to efficiencies implemented in the prior fiscal year and lower professional fees for engineering, partially offset by higher facility repair costs and depreciation on infrastructure.
- Expenses of the Sewer Enterprise Fund decreased by 41,900 or 3% from the prior fiscal year. The decrease can be attributed to lower professional fees for engineering services as compared to the prior year.
- Expenses of the Refuse Enterprise Fund increased by \$11,205 or 2% from the prior fiscal year. The increase is due exclusively to higher charges paid to the City's subcontracted service provider.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Expenses and Program Revenue – Business-Type Activities



Revenue by Source – Business-Type Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 \$4,538,399, an increase of \$820,066 in comparison with the prior year. Of this total amount, \$4,510,534 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$27,865 at June 30, 2017. This represents a decrease of \$429,743 over the prior year unassigned fund balance of \$457,608 at June 30, 2016.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Current year expenditures for the General Fund total \$2,513,865 at June 30, 2017; the unassigned General Fund balance is currently showing a balance of \$235,955 at June 30, 2017.

The fund balance of the City's General Fund decreased by \$510,385 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year.

**Revenue by Source
GENERAL FUND**

	FY 2017		FY2016		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes	\$ 1,562,837	72.37%	\$ 1,539,674	67.32%	\$ 23,163	-18.16%
Licenses and permits	132,933	6.16%	128,325	5.61%	4,608	-3.61%
Intergovernmental	97,599	4.52%	80,232	3.51%	17,367	-13.62%
Charges for services	160,649	7.44%	284,922	12.46%	(124,273)	97.45%
Fines	91,579	4.24%	136,752	5.98%	(45,173)	35.42%
Revenue from the use of money and property	71,627	3.32%	73,999	3.24%	(2,372)	1.86%
Proceeds from sale of capital assets	2,671	0.12%	117	0.01%	2,554	-2.00%
Miscellaneous	39,679	1.84%	43,083	1.88%	(3,404)	2.67%
Total	\$ 2,159,574	100.00%	\$ 2,287,104	100.00%	\$ (127,530)	100.00%

- Taxes increased by \$23,163 or 1% as compared to the prior fiscal year. The increase is attributable to higher sales tax revenue received as the result of several new retail business establishments opening during the current fiscal year, partially offset by lower property tax revenue.
- Licenses and permits revenue increased by \$4,608 or 4% from the prior year. The growth in revenue can be attributed to an increase in building permits over the prior fiscal year.
- Intergovernmental revenue increased by \$17,367 to \$97,599 due primarily to an increase in motor vehicle fees allocated to the City by the State of California during the current fiscal year.
- Charges for services decreased \$124,273 or 44%. The significant decrease is due to lower planning and zoning fee revenue received during the year. Several new retail establishments were zoned by the City on the Highway 33 corridor in the prior fiscal year. There was no similar activity in the current fiscal year.
- Revenue from fines decreased \$45,173 or 33% from the prior fiscal year. Police service revenue from fines for repossessed vehicles and DUI convictions dropped significantly from the prior fiscal year due in part to successful efforts by the department starting in the prior fiscal year to educate and inform the community.
- The \$2,372 decrease in revenue from the use of money and property is due to lower rent income received on City owned property, offset by higher interest earnings on invested funds.
- Miscellaneous revenue decreased by \$3,404 due to receipt of one-time revenue during the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

**Expenditures by Function
GENERAL FUND**

	FY 2017		FY2016		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	\$ 506,405	20.14%	\$ 548,965	21.37%	\$ (42,560)	77.57%
Public safety	1,446,794	57.55%	1,282,703	49.94%	164,091	-299.07%
Public works	77,908	3.10%	89,013	3.47%	(11,105)	20.24%
Building and planning	133,269	5.30%	218,741	8.52%	(85,472)	155.78%
Parks and recreation	204,026	8.12%	258,632	10.07%	(54,606)	99.52%
Capital outlay	-	0.00%	112,025	4.36%	(112,025)	204.17%
Debt Service	<u>145,463</u>	<u>5.79%</u>	<u>58,654</u>	<u>2.28%</u>	<u>86,809</u>	<u>-158.21%</u>
Total	<u>\$ 2,513,865</u>	<u>100.00%</u>	<u>\$ 2,568,733</u>	<u>100.00%</u>	<u>\$ (54,868)</u>	<u>100.00%</u>

- General government expenditures decreased by \$42,560 to \$506,405 as compared to last year. Expenditures for legal services decreased by \$33,345 as compared to the prior year due to the settlement of the Warkentine lawsuit, coupled with small decreases in fees for other outside professional services.
- Public safety expenditures increased by \$164,091 over the previous fiscal year due primarily to higher wages and benefits paid to both administrative personnel and front-line officers. In addition, contracted police dispatching services provided through the City of Firebaugh increased \$25,000 over the prior year.
- Public works expenditures decreased by \$11,105 or 12% from the prior fiscal year. As was evident in the prior fiscal year, the decrease is due primarily to the reallocating of labor resources from public works to general street repair and maintenance handled by several of the City's special revenue funds during the current fiscal year.
- Building and planning expenditures decreased by \$85,472 over the previous fiscal year due to a substantial decrease in outsourced engineering 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.
- As with the decrease in public works expenditures, the \$54,606 decline in parks expenditures is primarily attributable to the shifting of labor resources to street and road maintenance during the fiscal year, coupled with decreases in facility maintenance and supplies costs incurred during the year.
- The City's General Fund incurred no capital outlay expenditures for capital assets during the current fiscal year.
- Debt service payments increased by \$86,809 to \$145,463. The increase can be traced to the first-year obligation payments of \$60,000 and \$23,763 for the Warkentine legal settlement and a loan held by the Successor Trustee of the Mendota Redevelopment Agency, respectively.

The Home Investment Partnership Program Special Revenue Fund has a total fund deficit of \$8,705. The net increase in fund balance during the current year was \$2, representing interest earnings. The fund had no activity during the current fiscal year due to lack of new funding.

The Measure C Special Revenue Fund has a total fund balance of \$877,978, all of which is restricted to street maintenance and road improvement projects. The net decrease in fund balance during the current fiscal year was \$74,328. Several of the City's road projects during the fiscal year did not receive federal or state grant funding to offset the project cost. Consequently, in addition to current year Measure C revenue, the City utilized prior year available fund balances to fund these projects during the current fiscal year. Of the \$349,184 in apportioned sales tax revenue received through Measure C, the City utilized \$282,395 in general road maintenance during the current fiscal year, with the remaining revenue utilized on the above mentioned capital improvement projects.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The Police Building Capital Project Fund has a total fund balance of \$951,307, which is restricted in use to the acquisition by purchase or construction of a new police operational facility. The \$950,000 budget allocation was provided by the State of California. At the present time, the City is still in the planning stage of how to utilize the funds received. The fund realized interest earnings of \$1,307 during the fiscal year ended June 30, 2017.

The CDBG Program Special Revenue Fund has a total fund balance of \$340,561, all of which is restricted to housing and development. The net fund balance increased by \$405 during the current fiscal year due solely to interest earnings on its invested cash. The fund did not commence or enter into any new housing projects with local developers during the current fiscal year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, actual expenditures were \$242,992 higher than the final budgetary appropriations. The higher expenditure variance is due to higher salaries and benefits for the City's police department that were not anticipated as the budget was being development last year. Approximately \$40,000 of police wages charged to special revenue funds dedicated to public safety in the prior fiscal year were, instead, paid from the General Fund during the current fiscal year accounting for 34% of the approximately \$117,000 increase in police wages over the previous year. In addition, debt service expenditures for principal and interest were inadvertently not budgeted for the fiscal year ended June 30, 2017, accounting for \$145,463 of negative variance reported.

During the year, actual revenues were \$72,005 lower than the final budgetary estimates. The revenue variance is due primarily to lower than anticipated revenue from planning and zoning fees, contracted police service revenue, and police fines and forfeitures. These lower revenues were partially offset by higher than projected intergovernmental revenue, specifically allocated motor vehicle fees received from the State of California.

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, 2017, amounts to \$27,729,003 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, building and improvements, and equipment. The total decrease in the City's investments in capital assets for the current year is approximately three percent.

