

**CITY OF MENDOTA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2022**

CITY OF MENDOTA
FINANCIAL STATEMENTS
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-14, budgetary comparison information on pages 56-58, proportionate share of net pension liability (asset) on page 60, and schedule of contributions on page 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
December 8, 2022

CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

The management of the City of Mendota, California (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. 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 \$53,329,789 (net position). Of this amount, \$9,833,036 (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 \$9,459,517 from the prior fiscal year. Governmental activities increased the City's total net position by \$6,077,673 and business-type activities increased by \$3,381,844. The overall increase in net position is due to several factors. The business-type activities of the City, which represent utility service for water, sewer and waste disposal, benefitted by an increase in utility service revenue of approximately nine percent, or \$413,902. The large increase in utility revenue is due to several factors, including installation of modern water meters to accurately reflect previously understated usage and corresponding service charges, an across the board rate increase for all utility services beginning in July of 2021, higher usage demand as compared to the prior year, and the addition of two cannabis farming operations utilizing large amounts of City water for irrigation purposes. In addition, the City recognized \$1,139,404 in federal grant revenue related to reconstruction of a bridge supporting the City's water enterprise fund. Overall profitability of the business-type activities for the fiscal year was reduced by higher employment related costs, higher maintenance costs in the water enterprise fund and a depreciation/amortization provision which was \$265,664 higher than the prior fiscal year as several completed water and sewer infrastructure projects have recently been placed in service. With regard to the governmental-type activities, which saw a revenue increase of \$5,584,535 over the prior fiscal year, the City reported a 188%, or \$4,046,890, increase in operating and capital grant income over the prior year attributable, primarily, to a \$2,753,676 federal coronavirus relief operating grant and a \$2,000,000 state capital allocation to aid in the construction of a new police department and city chambers facility. In addition, revenue from City service charges increased by approximately \$700,000 over the prior year due almost exclusively to the collection of public benefit fees charged to entities engaged in the cannabis industry that operate within City limits, along with a thirty-two percent increase in sales tax revenue as the City and its retail businesses emerge from the COVID pandemic. Overall operating expenses of the City increased by 20%, or \$1,016,862, over the prior fiscal year. This increase in expenditures was due primarily to higher wage and employee benefits across all governmental departments but, in particular, public safety wages and benefits saw an increase of approximately \$187,000 over the prior year. In addition, the City utilized the entire coronavirus relief grant funds to pay for City operations, including a special wage bonus of \$440,472. Finally, depreciation expense was \$116,331 higher than the prior year and is attributable to park and road infrastructure projects recently placed in service by the City.

At June 30, 2022, the City's governmental funds reported combined ending fund balances of \$13,561,691, an increase of \$5,783,647 in comparison with the prior year. As discussed in the previous paragraph, the increase is due primarily to a \$2,000,000 grant capital allocation for construction of a new police and city chambers facility, along with a \$2,753,676 federal operating grant. In addition, the City reported significant revenue in the form of public benefit fees from entities engaged in the cannabis industry as discussed above. These revenue increases were partially offset by higher salaries and benefits across all departments, including a special wage bonus of \$440,472 as described in the proceeding paragraph, along with higher costs for park maintenance and professional fees.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,712,811. This represents a \$3,157,984 increase from the unassigned fund balance of \$2,554,827 reported at June 30, 2021. As described above, the federal coronavirus grant revenue, cannabis related public benefit fees and sales tax revenue were the primary attributes in increasing the City's unassigned fund balance. This higher revenue was partially offset by significantly higher wages and benefits across all general fund departments as compared with the prior year, along with higher public safety expenses for professional services and a significant increase in operational supplies and maintenance attributable to the City's parks and recreation department.

The City's total long-term debt of \$8,317,657 decreased by \$625,854 compared to last year. Taking advantage of favorable market interest rates, the City refinanced its sewer enterprise bond debt, consolidating the defeased principal of the 2005 and 2010 bond issues into a single series bond issued in November, 2021. There were no other new debt obligations entered into by the City during the current fiscal year. The \$625,854 reduction represents scheduled repayment of the City's existing debt as required under its various loan agreements.

CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

The government-wide financial statements can be found on pages 16 through 17 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 two categories: governmental funds and proprietary 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 financial 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 41 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, CDBG Housing Special Revenue Fund, Gas Tax Special Revenue Fund and the Police Building Capital Projects Fund. All of these are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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

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

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

Notes to the basic financial statements. The notes provide additional information that is essential to fully understand of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 30 through 53 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 56 through 61 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 64 through 71.

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 \$53,329,789 at June 30, 2022.