City of Mendota's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 357,322	\$ 357,322	\$ 2,098,220	\$ 2,098,220	\$ 2,455,542	\$ 2,455,542
Construction in progress	541,091	284,845	45,806	56,400	586,897	341,245
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	9,464,530	9,247,174	9,391,202	9,391,202	18,855,732	18,638,376
Land improvements	4,585,147	4,585,147	10,268,022	10,268,022	14,853,169	14,853,169
Buildings and improvements	1,414,456	1,414,456	2,910,182	2,683,681	4,324,638	4,098,137
Equipment	1,760,155	1,887,348	-	-	1,760,155	1,887,348
Less: accumulated depreciation	(6,142,691)	(5,475,511)	(9,025,864)	(8,413,202)	(15,168,555)	(13,888,713)
Total capital assets	<u>\$ 11,980,010</u>	<u>\$ 12,300,781</u>	<u>\$ 15,748,993</u>	<u>\$ 16,145,748</u>	<u>\$ 27,729,003</u>	<u>\$ 28,446,529</u>

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS (Continued)

Capital Assets (Continued)

This year's additions include:

Comencement of Marie and Divisadero Street reconstruction	\$ 299,737
Acquisition of vehicles used for water and sewer services	151,337
Deposit on the acquisition of an electric aircraft	67,770
Acquisition of additional water related equipment	61,311
Continued work on Derrick and 7th Street construction	59,799
Completion of work on school pedestrian improvements project	27,646
Commencement on 8th Street reconstruction project	18,650
Continued work on sewer lift station improvements	16,406
Acquisition of sewer related equipment	10,403
Acquisition of a gun rack and storage locker	6,353
Acquisition of a flail mover	6,900

Total additions	<u>\$ 726,312</u>
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For further information, see Note 5 of the financial statements on pages 47 through 48 of this report.

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$6,207,181. Of this amount, \$700,539 is the liability of governmental activities and \$5,506,642 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds payable	\$ -	\$ -	\$ 4,837,746	\$ 5,143,065	\$ 4,837,746	\$ 5,143,065
Loans payable	635,901	751,881	627,630	682,850	1,263,531	1,434,731
Capital leases	-	-	2,523	8,345	2,523	8,345
Compensated absences	64,638	67,157	38,743	39,885	103,381	107,042
Total long-term liabilities	<u>\$ 700,539</u>	<u>\$ 819,038</u>	<u>\$ 5,506,642</u>	<u>\$ 5,874,145</u>	<u>\$ 6,207,181</u>	<u>\$ 6,693,183</u>

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 49 through 54 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 3.0 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 and an easing of the effects of drought on the local economy in and around the City of Mendota.

REQUESTS FOR INFORMATION

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF MENDOTA

**STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,549,896	\$ 2,454,993	\$ 7,004,889
Receivables	2,322,451	464,765	2,787,216
Prepaid expenses	35,498	1,366	36,864
Internal balances	44,806	(44,806)	-
Restricted assets:			
Cash and cash equivalents	-	624,458	624,458
Capital assets:			
Nondepreciable	898,413	2,205,451	3,103,864
Depreciable (net)	<u>11,081,597</u>	<u>13,543,542</u>	<u>24,625,139</u>
Total assets	<u>18,932,661</u>	<u>19,249,769</u>	<u>38,182,430</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>27,425</u>	<u>31,753</u>	<u>59,178</u>
Total deferred outflows of resources	<u>27,425</u>	<u>31,753</u>	<u>59,178</u>
LIABILITIES			
Accounts payable	258,942	185,436	444,378
Deposits	-	161,418	161,418
Accrued interest	6,120	125,784	131,904
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	15,884	8,271	24,155
Capital lease payable	-	2,523	2,523
Revenue bonds payable	-	151,000	151,000
Loans payable	109,044	58,091	167,135
Portion due or payable after one year:			
Compensated absences payable	48,754	30,472	79,226
Revenue bonds payable	-	4,686,746	4,686,746
Loans payable	<u>526,857</u>	<u>569,539</u>	<u>1,096,396</u>
Total liabilities	<u>965,601</u>	<u>5,979,280</u>	<u>6,944,881</u>
NET POSITION			
Net investment in capital assets	11,595,694	10,281,094	21,876,788
Restricted for:			
Redevelopment and housing	2,708,189	-	2,708,189
Public safety	1,550,145	-	1,550,145
Highways and streets	2,004,261	-	2,004,261
Parks and recreation	189,431	-	189,431
Debt service reserve	-	959,140	959,140
Unrestricted	<u>(53,235)</u>	<u>2,062,008</u>	<u>2,008,773</u>
Total net position	<u>\$ 17,994,485</u>	<u>\$ 13,302,242</u>	<u>\$ 31,296,727</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, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 537,285	\$ 35,681	\$ -	\$ -
Public safety	1,838,312	248,048	156,532	950,000
Municipal airport	25,036	-	10,000	67,770
Highways and streets	646,398	10,915	222,218	3,422
Public works	559,665	76,165	-	85,129
Building and planning	131,298	215,159	-	-
Parks and recreation	360,426	107,852	-	-
Redevelopment and housing	11,770	-	-	-
Economic development and assistance	54,427	-	-	-
Interest and fiscal charges	15,165	-	-	-
Total governmental activities	<u>4,179,782</u>	<u>693,820</u>	<u>388,750</u>	<u>1,106,321</u>
Business-Type Activities:				
Water	1,724,153	1,743,664	186,849	-
Sewer	1,427,957	1,438,307	4,869	-
Refuse	697,275	732,570	5,000	-
Mendota Joint Powers Financing Authority	3,165	-	-	-
Total business-type activities	<u>3,852,550</u>	<u>3,914,541</u>	<u>196,718</u>	<u>-</u>
Total City of Mendota	<u>\$ 8,032,332</u>	<u>\$ 4,608,361</u>	<u>\$ 585,468</u>	<u>\$ 1,106,321</u>

General revenues:

Taxes:

 Property taxes

 Sales tax

 Franchise taxes

 Other taxes

Earnings on investments

Miscellaneous

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (501,604)	\$ -	\$ (501,604)
(483,732)	-	(483,732)
52,734	-	52,734
(409,843)	-	(409,843)
(398,371)	-	(398,371)
83,861	-	83,861
(252,574)	-	(252,574)
(11,770)	-	(11,770)
(54,427)	-	(54,427)
<u>(15,165)</u>	<u>-</u>	<u>(15,165)</u>
<u>(1,990,891)</u>	<u>-</u>	<u>(1,990,891)</u>
-	206,360	206,360
-	15,219	15,219
-	40,295	40,295
<u>-</u>	<u>(3,165)</u>	<u>(3,165)</u>
<u>-</u>	<u>258,709</u>	<u>258,709</u>
<u>(1,990,891)</u>	<u>258,709</u>	<u>(1,732,182)</u>
1,009,370	-	1,009,370
527,888	-	527,888
110,595	-	110,595
850,078	-	850,078
7,954	18,617	26,571
<u>137,582</u>	<u>119,664</u>	<u>257,246</u>
<u>2,643,467</u>	<u>138,281</u>	<u>2,781,748</u>
652,576	396,990	1,049,566
<u>17,341,909</u>	<u>12,905,252</u>	<u>30,247,161</u>
<u>\$ 17,994,485</u>	<u>\$ 13,302,242</u>	<u>\$ 31,296,727</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF MENDOTA

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	CDBG Program Special Revenue Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 283,746	\$ 878,967	\$ -	\$ 340,454
Receivables	165,759	24,825	1,254,010	841,408
Due from other funds	186,781	-	-	-
Prepaid expenses	<u>31,232</u>	<u>312</u>	<u>-</u>	<u>-</u>
Total assets	<u>667,518</u>	<u>904,104</u>	<u>1,254,010</u>	<u>1,181,862</u>
LIABILITIES				
Accounts payable	166,373	26,126	-	-
Due to other funds	-	-	8,706	-
Settlement payable - current	60,000	-	-	-
Advances from other funds	<u>117,543</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>343,916</u>	<u>26,126</u>	<u>8,706</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - loans	<u>-</u>	<u>-</u>	<u>1,254,009</u>	<u>841,301</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,254,009</u>	<u>841,301</u>
FUND BALANCES				
Nonspendable:				
Prepays	31,232	312	-	-
Restricted for:				
Redevelopment and housing	-	-	900	340,561
Public safety	-	-	-	-
Highways and streets	-	877,666	-	-
Parks and recreation	-	-	-	-
Committed to:				
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Subsequent year budget deficit	17,213	-	-	-
Assigned to:				
Public Safety	1,480	-	-	-
Streets and roads	37,722	-	-	-
Unassigned	<u>235,955</u>	<u>-</u>	<u>(9,605)</u>	<u>-</u>
Total fund balances (deficit)	<u>323,602</u>	<u>877,978</u>	<u>(8,705)</u>	<u>340,561</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 667,518</u>	<u>\$ 904,104</u>	<u>\$ 1,254,010</u>	<u>\$ 1,181,862</u>

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

Police Building Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 951,008	\$ 2,095,721	\$ 4,549,896
299	36,150	2,322,451
-	-	186,781
-	3,954	35,498
<u>951,307</u>	<u>2,135,825</u>	<u>7,094,626</u>
-	66,443	258,942
-	15,726	24,432
-	-	60,000
-	-	117,543
-	82,169	460,917
-	-	2,095,310
-	-	2,095,310
-	3,954	35,498
-	271,418	612,879
951,307	598,838	1,550,145
-	1,126,595	2,004,261
-	189,431	189,431
-	28,635	28,635
-	33,270	33,270
-	-	17,213
-	-	1,480
-	-	37,722
-	(198,485)	27,865
<u>951,307</u>	<u>2,053,656</u>	<u>4,538,399</u>
<u>\$ 951,307</u>	<u>\$ 2,135,825</u>	<u>\$ 7,094,626</u>

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

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CITY OF MENDOTA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balances - governmental funds		\$ 4,538,399
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$18,122,701 and the accumulated depreciation is \$6,142,691.		11,980,010
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,095,310
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(6,120)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Loan payable	(575,901)	
Compensated absences	<u>(64,638)</u>	(640,539)
Pension related deferred outflows of resources are not due in the current period and, therefore, are not reported in the funds.		<u>27,425</u>
Net position of governmental activities		<u>\$ 17,994,485</u>

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	CDBG Program Special Revenue Fund
REVENUES				
Taxes	\$ 1,562,837	\$ 349,184	\$ -	\$ -
Licenses and permits	132,933	-	-	-
Intergovernmental	97,599	3,422	-	-
Charges for services	160,649	-	-	-
Fines	91,579	-	-	-
Revenue from the use of money and property	71,627	1,122	2	405
Miscellaneous	39,679	-	-	-
	<u>2,156,903</u>	<u>353,728</u>	<u>2</u>	<u>405</u>
EXPENDITURES				
Current:				
General government	506,405	-	-	-
Public safety	1,446,794	-	-	-
Municipal airport	-	-	-	-
Highways and streets	-	282,395	-	-
Public works	77,908	-	-	-
Building and planning	133,269	-	-	-
Parks and recreation	204,026	-	-	-
Redevelopment and housing	-	-	-	-
Capital outlay	-	145,661	-	-
Debt service:				
Principal	115,980	-	-	-
Interest	29,483	-	-	-
	<u>2,513,865</u>	<u>428,056</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(356,962)</u>	<u>(74,328)</u>	<u>2</u>	<u>405</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,671	-	-	-
Transfers in	-	-	-	-
Transfers out	(156,094)	-	-	-
	<u>(153,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(510,385)	(74,328)	2	405
Fund balances - beginning (restated)	<u>833,987</u>	<u>952,306</u>	<u>(8,707)</u>	<u>340,156</u>
Fund balances (deficit) - ending	<u>\$ 323,602</u>	<u>\$ 877,978</u>	<u>\$ (8,705)</u>	<u>\$ 340,561</u>

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

Police Building Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 585,910	\$ 2,497,931
-	308,659	441,592
950,000	446,050	1,497,071
-	-	160,649
-	-	91,579
1,307	2,510	76,973
-	29,393	69,072
<u>951,307</u>	<u>1,372,522</u>	<u>4,834,867</u>
-	-	506,405
-	315,956	1,762,750
-	8,474	8,474
-	380,883	663,278
-	-	77,908
-	-	133,269
-	20,473	224,499
-	11,770	11,770
-	337,745	483,406
-	-	115,980
-	250	29,733
-	<u>1,075,551</u>	<u>4,017,472</u>
<u>951,307</u>	<u>296,971</u>	<u>817,395</u>
-	-	2,671
-	156,094	156,094
-	-	(156,094)
-	<u>156,094</u>	<u>2,671</u>
951,307	453,065	820,066
-	<u>1,600,591</u>	<u>3,718,333</u>
<u>\$ 951,307</u>	<u>\$ 2,053,656</u>	<u>\$ 4,538,399</u>

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, 2017**

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

Net change in fund balances - total governmental funds	\$ 820,066
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 depreciation expense exceeds capital outlay in the current period.	(320,770)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position.	115,980
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).	2,519
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(5,180)
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.	12,536
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>27,425</u>
Change in net position of governmental activities	<u>\$ 652,576</u>