Condensed Statement of Net Position
June 30, 2022 and 2021

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 15,889,557	\$ 9,939,490	\$ 6,230,797	\$ 7,168,743	\$ 22,120,354	\$ 17,108,233
Capital assets, net	<u>14,174,682</u>	<u>13,979,172</u>	<u>26,892,464</u>	<u>23,906,026</u>	<u>41,067,146</u>	<u>37,885,198</u>
Total assets	<u>30,064,239</u>	<u>23,918,662</u>	<u>33,123,261</u>	<u>31,074,769</u>	<u>63,187,500</u>	<u>54,993,431</u>
Deferred outflows of resources	<u>158,051</u>	<u>109,272</u>	<u>140,644</u>	<u>106,248</u>	<u>298,695</u>	<u>215,520</u>
Long-term liabilities	308,372	361,408	8,009,285	8,582,103	8,317,657	8,943,511
Other liabilities	<u>434,867</u>	<u>268,277</u>	<u>1,346,928</u>	<u>2,075,515</u>	<u>1,781,795</u>	<u>2,343,792</u>
Total liabilities	<u>743,239</u>	<u>629,685</u>	<u>9,356,213</u>	<u>10,657,618</u>	<u>10,099,452</u>	<u>11,287,303</u>
Deferred inflows of resources	<u>3,719</u>	<u>590</u>	<u>3,235</u>	<u>786</u>	<u>6,954</u>	<u>1,376</u>
Net position:						
Net investment in capital assets	13,975,373	13,753,125	18,968,246	15,417,573	32,943,619	29,170,698
Restricted	9,813,330	7,221,443	789,804	657,966	10,603,134	7,879,409
Unrestricted	<u>5,686,629</u>	<u>2,423,091</u>	<u>4,146,407</u>	<u>4,447,074</u>	<u>9,833,036</u>	<u>6,870,165</u>
Total net position	<u>\$ 29,475,332</u>	<u>\$ 23,397,659</u>	<u>\$ 23,904,457</u>	<u>\$ 20,522,613</u>	<u>\$ 53,379,789</u>	<u>\$ 43,920,272</u>

The largest portion of the City's net position, \$32,943,619 (62 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 \$9,833,036 (18 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 \$10,603,134 (20 percent) represents resources that are subject to external restrictions on their use.

CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Governmental activities increased the City's net position by \$6,077,673, accounting for 64 percent of the total increase in the net position of the City of Mendota as compared to the prior fiscal year.

Condensed Statement of Activities
For the Years Ended June 30, 2022 and 2021

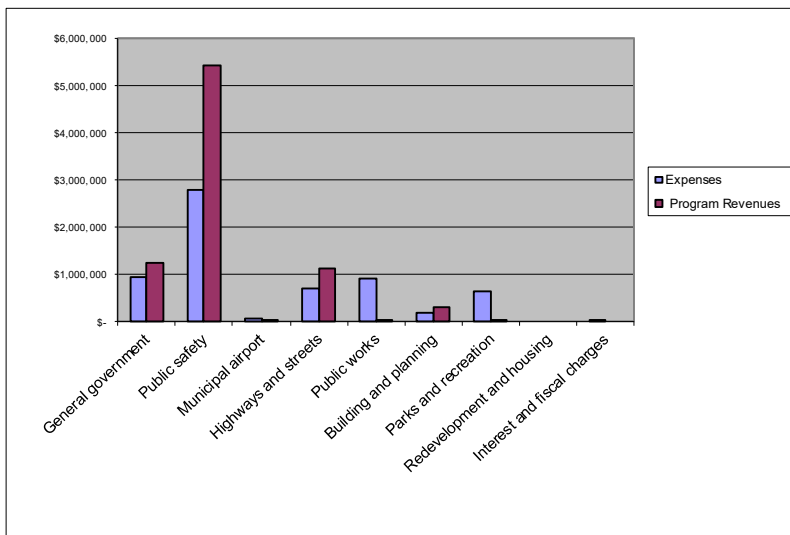
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,797,507	\$ 963,412	\$ 4,998,852	\$ 4,584,950	\$ 6,796,359	\$ 5,548,362
Operating grants and contributions	3,736,787	1,247,712	88,907	15,027	3,825,694	1,262,739
Capital grants and contributions	2,541,783	933,968	2,964,295	4,891,617	5,506,078	5,825,585
General revenues:						
Property taxes	1,740,105	1,645,197	-	-	1,740,105	1,645,197
Sales tax	1,032,032	778,946	-	-	1,032,032	778,946
Franchise taxes	140,417	200,475	-	-	140,417	200,475
Other taxes	1,025,870	698,195	-	-	1,025,870	698,195
Earnings on investments	115,199	105,968	5,403	6,504	120,602	112,472
Miscellaneous	65,819	19,358	53,736	49,110	119,555	68,468
Gain on sale of assets	41,858	59,611	-	209,001	41,858	268,612
Total revenues	<u>12,237,377</u>	<u>6,652,842</u>	<u>8,111,193</u>	<u>9,756,209</u>	<u>20,348,570</u>	<u>16,409,051</u>
Expenses:						
General government	917,525	672,494	-	-	917,525	672,494
Public safety	2,786,952	2,430,899	-	-	2,786,952	2,430,899
Municipal airport	52,681	50,269	-	-	52,681	50,269
Highways and streets	703,297	576,036	-	-	703,297	576,036
Public works	888,433	799,743	-	-	888,433	799,743
Building and planning	173,502	191,430	-	-	173,502	191,430
Parks and recreation	636,340	517,913	-	-	636,340	517,913
Redevelopment and housing	-	-	-	-	-	-
Interest and fiscal charges	974	1,737	-	-	974	1,737
Water	-	-	2,175,136	2,024,558	2,175,136	2,024,558
Sewer	-	-	1,733,323	1,548,396	1,733,323	1,548,396
Sanitation	-	-	820,890	752,347	820,890	752,347
Total expenses	<u>6,159,704</u>	<u>5,240,521</u>	<u>4,729,349</u>	<u>4,325,301</u>	<u>10,889,053</u>	<u>9,565,822</u>
Increase in net position before transfers	<u>6,077,673</u>	<u>1,412,321</u>	<u>3,381,844</u>	<u>5,430,908</u>	<u>9,459,517</u>	<u>6,843,229</u>
Increase (decrease) in net position	6,077,673	1,412,321	3,381,844	5,430,908	9,459,517	6,843,229
Net position - beginning	<u>23,397,659</u>	<u>21,985,338</u>	<u>20,522,613</u>	<u>15,091,705</u>	<u>43,920,272</u>	<u>37,077,043</u>
Net position - ending	<u>\$ 29,475,332</u>	<u>\$ 23,397,659</u>	<u>\$ 23,904,457</u>	<u>\$ 20,522,613</u>	<u>\$ 53,379,789</u>	<u>\$ 43,920,272</u>

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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

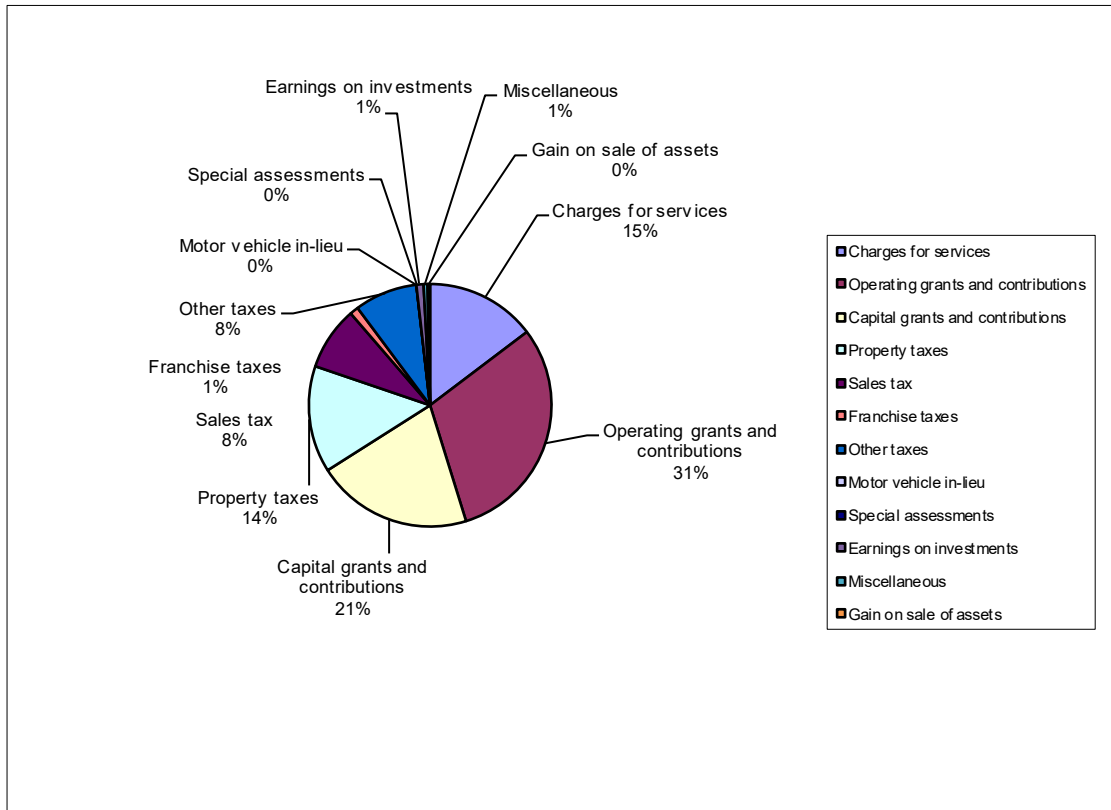
- Charges for services increased by \$834,095 to \$1,797,507 from the prior year. The City received approximately \$700,000 more in public benefit fees related to private sector cannabis operations as compared to the prior fiscal year due to the commissioning of two new operators, Odyssey Insights and Boca Del Rio Development, during the current year. In addition, the City reported higher revenue from the issuance of building permits, along with higher police services revenue, as compared to the prior fiscal year.
- Operating grants and contributions increased by \$2,489,075 to \$3,736,787 from the previous year. In July, 2021, the City received \$2,753,676 in Coronavirus Fiscal Recovery Funds passed through the State of California. In the prior fiscal year, the City had received federal and state COVID relief grants totaling approximately \$370,000.
- Capital grants and contributions increased \$1,607,815 to \$2,541,783 during the fiscal year. In November, 2021, the City was the recipient of a \$2,000,000 capital allocation from the State of California for the construction of a new police department and city chambers building. This increase was partially offset by an \$859,841 decline in federal road improvement grants as compared to the prior fiscal year.
- Property taxes increased by \$94,908 or 6% during the fiscal year. The increase can be attributed to an overall increase in assessed values for property over the prior year, coupled with an increasing tax base from the addition of new residential housing within the City limits provided by the La Colonial development. In addition, sales tax revenue increased by \$253,086 or 33% as business activity within City limits improved from COVID related disruptions prevalent in the prior fiscal year. In addition, several new retail business outlets opened during the current fiscal year, increasing the taxable sales base as compared to the prior fiscal year.
- Franchise taxes decreased by \$60,058 or 30% to \$140,417 during the fiscal year. The current year decrease is due primarily to a reduction in franchise fee revenue from Canna-Hub, Inc., a California cannabis collective, which terminated operations in the City at the end of the prior fiscal year.
- Other taxes increased by \$327,675 to \$1,025,870 from the prior fiscal year. Federal highway user tax allocated to the City by the Fresno Council of Governments increased by \$253,400 from the prior year. In addition, Measure C tax revenue, a Fresno County local sales tax dedicated to highway maintenance and improvement, increased by \$53,542 as compared to the prior year.
- Miscellaneous income increased by \$46,461 to \$65,819 over the prior fiscal year. The increase is due primarily to insurance refunds, public donations made to the Mendota Community Corporation and other one-time receipts of income collected during the current fiscal year.