CITY OF MENDOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,259,738	\$ 1,052,847	\$ -	\$ 142,408	\$ 2,454,993
Accounts receivable, net	191,097	191,537	81,404	-	464,038
Interest receivable	365	338	-	24	727
Prepaid expenses	795	571	-	-	1,366
Total current assets	<u>1,451,995</u>	<u>1,245,293</u>	<u>81,404</u>	<u>142,432</u>	<u>2,921,124</u>
Noncurrent assets:					
Advances to other funds	-	35,086	-	192,250	227,336
Restricted assets:					
Cash and cash equivalents	-	624,458	-	-	624,458
Capital assets:					
Nondepreciable	79,281	2,126,170	-	-	2,205,451
Depreciable (net)	<u>5,802,302</u>	<u>7,741,240</u>	<u>-</u>	<u>-</u>	<u>13,543,542</u>
Total noncurrent assets	<u>5,881,583</u>	<u>10,526,954</u>	<u>-</u>	<u>192,250</u>	<u>16,600,787</u>
Total assets	<u>7,333,578</u>	<u>11,772,247</u>	<u>81,404</u>	<u>334,682</u>	<u>19,521,911</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	<u>15,917</u>	<u>14,551</u>	<u>1,285</u>	<u>-</u>	<u>31,753</u>
Total deferred outflows of resources	<u>15,917</u>	<u>14,551</u>	<u>1,285</u>	<u>-</u>	<u>31,753</u>
LIABILITIES					
Current liabilities:					
Accounts payable	93,833	36,697	54,906	-	185,436
Deposits	161,418	-	-	-	161,418
Due to other funds	-	-	162,349	-	162,349
Accrued interest	12,938	112,846	-	-	125,784
Compensated absences payable	3,587	3,633	1,051	-	8,271
Capital lease payable	-	2,523	-	-	2,523
Revenue bonds payable	-	151,000	-	-	151,000
Loans payable	<u>42,000</u>	<u>16,091</u>	<u>-</u>	<u>-</u>	<u>58,091</u>
Total current liabilities	<u>313,776</u>	<u>322,790</u>	<u>218,306</u>	<u>-</u>	<u>854,872</u>
Noncurrent liabilities:					
Advances from other funds	109,793	-	-	-	109,793
Compensated absences payable	14,774	14,765	933	-	30,472
Revenue bonds payable	-	4,686,746	-	-	4,686,746
Loans payable	<u>533,000</u>	<u>36,539</u>	<u>-</u>	<u>-</u>	<u>569,539</u>
Total noncurrent liabilities	<u>657,567</u>	<u>4,738,050</u>	<u>933</u>	<u>-</u>	<u>5,396,550</u>
Total liabilities	<u>971,343</u>	<u>5,060,840</u>	<u>219,239</u>	<u>-</u>	<u>6,251,422</u>
NET POSITION					
Net investment in capital assets	5,306,583	4,974,511	-	-	10,281,094
Restricted for:					
Debt service	-	624,458	-	334,682	959,140
Unrestricted	<u>1,071,569</u>	<u>1,126,989</u>	<u>(136,550)</u>	<u>-</u>	<u>2,062,008</u>
Total net position (deficit)	<u>\$ 6,378,152</u>	<u>\$ 6,725,958</u>	<u>\$ (136,550)</u>	<u>\$ 334,682</u>	<u>\$ 13,302,242</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, 2017**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Operating revenues:					
Charges for services	\$ 1,742,869	\$ 1,438,307	\$ 732,570	\$ -	\$ 3,913,746
Miscellaneous	795	-	5,000	-	5,795
Total operating revenues	<u>1,743,664</u>	<u>1,438,307</u>	<u>737,570</u>	<u>-</u>	<u>3,919,541</u>
Operating expenses:					
Wages and benefits	519,155	463,790	54,340	-	1,037,285
Maintenance and supplies	827,271	435,583	642,935	-	1,905,789
Depreciation	316,584	296,078	-	-	612,662
Amortization	-	4,681	-	-	4,681
Bad debt	1,835	-	-	-	1,835
Total operating expenses	<u>1,664,845</u>	<u>1,200,132</u>	<u>697,275</u>	<u>-</u>	<u>3,562,252</u>
Operating income (loss)	<u>78,819</u>	<u>238,175</u>	<u>40,295</u>	<u>-</u>	<u>357,289</u>
Nonoperating revenue (expenses):					
Developer fees	186,849	4,869	-	-	191,718
Interest income	1,292	2,775	-	14,550	18,617
Interest expense	(32,308)	(227,825)	-	(3,165)	(263,298)
Other nonoperating income	54,470	65,194	-	-	119,664
Gain (loss) on sale of assets	(27,000)	-	-	-	(27,000)
Total nonoperating revenues (expenses)	<u>183,303</u>	<u>(154,987)</u>	<u>-</u>	<u>11,385</u>	<u>39,701</u>
Change in net position	262,122	83,188	40,295	11,385	396,990
Net position (deficit) - beginning	<u>6,116,030</u>	<u>6,642,770</u>	<u>(176,845)</u>	<u>323,297</u>	<u>12,905,252</u>
Net position (deficit) - ending	<u>\$ 6,378,152</u>	<u>\$ 6,725,958</u>	<u>\$ (136,550)</u>	<u>\$ 334,682</u>	<u>\$ 13,302,242</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, 2017**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Cash flow from operating activities:					
Cash received from customers	\$ 1,771,147	\$ 1,398,040	\$ 730,169	\$ -	\$ 3,899,356
Cash payments to suppliers	(826,389)	(472,793)	(693,967)	-	(1,993,149)
Cash payments to employees	(535,796)	(479,058)	(55,326)	-	(1,070,180)
Other operating cash receipts	<u>795</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,795</u>
Net cash provided (used) by operating activities	<u>409,757</u>	<u>446,189</u>	<u>(14,124)</u>	<u>-</u>	<u>841,822</u>
Cash flow from noncapital financing activities:					
Loans from/(to) other funds	(21,473)	10,146	14,124	(109,903)	(107,106)
Other nonoperating cash receipts	<u>54,470</u>	<u>65,194</u>	<u>-</u>	<u>-</u>	<u>119,664</u>
Net cash provided (used) by noncapital financing activities	<u>32,997</u>	<u>75,340</u>	<u>14,124</u>	<u>(109,903)</u>	<u>12,558</u>
Cash flow from capital and related financing activities:					
Cash received from developers	186,849	4,869	-	-	191,718
Principal and interest paid on capital debt	(73,208)	(397,280)	-	(173,493)	(643,981)
Acquisition or construction of capital assets	<u>(136,979)</u>	<u>(105,928)</u>	<u>-</u>	<u>-</u>	<u>(242,907)</u>
Net cash provided (used) by capital and related financing activities	<u>(23,338)</u>	<u>(498,339)</u>	<u>-</u>	<u>(173,493)</u>	<u>(695,170)</u>
Cash flow from investing activities:					
Interest and dividends on investments	<u>1,133</u>	<u>2,719</u>	<u>-</u>	<u>14,526</u>	<u>18,378</u>
Net cash provided (used) by investing activities	<u>1,133</u>	<u>2,719</u>	<u>-</u>	<u>14,526</u>	<u>18,378</u>
Net increase (decrease) in cash	420,549	25,909	-	(268,870)	177,588
Cash and cash equivalents, July 1, 2016	<u>839,189</u>	<u>1,651,396</u>	<u>-</u>	<u>411,278</u>	<u>2,901,863</u>
Cash and cash equivalents, June 30, 2017	<u>\$ 1,259,738</u>	<u>\$ 1,677,305</u>	<u>\$ -</u>	<u>\$ 142,408</u>	<u>\$ 3,079,451</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, 2017
 (Continued)**

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

	Business-Type Activities -- Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
Operating income (loss)	\$ 78,819	\$ 238,175	\$ 40,295	\$ -	\$ 357,289
<i>Adjustments to reconcile operating income (loss) to net cash used by operating activities:</i>					
Depreciation and amortization	316,584	300,759	-	-	617,343
Bad debt expense	1,835	-	-	-	1,835
<i>Change in assets and liabilities:</i>					
Decrease (increase) in receivables	15,103	(40,267)	(2,401)	-	(27,565)
Decrease (increase) in prepaid expenses	(245)	(263)	-	-	(508)
Decrease (increase) in pension deferred outflows	(15,917)	-	-	-	(15,917)
Increase (decrease) in accounts payable	1,127	(14,551)	(1,285)	-	(14,709)
Increase (decrease) in compensated absences	(724)	(36,947)	(51,032)	-	(88,703)
Increase (decrease) in customer deposits	13,175	(717)	299	-	12,757
Net cash provided (used) by operating activities	<u>\$ 409,757</u>	<u>\$ 446,189</u>	<u>\$ (14,124)</u>	<u>\$ -</u>	<u>\$ 841,822</u>

Schedule of Non-Cash Capital and Related Financing Activities

	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Mendota Joint Powers Financing Authority</u>	<u>Total</u>
Gain (loss) on disposal of capital assets	<u>\$ (27,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,000)</u>

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

CITY OF MENDOTA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents:	
Held with fiscal agent	\$ 1,269,031
Loans receivable	<u>59,795</u>
 Total assets	 <u>1,328,826</u>
NET POSITION	
Held in trust for pension benefits	<u>1,328,826</u>
 Total net position	 <u>\$ 1,328,826</u>

CITY OF MENDOTA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 82,273
Employer contributions	16,846
Employee contributions	<u>65,595</u>
Total additions	<u>164,714</u>
DEDUCTIONS	
Current:	
Plan fees	12,507
Withdrawals	<u>37,974</u>
Total deductions	<u>50,481</u>
Change in net position	114,233
Net position - beginning	<u>1,214,593</u>
Net position - ending	<u>\$ 1,328,826</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

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

Reporting Entity

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

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

Blended Component Unit

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

Mendota Community Corporation (the “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 is reported in these financial statements as a special revenue fund.

Basis of Presentation

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

Government-Wide Financial Statements:

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

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements:

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

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

The City reports the following major governmental funds:

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

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

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.

Community Development Block Grants Program (CDBG Program) Special Revenue Fund: This fund is used to account for grant funds received from the Federal Government for the purpose of providing affordable loans to developers of low income housing within the City and, also, to provide direct housing loans to low income residents of the City.

Police Building Capital Project Fund: This fund is used to account for budget allocated funds received from the State of California for the purpose of constructing or acquiring facilities for law enforcement operations and administration within the City of Mendota.

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following fiduciary fund types:

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

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers 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.

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, 2017**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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 incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Interest Payable

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

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

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

Unearned Revenue

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

Unavailable Revenue

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

Compensated Absences

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

Pensions

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

Net Position and Fund Balance

Net Position

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

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

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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, 2017**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 7,004,889
Cash and cash equivalents - restricted	624,458
Fiduciary Funds Statement of Net Position	<u>1,269,031</u>
 Total cash and investments	 <u>\$ 8,898,378</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 700
Bank deposits	5,903,302
Deposits with financial institutions	1,269,031
LAIF	1,100,887
Investments	<u>624,458</u>
 Total cash and investments	 <u>\$ 8,898,378</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits

The carrying amount of the City's cash deposit was \$5,903,302 at June 30, 2017. The bank balance at June 30, 2017 was \$5,754,534 the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as described below.

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

Investments

Investments Authorized by the City's Investment Policy

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

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>		<u>Remaining Maturity Date</u>
State investment pool	\$ 1,100,887	12 months or less
Held by fiscal agents:		
Money market	<u>624,458</u>	12 months or less
Total	<u>\$ 1,725,345</u>	

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

Disclosure Relating to Credit Risk

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

<u>Investment Type</u>		<u>Ratings as of Year-End</u>	
		<u>AAA</u>	<u>Not Rated</u>
State investment pool	\$ 1,100,887	\$ -	\$ 1,100,887
Held by fiscal agents:			
Money market	<u>624,458</u>	<u>624,458</u>	<u>-</u>
Total	<u>\$ 1,725,345</u>	<u>\$ 624,458</u>	<u>\$ 1,100,887</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:

\$620,458 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.