Expenses and Program Revenue – Governmental Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Revenues by Source – Governmental Activities



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

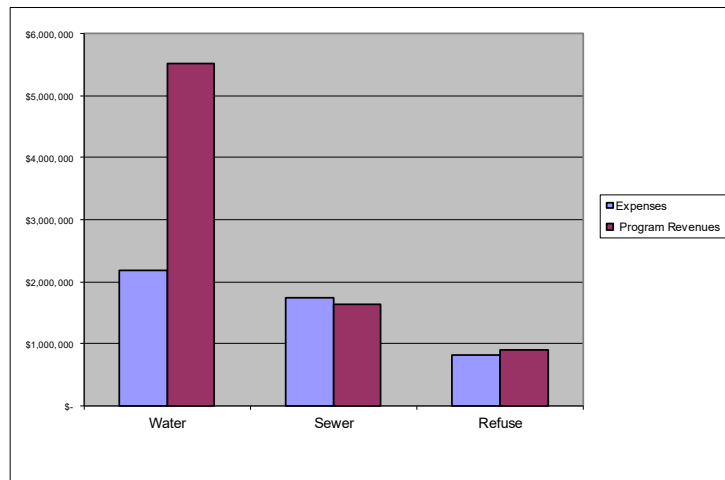
- General government expenses increased by \$245,031 to \$917,525 in 2022. The increase is due primarily to City-wide bonuses, totaling \$440,472, paid to employees utilizing funds provided by the Coronavirus Fiscal Recovery grant received in July 2021. Unlike the prior fiscal year, there were no expenditures to local non-profit organizations utilizing federal and state grant funds to assist in pandemic relief during the current year, which has provided a partially offset to the above one time payroll expenditure.
- Public safety expenses increased by \$356,053 or approximately 15% from the prior year. The increase can be attributed almost exclusively to the City police department through salary raises, increased overtime pay, higher benefits for health care insurance and retirement benefits for department staff. In addition, the City experienced an increase of approximately \$55,000 in the fee charged by the Fresno County Fire Department for fire protection services over the prior year.
- Highways and streets expenditures increased by \$127,261 or 22% to \$703,297. The increase is due primarily to higher wages and benefits for street personnel, higher utility bills for street and signal lighting and approximately \$51,000 in professional fees related to the development and drafting of a state-mandated “safe routes to school” master plan.
- Public works expenses increased by \$88,690 to \$888,433. The increase is due almost exclusively to a higher depreciation provision assessed on capital assets for the current fiscal year as compared to the prior year.
- Building and planning expenses decreased by \$17,928 or 9% to \$173,502. During the fiscal year, there was an overall decrease in the number of new commercial and residential developments requiring expenditures for outsourced engineering and legal services for planning and zoning as compared to the prior fiscal year.
- Parks and recreation expenses increased by \$118,427 to \$636,340. In the prior fiscal year, the COVID pandemic mandate restricting public gatherings caused a reduction in the availability of the City’s public park venues to the general public. As a result, required labor to maintain the City parks, along with maintenance and operational supplies, were significantly reduced. With the venues once again open to the public with little restrictions, labor and maintenance costs have increased significantly during the current fiscal year as compared to the previous year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Business-type activities. Business-type activities increased the City's net position by \$3,381,844 over the prior fiscal year. Key elements of this increase are as follows:

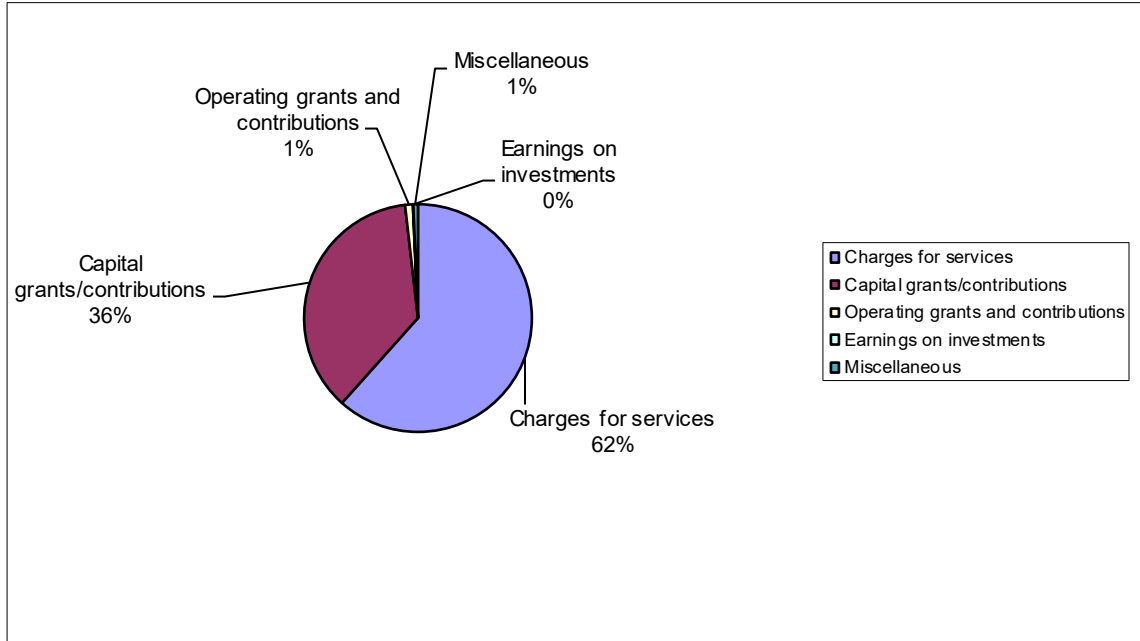
- Charges for services for the business-type activities increased by \$413,902 or 9% over the previous year. The water enterprise fund saw an increase of approximately \$275,000 in service revenue, which is the result of a rate increase implemented in 2021, coupled with increased revenue as a result of installing new meters to accurately reflect water usage on commercial customers. In addition, two cannabis farming entities, which utilize City water, began irrigation of newly planted crops in 2021, resulting in a significant increase in commercial water revenue. Revenue increases for sewer and sanitation services increased by \$48,882 and \$90,118, respectively, during the current fiscal year and is the result of rate increases implemented in 2021, coupled with higher usage during the fiscal year as compared to the prior year.
- Operating grants and contributions for the business-type activities increased by \$73,880 to \$88,907. During the fiscal year, the City received \$72,267 in state grants to reimburse the water and sewer enterprise funds for delinquent customer account balances caused by the pandemic. In addition, the sanitation fund received a Cal-Recycling grant of \$21,968 to implement SB 1383, a green waste initiative. The remaining increase is attributable to higher impact fees collected from developers.
- Capital grants and contributions in the amount of \$2,964,295 for the current fiscal year represents the earned portion of a federal deposit the City received during the fiscal years ended June 30, 2019 and 2022 for replacement of a bridge accessing the City's water wells and the capital grant for the installation of modern water meters. The recognized revenues are the primary contributors to the \$3,381,844 growth in the business-type net position for the fiscal year ended June 30, 2022.
- Expenses of the Water Enterprise Fund increased by \$150,578 to \$2,175,136 during the year. The increase is due primarily to higher salaries and benefits, totaling approximately \$96,000, as compared to the prior fiscal year. In addition, depreciation expense increased by \$68,400, which is primarily due to the solar generation system placed in service towards the end of the prior fiscal year. Also, the water fund incurred higher maintenance and repair costs on the system during the current fiscal year.
- Expenses of the Sewer Enterprise Fund increased by \$184,927 or 12% from the prior fiscal year. The increase is due primarily to a \$131,738 increase in depreciation expense over the prior year as several large infrastructure projects were placed into service towards the end of the prior fiscal year and current year. In addition, the fund incurred a non-cash amortization charge of \$65,531 related to its refinancing of the 2005 WWTP revenue bonds in November, 2021, with the remaining increase attributable to higher employee wages and benefits.
- Expenses of the Sanitation Enterprise Fund increased \$68,543 over the prior year due entirely to an increase in fees charged by the City's contracted refuse service provider to implement state mandated green waste disposal requirements during the current fiscal year.

Expenses and Program Revenue – Business-Type Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Revenue by Source – Business-Type Activities



FINANCIAL ANALYSIS OF CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,561,691 an increase of \$5,783,647 in comparison with the prior year. Of this total amount, \$8,047,102 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$5,514,589 at June 30, 2022. This represents an increase of \$3,155,800 over the prior year unassigned fund balance of \$2,358,789 at June 30, 2021.

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 \$4,192,448 at June 30, 2022; the unassigned General Fund balance is currently showing a balance of \$5,712,811 at June 30, 2022.

The fund balance of the City's General Fund increased by \$3,159,984 during the current fiscal year. The following table provides an explanation of revenues by source that changed significantly over the prior year.

CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Revenue by Source
GENERAL FUND

	FY2022		FY2021		Increase/ (Decrease)	Percent of Total
	Amount	Percent of Total	Amount	Percent of Total	Amount	
Taxes	\$ 2,443,278	33.24%	\$ 2,163,433	57.39%	\$ 279,845	7.81%
Licenses and permits	205,833	2.80%	139,185	3.69%	66,648	1.86%
Intergovernmental	2,931,488	39.87%	439,734	11.66%	2,491,754	69.56%
Charges for services	1,391,172	18.92%	691,613	18.34%	699,559	19.53%
Fines	164,307	2.23%	121,301	3.22%	43,006	1.20%
Use of money and property	106,177	1.44%	101,973	2.70%	4,204	0.12%
Proceeds from sale of capital assets	41,858	0.57%	59,611	1.58%	(17,753)	-0.50%
Miscellaneous	68,319	0.93%	53,526	1.42%	14,793	0.41%
Total	\$ 7,352,432	100%	\$ 3,770,376	100%	\$ 3,582,056	100%