Custodial Credit Risk

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

Investment in State Investment Pool

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

Pension Trust Fund

The City is the plan administrator for the City's 401(K) Profit Sharing Plan. The market value of plan assets at June 30, 2017 is \$1,269,031.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

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, 2016:

- Investment in the Local Agency Investment Fund: valued at \$1,093,765, based on the City's pro-rata share of the fair value provided by the LAIF for the entire LAIF portfolio. LAIF invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, LAIF is not an investment type that can be categorized in any particular level in the fair value hierarchy.
- The pension trust fund for the City of Mendota 401(k) Profit Sharing Plan invests in Equity securities: valued at \$983,177, based on quoted market prices (Level 1 inputs).

NOTE 3 – RECEIVABLES

Accounts receivable as of June 30, 2017 consist of the following:

Governmental Activities

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	CDBG Program Special Revenue Fund	Police Building Capital Projects Fund	Nonmajor Governmental	Total
Receivables:							
Intergovernmental	\$ 120,554	\$ 24,541	\$ -	\$ -	\$ -	\$ 35,454	\$ 180,549
Interest	422	284	1	107	299	696	1,809
Loans	44,783	-	1,254,009	841,301	-	-	2,140,093
	<u>165,759</u>	<u>24,825</u>	<u>1,254,010</u>	<u>841,408</u>	<u>299</u>	<u>36,150</u>	<u>2,322,451</u>
Receivables, net	<u>\$ 165,759</u>	<u>\$ 24,825</u>	<u>\$ 1,254,010</u>	<u>\$ 841,408</u>	<u>\$ 299</u>	<u>\$ 36,150</u>	<u>\$ 2,322,451</u>

Business-Type Activities

	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
Receivables:					
Accounts	\$ 234,797	\$ 202,706	\$ 91,215	\$ -	\$ 528,718
Interest	365	338	-	24	727
Allowance for uncollectible	<u>(43,700)</u>	<u>(11,169)</u>	<u>(9,811)</u>	<u>-</u>	<u>(64,680)</u>
Receivables, net	<u>\$ 191,462</u>	<u>\$ 191,875</u>	<u>\$ 81,404</u>	<u>\$ 24</u>	<u>\$ 464,765</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 186,781	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,706
Sanitation Fund	-	162,349
Nonmajor Funds:		
Aviation Assistance Special Revenue Fund	-	15,726
 Total	 <u>\$ 186,781</u>	 <u>\$ 186,781</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, 2017, 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	\$ -	\$ 117,543
Water Fund	-	109,793
Sewer Fund	35,086	-
Mendota Joint Powers Financing Authority	192,250	-
 Total	 <u>\$ 227,336</u>	 <u>\$ 227,336</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, 2017 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$ -	\$ 156,094
Nonmajor Funds:		
Mendota Community Corporation Special Revenue Fund	500	-
General Bond Debt Service Fund	155,594	-
	<u>\$ 156,094</u>	<u>\$ 156,094</u>

In January 2017, the City terminated its General Bond Debt Service Fund upon its final installment payment of an obligation to the Mendota Joint Powers Authority. A cash deficit of \$155,594 that existed in the General Bond Debt Service Fund was eliminated by an operating transfer from the City's General Fund.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – CAPITAL ASSETS

A summary of governmental activities capital assets activity for the year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 357,322	\$ -	\$ -	\$ 357,322
Construction in progress	<u>284,845</u>	<u>445,956</u>	<u>(189,710)</u>	<u>541,091</u>
Total capital assets, not being depreciated	<u>642,167</u>	<u>445,956</u>	<u>(189,710)</u>	<u>898,413</u>
Capital assets, being depreciated:				
Infrastructure	9,247,174	217,356	-	9,464,530
Land improvements	4,585,147	-	-	4,585,147
Buildings and improvements	1,414,456	-	-	1,414,456
Equipment	<u>1,887,348</u>	<u>9,803</u>	<u>(136,996)</u>	<u>1,760,155</u>
Total capital assets, being depreciated	<u>17,134,125</u>	<u>227,159</u>	<u>(136,996)</u>	<u>17,224,288</u>
Less: accumulated depreciation	<u>5,475,512</u>	<u>804,175</u>	<u>(136,996)</u>	<u>6,142,691</u>
Total capital asset, being depreciated, net	<u>11,658,613</u>	<u>(577,016)</u>	<u>-</u>	<u>11,081,597</u>
Business-type activities capital assets, net	<u>\$ 12,300,780</u>	<u>\$ (131,060)</u>	<u>\$ (189,710)</u>	<u>\$ 11,980,010</u>

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

General government	\$ 17,810
Public safety	73,530
Municipal airport	16,629
Hghways and streets	496,927
Public works	39,775
Parks and recreation	<u>159,504</u>
Total depreciation expense - business-type activities	<u>\$ 804,175</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – CAPITAL ASSETS (Continued)

A summary of business-type capital assets activity for the year ended June 30, 2017 is as follows:

	<u>Balance June 30, 2016</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance June 30, 2017</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,098,220	\$ -	\$ -	\$ 2,098,220
Construction in progress	56,400	16,406	(27,000)	45,806
Infrastructure	<u>61,425</u>	<u>-</u>	<u>-</u>	<u>61,425</u>
Total capital assets, not being depreciated	<u>2,216,045</u>	<u>16,406</u>	<u>(27,000)</u>	<u>2,205,451</u>
Capital assets, being depreciated:				
Infrastructure	9,391,202	-	-	9,391,202
Buildings and improvements	10,268,022	-	-	10,268,022
Equipment	<u>2,683,681</u>	<u>226,501</u>	<u>-</u>	<u>2,910,182</u>
Total capital assets, being depreciated	<u>22,342,905</u>	<u>226,501</u>	<u>-</u>	<u>22,569,406</u>
Less: accumulated depreciation	<u>8,413,202</u>	<u>612,662</u>	<u>-</u>	<u>9,025,864</u>
Total capital asset, being depreciated, net	<u>13,929,703</u>	<u>(386,161)</u>	<u>-</u>	<u>13,543,542</u>
Business-type activities capital assets, net	<u>\$ 16,145,748</u>	<u>\$ (369,755)</u>	<u>\$ (27,000)</u>	<u>\$ 15,748,993</u>

Depreciation expense was charged to the following business-type activities:

Water	\$ 316,584
Sewer	<u>296,078</u>
Total depreciation expense - business-type activities	<u>\$ 612,662</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2017 is as follows:

	<u>Balance July 1, 2016</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental Activities:					
Central San Joaquin Valley Risk Management Authority Loan, payable in annual principal reductions from \$20,000 to \$11,103, non-interest bearing. Instrument matures on February 12, 2018.	\$ 31,585	-	\$ (20,000)	\$ 11,585	\$ 11,585
Westamerica Bank Loan, payable in monthly installments of \$1,012, including interest at 5.50%. Instrument matures on March 31, 2020 and is secured by police vehicles acquired.	41,006	-	(10,112)	30,894	10,691
Westamerica Bank Loan, payable in monthly installments of \$1,626, including interest at 5.50%. Instrument matures on October 1, 2020 and is secured by first trust deed on real property acquired.	75,000	-	(15,725)	59,275	16,625
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.	300,000	-	(60,000)	240,000	60,000
Loan due to the Successor Agency of the Mendota Redevelopment Agency. Interest is calculated and accrued quarterly based on the current rate of interest earned with the California Local Agency Investment Fund. Annual principal reductions of \$10,143, including interest (as determined), will commence thereafter. Instrument matures in August 2039.	304,290	-	(10,143)	294,147	10,143
Compensated absences	<u>67,157</u>	<u>122,185</u>	<u>(124,704)</u>	<u>64,638</u>	<u>15,884</u>
Governmental activities long-term liabilities	<u>\$ 819,038</u>	<u>\$ 122,185</u>	<u>\$ (240,684)</u>	<u>\$ 700,539</u>	<u>\$ 124,928</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