- Taxes increased by \$279,845 or 13% as compared to the prior fiscal year. Sales tax revenue increased by approximately \$253,000 from the prior year due to the continuing recovery from the COVID pandemic in retail sales, coupled with the addition of new retail outlets opened during the fiscal year within the City. Property tax revenue increased approximately \$66,000 from the prior fiscal year due to an overall rise in assessed property values.
- Licenses and permits increased by \$66,648 or 48% compared to the prior fiscal year. Building permit revenue, which was severely impacted by the COVID pandemic in the prior fiscal year, increased by approximately \$44,000 during the current fiscal year. In addition, there was an approximately \$17,000 increase in business license revenue as the City worked to bring more businesses in compliance, coupled with new business establishments started during the current fiscal year.
- Intergovernmental revenue increased by \$2,491,754 to \$2,931,488. The increase is due almost exclusively to the \$2,753,676 Coronavirus Fiscal Recovery grant awarded to the City. COVID pandemic relief grants received by the City in the prior fiscal year totaled \$370,453, resulting in the overall increase in pandemic related operating grants of \$1,006,385.
- Charges for services increased by \$699,559 or 101%. During the current fiscal year, the City granted two cannabis entities, Odyssey Insights and Boca Del Rio Development, the right to conduct business within the City, resulting in the collection of approximately \$700,000 in public benefit fees.
- Revenue from fines increased \$43,006 to \$164,307. The increase is due to a higher number of vehicle and traffic citations issued during the current fiscal year as compared to the prior year.
- Use of money and property increased by \$4,204 to \$106,177. The increase is attributable to higher rental income for the City park venues, offset by lower investment earnings received from the City's pooled cash funds.
- Proceeds from disposal of capital assets during the current fiscal year represents insurance proceeds for the loss a City police vehicle during the fiscal year.
- The \$14,793 increase in miscellaneous revenue over the prior fiscal year can be attributable to one-time receipts of income not present in the prior fiscal year.

CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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

Expenditures by Function
GENERAL FUND

	FY2022		FY2021		Increase/ (Decrease)	Percent of Total
	Amount	Percent of Total	Amount	Percent of Total	Amount	
General government	\$ 850,308	20.28%	\$ 611,408	17.83%	\$ 238,900	31.33%
Public safety	2,311,049	55.11%	1,853,463	54.03%	457,586	60.01%
Public works	71,944	1.72%	63,161	1.84%	8,783	1.15%
Building and planning	173,758	4.14%	191,044	5.57%	(17,286)	-2.27%
Parks and recreation	410,521	9.79%	294,598	8.59%	115,923	15.20%
Capital outlay	333,190	7.95%	367,908	10.73%	(34,718)	-4.55%
Debt Service	41,678	0.99%	48,367	1.41%	(6,689)	-0.88%
Total	\$ 4,192,448	100%	\$ 3,429,949	100%	\$ 762,499	100%

- General government expenditures increased by \$238,900 to \$850,308. As discussed in the General Fund revenue section above, the City received a \$2,753,676 Coronavirus relief grant. The City used this grant for City operations. The amount recognized was partially offset a \$236,700 reduction in COVID grants that the City made available to local non-profits in the prior fiscal year using available federal and state grants received in that year. The remaining increase can be attributable to higher wages and benefits.
- Public safety expenditures increased by \$457,586 from the previous fiscal year. The significant increase is due primarily to higher wages and benefits for the City's police department charged to the City's General Fund during the current fiscal year. This reallocation of police labor and benefits to the City's General Fund was due to lower available resources in several special revenue funds dedicated to public safety. In addition, expenditures for fire protection provided by Fresno County increased by approximately \$55,000 over the prior fiscal year.
- Building and planning expenditures decreased by \$17,286 or 9% from the previous year due to a decrease in outsourced engineering and planning service fees incurred by the City. During the prior fiscal year, the City incurred significant costs related to zoning and planning issues regarding two cannabis farming ventures. There were no similar costs incurred during the current fiscal year.
- Parks and recreation expenditures increased by \$115,923 to \$410,521 over the prior fiscal year. During the prior fiscal year, the City's park venues was negatively impacted by the state mandated restrictions on public gatherings and events; consequently, the parks department incurred less cleaning and maintenance time, along with lower costs for facility repairs and operational supplies. As pandemic restrictions have been lifted during the current fiscal year, costs in operating the parks has increased accordingly.
- Capital outlay expenditures for the fiscal year ended June 30, 2022 consist of the purchase of an animal control vehicle, a code enforcement vehicle, and the proportional cost of two public works trucks with shared the water and sewer enterprise funds, totaling \$106,059. In addition, the City incurred \$42,550 in engineering costs for a proposed expansion of the Rojas-Pierce park, along with new park fencing. Also, the City incurred \$184,581 in architectural design fees from RRM Design Group for plans for a new police department building.
- Debt service payments decreased by \$6,689 to \$41,678 from the prior fiscal year. The decrease is in line with scheduled debt service payments and was aided by lower interest costs on existing debt subject to variable rates.

The Home Investment Partnership Program Special Revenue Fund has a total fund deficit of \$8,698. The fund had no activity during the current fiscal year due to lack of new funding for community housing assistance.

The CDBG Housing Program Special Revenue Fund has a total fund balance of \$436,448, all of which is restricted to low-income housing. The City collected \$33,710 in debt service payments on its loan portfolio during the year. At June 30, 2022, the fund maintains a portfolio of \$718,437 in low-income housing loans. There were no new housing loans made during the current fiscal year.

CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

The State Gas Tax Special Revenue Fund has a total fund balance of \$1,344,629, all of which is restricted to street maintenance and road improvement projects. The fund was allocated \$545,249 in state gas tax revenue during the fiscal year and received a partial intergovernmental federal reimbursement grant totaling \$7,206 for a railroad crossing improvement project. Of the \$669,029 in fund expenditures for the fiscal year, \$200,310 was for general maintenance of City streets, while the remaining \$468,719 was devoted to capital outlay for the above referenced railroad crossing improvement, City-wide alley improvements, street projects at Stamoules Street and Mendota Jr. High School, along with capital equipment purchases.