	<u>Balance July 1, 2016</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Westamerica capital lease for Pitney Bowes Invoice Folding Machine, payable in monthly installments of \$512, including interest at 5.5%. Instrument matures on December 15, 2017.	\$ 8,345	-	\$ (5,822)	\$ 2,523	\$ 2,523
1989 Finance Authority Revenue Bonds, payable in annual principal reductions from \$30,000 to \$160,000, interest payable semi-annually at 7.75% per annum. The bond was fully redeemed on October 19, 2016.	165,000	-	(165,000)	-	-
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum.	615,000	-	(40,000)	575,000	42,000
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.	67,850	-	(15,220)	52,630	16,091
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.	2,970,000	-	(115,000)	2,855,000	120,000
Less: unamortized bond discount	<u>(88,935)</u>	-	<u>4,681</u>	<u>(84,254)</u>	-
Subtotal	2,881,065	-	(110,319)	2,770,746	120,000
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%.	2,097,000	-	(30,000)	2,067,000	31,000
Compensated absences	<u>39,885</u>	<u>69,753</u>	<u>(70,895)</u>	<u>38,743</u>	<u>8,271</u>
Business-type activities long-term liabilities	<u>\$ 5,874,145</u>	<u>\$ 69,753</u>	<u>\$ (437,256)</u>	<u>\$ 5,506,642</u>	<u>\$ 219,885</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2017, annual debt service requirements for governmental activities are as follows:

Central San Joaquin Valley Risk Management Authority

Year Ended June 30	Principal	Interest	Totals
2018	\$ 11,585	\$ -	\$ 11,585
Total	<u>\$ 11,585</u>	<u>\$ -</u>	<u>\$ 11,585</u>

Westamerica Bank Loan (Police Vehicles)

Year Ended June 30	Principal	Interest	Totals
2018	\$ 10,691	\$ 1,453	\$ 12,144
2019	11,304	841	12,145
2020	<u>8,899</u>	<u>209</u>	<u>9,108</u>
Total	<u>\$ 30,894</u>	<u>\$ 2,503</u>	<u>\$ 33,397</u>

Westamerica Bank Loan (Land Acquisition)

Year Ended June 30	Principal	Interest	Totals
2018	\$ 16,625	\$ 2,886	\$ 19,511
2019	17,576	1,935	19,511
2020	18,579	931	19,510
2021	<u>6,495</u>	<u>77</u>	<u>6,572</u>
Total	<u>\$ 59,275</u>	<u>\$ 5,829</u>	<u>\$ 65,104</u>

Contractual Legal Settlement (Warkentine, et. al.)

Year Ended June 30	Principal	Interest	Totals
2018	\$ 60,000	\$ -	\$ 60,000
2019	60,000	-	60,000
2020	60,000	-	60,000
2021	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total	<u>\$ 240,000</u>	<u>\$ -</u>	<u>\$ 240,000</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Successor Agency of the Mendota Redevelopment Agency Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 10,143	\$ 2,247	\$ 12,390
2019	10,143	-	10,143
2020	10,143	-	10,143
2021	10,143	-	10,143
2022	10,143	-	10,143
2023-2027	50,715	-	50,715
2028-2032	50,715	-	50,715
2033-2037	50,715	-	50,715
2038-2042	50,715	-	50,715
2043-2046	<u>40,572</u>	<u>-</u>	<u>40,572</u>
Total	<u>\$ 294,147</u>	<u>\$ 2,247</u>	<u>\$ 296,394</u>

As of June 30, 2017, annual debt service requirements for business-type activities are as follows:

Westamerica Bank Loan (Office Equipment)

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	<u>\$ 2,523</u>	<u>\$ 36</u>	<u>\$ 2,559</u>
Total	<u>\$ 2,523</u>	<u>\$ 36</u>	<u>\$ 2,559</u>

Westamerica Bank Loan (Vehicles)

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 16,091	\$ 2,529	\$ 18,620
2019	17,011	1,608	18,619
2020	17,983	636	18,619
2021	<u>1,545</u>	<u>7</u>	<u>1,552</u>
Total	<u>\$ 52,630</u>	<u>\$ 4,780</u>	<u>\$ 57,410</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

USDA Water Improvement Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 42,000	\$ 24,930	\$ 66,930
2019	44,000	22,995	66,995
2020	46,000	20,970	66,970
2021	48,000	18,855	66,855
2022	50,000	16,650	66,650
2023-2027	285,000	46,733	331,733
2028	<u>60,000</u>	<u>1,350</u>	<u>61,350</u>
Total	<u>\$ 575,000</u>	<u>\$ 152,483</u>	<u>\$ 727,483</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 120,000	\$ 140,933	\$ 260,933
2019	125,000	135,266	260,266
2020	130,000	129,305	259,305
2021	135,000	123,044	258,044
2022	145,000	116,213	261,213
2023-2027	720,000	468,074	1,656,148
2028-2032	740,000	289,688	1,029,688
2033-2036	<u>740,000</u>	<u>78,795</u>	<u>818,795</u>
Subtotal	2,855,000	1,481,318	4,804,392
Less: unamortized discount	<u>(84,254)</u>	<u>-</u>	<u>(84,254)</u>
Total	<u>\$ 2,770,746</u>	<u>\$ 1,481,318</u>	<u>\$ 4,720,138</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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

Year Ended June 30	Principal	Interest	Totals
2018	\$ 31,000	\$ 82,055	\$ 113,055
2019	32,000	80,795	112,795
2020	34,000	79,474	113,474
2021	35,000	78,310	113,310
2022	37,000	76,654	113,654
2023-2027	206,000	359,766	565,766
2028-2032	250,000	314,339	564,339
2033-2037	305,000	259,100	564,100
2038-2042	370,000	191,640	561,640
2043-2047	451,000	109,691	560,691
2048-2050	<u>316,000</u>	<u>19,292</u>	<u>335,292</u>
Total	<u>\$ 2,067,000</u>	<u>\$ 1,651,116</u>	<u>\$ 3,718,116</u>

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other government entities in the State as a member of the Central San Joaquin Valley Risk Management Authority (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 200I 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.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

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 does not have any items that qualifies for reporting in this category.

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 Special Revenue Fund	CDBG Program Special Revenue Fund	Total
Unavailable revenues - loans	\$ 1,254,009	\$ 841,301	\$ 2,095,310
Total deferred inflows of resources	<u>\$ 1,254,009</u>	<u>\$ 841,301</u>	<u>\$ 2,095,310</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, 2017, employee contributions totaled \$46,253 and the City recognized pension expense of \$52,666.

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, 2017, there were no forfeitures reported.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017 are summarized as follows:

	<u>Miscellaneous PEPRA</u>
Hire date	On or after January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 to 67
Monthly benefits, as a % of annual salary	1.0% to 2.5%
Required employee contribution rates	6.250%
Required employer contribution rates	6.555%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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.

Since the City first entered the Plan during the fiscal year ended June 30, 2017, it did not have any contributions to the plan recognized as a part of pension expense.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

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

As of June 30, 2017, the City did not have a net pension liability for its proportionate share of the net pension liability of the Plan, nor did it recognize a pension expense related to the Plan.

\$59,178 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, 2018. There were no other amounts reported as deferred outflow of resources and deferred inflows of resources related to the Plan.

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾
Mortality	Derived from CalPERS Membership Data for all Funds ⁽³⁾

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

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

⁽³⁾ The mortality Table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. 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 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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 best-estimate ranges of 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 (11-60 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 rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1- 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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, 2017.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 – DEFICIT FUND BALANCES/NET POSITIONS

The following funds had deficit fund equity at June 30, 2017:

Major Funds:

HOME Investment Partnership Program Special Revenue Fund	\$	8,705
Sanitation Enterprise Fund		136,550

Nonmajor Governmental Funds:

Aviation Assistance Special Revenue Fund		11,902
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NOTE 12 – CONTINGENCIES

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

NOTE 13 – RELATED PARTY TRANSACTIONS

Effective November 4, 2016, the City Council approved a secured promissory note (the "Note") in the amount of \$45,000 to Vincent F. DiMaggio, who serves as manager of the City of Mendota. Interest is calculated monthly based on the current rate of interest reported under the Annual Applicable Federal Rate for Long-Term Loans published by the Internal Revenue Service with a minimum floor rate of 2.50% (2.50% at June 30, 2017). Principal and interest in the amount of \$152.30 is payable each month until November 4, 2021, at which time all outstanding principal and interest is payable in full. The Note is secured by a deed of trust on real property.