The Police Building Capital Projects Fund maintains a fund balance of \$2,961,853, all of which is committed to the construction of a new police department and city chambers facility. On November 19, 2021, the City received a \$2,000,000 state allocation dedicated to the construction of the facility, which adds to a \$950,000 state grant received several years earlier for the same commitment. The City is currently in the design stage of the facility.

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 \$256,961 lower than the final budgetary appropriations. The primary reason for the positive budget variance relates to lower than expected capital outlay and general government expenditures. Capital outlay was budgeted for \$785,000, while actual expenditures for the fiscal year came in at \$333,190. Various capital projects that the City had anticipated commencing during the fiscal year ended June 30, 2022 were, instead, delayed or tabled due to the COVID pandemic, resulting in a positive variance of \$451,810. Expenditures for general government reported a positive variance of \$361,634 over budgeted amounts due to a significant drop in contract service expense not anticipated at the time that the budget was created. These positive budget variances were partially offset by a negative budget variance of \$290,535 in public safety expenditures. At the time of the budget preparation, the City did not foresee the allocation of additional General Fund resources needed to cover the police department wages and benefits due to a lack of available resources in special revenue funds dedicated to public safety, coupled with an overall significant increase in employee wages and legal expense.

During the year, actual revenues were \$3,201,194 higher than the final budgetary estimates, with each revenue line-item showing a positive budget variance. The largest positive variance not anticipated at the time the budget was prepared is the intergovernmental revenue which exceeded budgeted amounts by approximately \$1,834,652, due to recognizing the entire federal Coronavirus Fiscal Recovery grant of \$2,753,676. In addition, the receipt of approximately \$700,000 in public benefit fees from three cannabis entities, two of which commenced their initial growing operations during the fiscal year. Also, sales tax and property tax revenue exceeded the City's expectations as continuing reservations regarding the impact of the pandemic on retail sales and property value resulted in conservative estimates of tax revenue at the time the budget was developed.

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, 2022, amounts to \$41,067,146 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, building and improvements, and equipment. The total increase in the City's investments in capital assets for the current year is approximately seventeen percent.

City of Mendota's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 357,322	\$ 357,322	\$ 1,325,374	\$ 1,325,374	\$ 1,682,696	\$ 1,682,696
Construction in progress	426,319	155,244	8,790,032	5,868,352	9,216,351	6,023,596
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	14,470,904	13,735,441	14,584,126	14,520,326	29,055,030	28,255,767
Land improvements	5,852,746	5,846,749	10,285,096	10,279,996	16,137,842	16,126,745
Buildings and improvements	1,440,436	1,440,436	4,203,671	3,309,684	5,644,107	4,750,120
Equipment	2,763,783	2,405,006	-	-	2,763,783	2,405,006
Less: accumulated depreciation	(11,136,828)	(9,961,026)	(12,357,260)	(11,459,131)	(23,494,088)	(21,420,157)
Total capital assets	<u>\$ 14,174,682</u>	<u>\$ 13,979,172</u>	<u>\$ 26,892,464</u>	<u>\$ 23,906,026</u>	<u>\$ 41,067,146</u>	<u>\$ 37,885,198</u>

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS (Continued)

Capital Assets (Continued)

This year's additions include:

Completion of the city-wide alley paving project	\$ 634,842
Purchase of new street sweeper vehicle	296,942
Continued engineering work on the city-wide auto-read water meter project	1,688,084
Continued engineering and construction of the Mowry bridge reconstruction project	1,139,404
Architectural design work on new police department and council chambers building	184,570
Purchase of a storm drain vacuum truck and related equipment	453,486
Purchase of sewer settling pond aerator equipment	173,795
Engineering work on street projects at Stamoules Street, Mendota Jr. High School and Highway 33 railroad crossing	123,393
Purchase of vehicles for animal control, code enforcement, public works, sewer & water	135,393
Engineering work on backwash pump station and stormwater improvement project	94,192
Purchase of various other equipment and improvements	<u>366,278</u>
Total additions	<u>\$ 5,290,379</u>

For further information, see Note 5 of the financial statements on pages 42 through 43 of this report.

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$8,317,657. Of this amount, \$308,372 is the liability of governmental activities and \$8,009,285 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Revenue bonds payable	\$ -	\$ -	\$ 3,826,336	\$ 4,214,469	\$ 3,826,336	\$ 4,214,469
Loans payable	199,309	239,022	351,534	408,309	550,843	647,331
Finance leases	-	-	3,746,348	3,865,675	3,746,348	3,865,675
Compensated absences	109,063	103,535	85,067	77,052	194,130	180,587
Net pension liability	-	18,851	-	16,598	-	35,449
Total long-term debt	<u>\$ 308,372</u>	<u>\$ 361,408</u>	<u>\$ 8,009,285</u>	<u>\$ 8,582,103</u>	<u>\$ 8,317,657</u>	<u>\$ 8,943,511</u>

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 44 through 47 of this report.