The Note is accounted for as an asset of the General Fund and is included as a receivable in the accompanying financial statement. The unpaid balance at June 30, 2017 was \$44,783.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2017, the City was subjected to an audit by the California Department of Finance to determine whether funds allocated to the City under California Assembly Bill 2928 during the fiscal year ended June 30, 2013 for street and road improvements were properly expended in accordance with the provisions of the Assembly Bill. The results of the audit required the City to reclassify expenditures originally charged to its State Gas Tax Special Revenue Fund during the fiscal year ended June 30, 2013 to its AB 2928 Capital Projects Fund.

Additionally, during the fiscal year ended June 30, 2016, the City did not properly account for the current portion of a settlement payable. In accordance with GASB requirements, the current portion of a long-term settlement payable must be accrued in the governmental fund financial statements.

The effect to opening fund balance in the basic financial statements is as follows:

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Gas Tax Special Revenue Fund</u>	<u>Streets Capital Projects Fund</u>
Fund balance/net position, June 30, 2016, as previously reported	\$ 893,987	\$ 511,838	\$ 69,905
Prior period adjustments:			
Understatement of settlements payable	(60,000)	-	-
Overstatement of expenses	-	36,706	-
Understatement of expenses	-	-	(36,706)
Total prior period adjustments	<u>(60,000)</u>	<u>36,706</u>	<u>(36,706)</u>
Fund balance/net position, July 1, 2016, as restated	<u>\$ 833,987</u>	<u>\$ 548,544</u>	<u>\$ 33,199</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,622,671	\$ 1,622,671	\$ 1,562,837	\$ (59,834)
Licenses and permits	108,007	108,007	132,933	24,926
Intergovernmental	6,000	6,000	97,599	91,599
Charges for services	260,678	260,678	160,649	(100,029)
Fines	119,915	119,915	91,579	(28,336)
Revenue from the use of money and property	72,727	72,727	71,627	(1,100)
Miscellaneous	41,338	38,910	39,679	769
	<u>2,231,336</u>	<u>2,228,908</u>	<u>2,156,903</u>	<u>(72,005)</u>
EXPENDITURES				
Current:				
General government	527,098	527,098	506,405	20,693
Public safety	1,300,068	1,300,068	1,446,794	(146,726)
Public works	112,621	112,621	77,908	34,713
Building and planning	105,227	105,227	133,269	(28,042)
Parks and recreation	225,859	225,859	204,026	21,833
Debt service:				
Principal	-	-	115,980	(115,980)
Interest	-	-	29,483	(29,483)
	<u>2,270,873</u>	<u>2,270,873</u>	<u>2,513,865</u>	<u>(242,992)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,537)</u>	<u>(41,965)</u>	<u>(356,962)</u>	<u>(314,997)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	2,671	2,671
Transfers out	(500)	-	(156,094)	(156,094)
	<u>(500)</u>	<u>-</u>	<u>(153,423)</u>	<u>(153,423)</u>
Net change in fund balance	(40,037)	(41,965)	(510,385)	(468,420)
Fund balance - beginning (restated)	893,987	893,987	833,987	(60,000)
Fund balance - ending	<u>\$ 853,950</u>	<u>\$ 852,022</u>	<u>\$ 323,602</u>	<u>\$ (528,420)</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
MEASURE C SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 359,865	\$ 359,865	\$ 349,184	\$ (10,681)
Intergovernmental	-	-	3,422	3,422
Revenue from the use of money and property	-	-	1,122	1,122
Total revenues	<u>359,865</u>	<u>359,865</u>	<u>353,728</u>	<u>(6,137)</u>
EXPENDITURES				
Current:				
Highways and streets	300,223	300,223	282,395	17,828
Capital outlay	<u>632,000</u>	<u>632,000</u>	<u>145,661</u>	<u>486,339</u>
Total expenditures	<u>932,223</u>	<u>932,223</u>	<u>428,056</u>	<u>504,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(572,358)</u>	<u>(572,358)</u>	<u>(74,328)</u>	<u>498,030</u>
Net change in fund balance	(572,358)	(572,358)	(74,328)	498,030
Fund balance - beginning	<u>952,306</u>	<u>952,306</u>	<u>952,306</u>	-
Fund balance - ending	<u>\$ 379,948</u>	<u>\$ 379,948</u>	<u>\$ 877,978</u>	<u>\$ 498,030</u>

CITY OF MENDOTA

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

BUDGETARY BASIS OF ACCOUNTING

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

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

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

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2017, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Public safety	\$ 146,726
Building and planning	28,042
Principal	115,980
Interest	29,483

CITY OF MENDOTA

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

	<u>2017</u>
Proportion of the net pension liability	0.0000%
Proportionate share of the net pension liability	\$ -
Covered payroll	\$ -
Proportionate share of the net pension liability as percentage of covered	0.00%
Plan fiduciary net position as a percentage of the total pension liability	0.00%

NOTES TO SCHEDULE

Changes in Benefit Terms - None

Changes in 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>
Actuarially required contribution (actuarially determined)	\$ 59,178
Contributions in relation to the actuarially determined contributions	<u>59,178</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 902,792
Contributions as a percentage of covered payroll	6.55%

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

SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,976,884	\$ -	\$ 118,837	\$ 2,095,721
Receivables	36,104	-	46	36,150
Prepaid expenses	<u>3,954</u>	<u>-</u>	<u>-</u>	<u>3,954</u>
 Total assets	 <u>2,016,942</u>	 <u>-</u>	 <u>118,883</u>	 <u>2,135,825</u>
LIABILITIES				
Accounts payable	66,443	-	-	66,443
Due to other funds	<u>15,726</u>	<u>-</u>	<u>-</u>	<u>15,726</u>
 Total liabilities	 <u>82,169</u>	 <u>-</u>	 <u>-</u>	 <u>82,169</u>
FUND BALANCES				
Nonspendable:				
Prepays	3,954	-	-	3,954
Restricted for:				
Redevelopment and housing	271,418	-	-	271,418
Public safety	598,838	-	-	598,838
Highways and streets	1,040,982	-	85,613	1,126,595
Parks and recreation	189,431	-	-	189,431
Committed to:				
Public safety	28,635	-	-	28,635
Highways and streets	-	-	33,270	33,270
Unassigned	<u>(198,485)</u>	<u>-</u>	<u>-</u>	<u>(198,485)</u>
 Total fund balances	 <u>1,934,773</u>	 <u>-</u>	 <u>118,883</u>	 <u>2,053,656</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 2,016,942</u>	 <u>\$ -</u>	 <u>\$ 118,883</u>	 <u>\$ 2,135,825</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
REVENUES				
Taxes	\$ 585,910	\$ -	\$ -	\$ 585,910
Licenses and permits	308,659	-	-	308,659
Intergovernmental	446,050	-	-	446,050
Revenue from the use of money and property	2,338	-	172	2,510
Miscellaneous	<u>29,393</u>	-	-	<u>29,393</u>
Total revenues	<u>1,372,350</u>	-	<u>172</u>	<u>1,372,522</u>
EXPENDITURES				
Current:				
Public safety	315,956	-	-	315,956
Municipal airport	8,474	-	-	8,474
Highways and streets	380,883	-	-	380,883
Parks and recreation	20,473	-	-	20,473
Redevelopment and housing	11,770	-	-	11,770
Capital outlay	337,745	-	-	337,745
Debt service:				
Interest	-	<u>250</u>	-	<u>250</u>
Total expenditures	<u>1,075,301</u>	<u>250</u>	-	<u>1,075,551</u>
Excess (deficiency) of revenues over (under) expenditures	<u>297,049</u>	<u>(250)</u>	<u>172</u>	<u>296,971</u>
Other financing sources (uses):				
Transfers in	<u>500</u>	<u>155,594</u>	-	<u>156,094</u>
Total other financing sources (uses)	<u>500</u>	<u>155,594</u>	-	<u>156,094</u>
Net change in fund balances	297,549	155,344	172	453,065
Fund balances - beginning (restated)	<u>1,637,224</u>	<u>(155,344)</u>	<u>118,711</u>	<u>1,600,591</u>
Fund balances - ending	<u>\$ 1,934,773</u>	<u>\$ -</u>	<u>\$ 118,883</u>	<u>\$ 2,053,656</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	<u>Housing Income</u>	<u>Gas Tax Special Revenue Fund</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>Police Grants</u>
ASSETS					
Cash and cash equivalents	\$ 271,925	\$ 524,117	\$ -	\$ 567,617	\$ 63,569
Receivables	93	151	-	217	10,022
Prepaid expenses	<u>-</u>	<u>-</u>	<u>3,954</u>	<u>-</u>	<u>-</u>
Total assets	<u>272,018</u>	<u>524,268</u>	<u>3,954</u>	<u>567,834</u>	<u>73,591</u>
LIABILITIES					
Accounts payable	600	30,776	130	1,857	-
Due to other funds	<u>-</u>	<u>-</u>	<u>15,726</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>600</u>	<u>30,776</u>	<u>15,856</u>	<u>1,857</u>	<u>-</u>
FUND BALANCES					
Nonspendable:					
Prepays	-	-	3,954	-	-
Restricted for:					
Redevelopment and housing	271,418	-	-	-	-
Public safety	-	-	-	363,859	44,956
Highways and streets	-	493,492	-	211,179	-
Parks and recreations	-	-	-	173,568	-
Committed to					
Public safety	-	-	-	-	28,635
Unassigned	<u>-</u>	<u>-</u>	<u>(15,856)</u>	<u>(182,629)</u>	<u>-</u>
Total fund balances (deficit)	<u>271,418</u>	<u>493,492</u>	<u>(11,902)</u>	<u>565,977</u>	<u>73,591</u>
Total liabilities and fund balances	<u>\$ 272,018</u>	<u>\$ 524,268</u>	<u>\$ 3,954</u>	<u>\$ 567,834</u>	<u>\$ 73,591</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	<u>LTF Special Revenue Fund</u>	<u>Mendota CFD</u>	<u>Mendota Community Corporation</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 343,233	\$ 190,566	\$ 15,857	\$ 1,976,884
Receivables	25,132	483	6	36,104
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,954</u>
Total assets	<u>368,365</u>	<u>191,049</u>	<u>15,863</u>	<u>2,016,942</u>
LIABILITIES				
Accounts payable	32,054	1,026	-	66,443
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,726</u>
Total liabilities	<u>32,054</u>	<u>1,026</u>	<u>-</u>	<u>82,169</u>
FUND BALANCES				
Nonspendable:				
Prepays	-	-	-	3,954
Restricted for:				
Redevelopment and housing	-	-	-	271,418
Public safety	-	190,023	-	598,838
Highways and streets	336,311	-	-	1,040,982
Parks and recreations	-	-	15,863	189,431
Committed to:				
Public safety	-	-	-	28,635
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(198,485)</u>
Total fund balances (deficit)	<u>336,311</u>	<u>190,023</u>	<u>15,863</u>	<u>1,934,773</u>
Total liabilities and fund balances	<u>\$ 368,365</u>	<u>\$ 191,049</u>	<u>\$ 15,863</u>	<u>\$ 2,016,942</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, 2017**

	<u>Housing Income</u>	<u>Gas Tax Special Revenue Fund</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>Police Grants</u>
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	308,659	-
Intergovernmental	-	222,218	77,770	-	146,062
Revenue from the use of money and property	352	582	4	782	72
Miscellaneous	<u>5,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>5,531</u>	<u>222,800</u>	<u>77,774</u>	<u>309,441</u>	<u>146,134</u>
EXPENDITURES					
Current:					
Public safety	-	-	-	24,636	142,729
Municipal airport	-	-	8,474	-	-
Highways and streets	-	152,691	-	-	-
Parks and recreation	-	-	-	-	-
Redevelopment and housing	11,770	-	-	-	-
Capital outlay	<u>-</u>	<u>125,161</u>	<u>67,770</u>	<u>6,353</u>	<u>-</u>
Total expenditures	<u>11,770</u>	<u>277,852</u>	<u>76,244</u>	<u>30,989</u>	<u>142,729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,239)</u>	<u>(55,052)</u>	<u>1,530</u>	<u>278,452</u>	<u>3,405</u>
Other financing sources (uses):					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(6,239)	(55,052)	1,530	278,452	3,405
Fund balances (deficit) - beginning (restated)	<u>277,657</u>	<u>548,544</u>	<u>(13,432)</u>	<u>287,525</u>	<u>70,186</u>
Fund balances (deficit) - ending	<u>\$ 271,418</u>	<u>\$ 493,492</u>	<u>\$ (11,902)</u>	<u>\$ 565,977</u>	<u>\$ 73,591</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, 2017**

	<u>LTF Special Revenue Fund</u>	<u>Mendota CFD</u>	<u>Mendota Community Corporation</u>	<u>Total</u>
REVENUES				
Taxes	\$ 375,542	\$ 210,368	\$ -	\$ 585,910
Licenses and permits	-	-	-	308,659
Intergovernmental	-	-	-	446,050
Revenue from the use of money and property	394	149	3	2,338
Miscellaneous	<u>3,195</u>	<u>-</u>	<u>21,019</u>	<u>29,393</u>
Total revenues	<u>379,131</u>	<u>210,517</u>	<u>21,022</u>	<u>1,372,350</u>
EXPENDITURES				
Current:				
Public safety	-	148,591	-	315,956
Municipal airport	-	-	-	8,474
Highways and streets	228,192	-	-	380,883
Parks and recreation	-	-	20,473	20,473
Redevelopment and housing	-	-	-	11,770
Capital outlay	<u>138,461</u>	<u>-</u>	<u>-</u>	<u>337,745</u>
Total expenditures	<u>366,653</u>	<u>148,591</u>	<u>20,473</u>	<u>1,075,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,478</u>	<u>61,926</u>	<u>549</u>	<u>297,049</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
Net change in fund balances	12,478	61,926	1,049	297,549
Fund balances (deficit) - beginning (restated)	<u>323,833</u>	<u>128,097</u>	<u>14,814</u>	<u>1,637,224</u>
Fund balances (deficit) - ending	<u>\$ 336,311</u>	<u>\$ 190,023</u>	<u>\$ 15,863</u>	<u>\$ 1,934,773</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
JUNE 30, 2017**

	<u>General Bond</u>
LIABILITIES	
Due to other funds	\$ -
Advances from other funds	-
	<hr/>
Total liabilities	-
	<hr/>
FUND BALANCES	
Unassigned	-
	<hr/>
Total fund balances	-
	<hr/>
Total liabilities and fund balances	\$ <u><u>-</u></u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
FOR THE YEAR ENDED 30, 2017**

	<u>General Bond</u>
REVENUES	
Revenue from the use of money and property	\$ <u> -</u>
Total revenues	<u> -</u>
EXPENDITURES	
Debt service: Interest	<u> 250</u>
Total expenditures	<u> 250</u>
Excess (deficiency) of revenues over (under) expenditures	(250)
Other financing sources (uses): Transfers in	<u> 155,594</u>
Total other financing sources (uses)	<u> 155,594</u>
Net change in fund balance	155,344
Fund balances (deficit) - beginning	<u> (155,344)</u>
Fund balances - ending	<u><u> -</u></u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
JUNE 30, 2017**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 85,586	\$ 33,251	\$ 118,837
Receivables	<u>27</u>	<u>19</u>	<u>46</u>
Total assets	<u>85,613</u>	<u>33,270</u>	<u>118,883</u>
FUND BALANCES			
Restricted to:			
Highways and streets	85,613	-	85,613
Committed to:			
Highways and streets	<u>-</u>	<u>33,270</u>	<u>33,270</u>
Total fund balances	<u>85,613</u>	<u>33,270</u>	<u>118,883</u>
Total fund balances	<u>\$ 85,613</u>	<u>\$ 33,270</u>	<u>\$ 118,883</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, 2017**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
REVENUES			
Revenue from the use of money and property	\$ 101	\$ 71	\$ 172
Total revenues	<u>101</u>	<u>71</u>	<u>172</u>
EXPENDITURES			
Current:			
Highways and streets	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>101</u>	<u>71</u>	<u>172</u>
Net change in fund balances	101	71	172
Fund balances - beginning (restated)	<u>85,512</u>	<u>33,199</u>	<u>118,711</u>
Fund balances - ending	<u>\$ 85,613</u>	<u>\$ 33,270</u>	<u>\$ 118,883</u>

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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 City Council
City of Mendota, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mendota, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

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

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

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

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540

fax 559.299.2344

Compliance and Other Matters

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

Purpose of this Report

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

Price Pange & Company

Clovis, California
December 4, 2017

FINDINGS AND QUESTIONED COSTS

**CITY OF MENDOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

**CITY OF MENDOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENT FINDINGS

None reported.