ECONOMIC FACTORS AND NEXT FIVE YEARS' BUDGETS AND RATES

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

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

REQUESTS FOR INFORMATION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MENDOTA
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 11,392,316	\$ 2,822,274	\$ 14,214,590
Receivables, net	4,424,793	2,582,451	7,007,244
Prepaid expenses	41,453	5,248	46,701
Internal balances	(2,178)	2,178	-
Net pension asset	33,173	28,842	62,015
Restricted assets:			
Cash and investments	-	789,804	789,804
Capital assets:			
Nondepreciable	783,641	10,176,831	10,960,472
Depreciable, net	<u>13,391,041</u>	<u>16,715,633</u>	<u>30,106,674</u>
Total assets	<u>30,064,239</u>	<u>33,123,261</u>	<u>63,187,500</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>158,051</u>	<u>140,644</u>	<u>298,695</u>
Total deferred outflows of resources	<u>158,051</u>	<u>140,644</u>	<u>298,695</u>
LIABILITIES			
Accounts payable	420,466	482,857	903,323
Deposits	-	771,031	771,031
Accrued interest	793	93,040	93,833
Unearned revenues	13,608	-	13,608
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	30,444	66,276	96,720
Finance lease payable	-	137,523	137,523
Revenue bonds payable	-	55,000	55,000
Loans payable	12,046	58,534	70,580
Portion due or payable after one year:			
Compensated absences payable	78,619	18,791	97,410
Finance lease payable	-	3,608,825	3,608,825
Revenue bonds payable	-	3,771,336	3,771,336
Loans payable	<u>187,263</u>	<u>293,000</u>	<u>480,263</u>
Total liabilities	<u>743,239</u>	<u>9,356,213</u>	<u>10,099,452</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>3,719</u>	<u>3,235</u>	<u>6,954</u>
Total deferred inflows of resources	<u>3,719</u>	<u>3,235</u>	<u>6,954</u>
NET POSITION			
Net investment in capital assets	13,975,373	18,968,246	32,943,619
Restricted for:			
Redevelopment and housing	2,767,446	-	2,767,446
Public safety	3,691,592	-	3,691,592
Highways and streets	3,208,185	-	3,208,185
Parks and recreation	146,107	-	146,107
Debt service	-	233,676	233,676
Infrastructure	-	556,128	556,128
Unrestricted	<u>5,686,629</u>	<u>4,146,407</u>	<u>9,833,036</u>
Total net position	<u>\$ 29,475,332</u>	<u>\$ 23,904,457</u>	<u>\$ 53,379,789</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, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 917,525	\$ 1,151,015	\$ 89,661	\$ -	\$ 323,151	\$ -	\$ 323,151
Public safety	2,786,952	328,905	3,091,877	2,000,000	2,633,830	-	2,633,830
Municipal airport	52,681	-	10,000	-	(42,681)	-	(42,681)
Highways and streets	703,297	14,553	545,249	541,783	398,288	-	398,288
Public works	888,433	12,577	-	-	(875,856)	-	(875,856)
Building and planning	173,502	282,607	-	-	109,105	-	109,105
Parks and recreation	636,340	7,850	-	-	(628,490)	-	(628,490)
Interest and fiscal charges	974	-	-	-	(974)	-	(974)
Total governmental activities	<u>6,159,704</u>	<u>1,797,507</u>	<u>3,736,787</u>	<u>2,541,783</u>	<u>1,916,373</u>	<u>-</u>	<u>1,916,373</u>
Business-Type Activities:							
Water	2,175,136	2,536,628	18,802	2,964,295	-	3,344,589	3,344,589
Sewer	1,733,323	1,590,289	48,137	-	-	(94,897)	(94,897)
Sanitation	820,890	871,935	21,968	-	-	73,013	73,013
Total business-type activities	<u>4,729,349</u>	<u>4,998,852</u>	<u>88,907</u>	<u>2,964,295</u>	<u>-</u>	<u>3,322,705</u>	<u>3,322,705</u>
Total City of Mendota	<u>\$ 10,889,053</u>	<u>\$ 6,796,359</u>	<u>\$ 3,825,694</u>	<u>\$ 5,506,078</u>	<u>1,916,373</u>	<u>3,322,705</u>	<u>5,239,078</u>
General revenues:							
Taxes:							
Property taxes					1,740,105	-	1,740,105
Sales tax					1,032,032	-	1,032,032
Franchise taxes					140,417	-	140,417
Other taxes					1,025,870	-	1,025,870
Revenue from the use of money and property					115,199	5,403	120,602
Miscellaneous					65,819	53,736	119,555
Gain on sale of assets					41,858	-	41,858
Total general revenues					<u>4,161,300</u>	<u>59,139</u>	<u>4,220,439</u>
Change in net position					6,077,673	3,381,844	9,459,517
Net position - beginning					<u>23,397,659</u>	<u>20,522,613</u>	<u>43,920,272</u>
Net position - ending					<u>\$ 29,475,332</u>	<u>\$ 23,904,457</u>	<u>\$ 53,379,789</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, 2022

	Special Revenue Funds						Total Governmental Funds
	General	Gas Tax	CDBG Program	HOME Investment Partnership Program	Police Building Capital Projects Fund	Nonmajor Governmental Funds	
ASSETS							
Cash and investments	\$ 4,120,343	\$ 1,099,369	\$ 436,380	\$ -	\$ 2,961,472	\$ 2,774,752	\$ 11,392,316
Receivables	1,914,499	292,473	718,443	1,142,244	381	356,753	4,424,793
Due from other funds	52,303	-	-	-	-	-	52,303
Prepaid expenses	41,097	-	-	-	-	356	41,453
Total assets	\$ 6,128,242	\$ 1,391,842	\$ 1,154,823	\$ 1,142,244	\$ 2,961,853	\$ 3,131,861	\$ 15,910,865
LIABILITIES							
Accounts payable	\$ 328,019	\$ 47,213	\$ -	\$ -	\$ -	\$ 45,234	\$ 420,466
Unearned revenues	13,608	-	-	-	-	-	13,608
Due to other funds	-	-	-	8,698	-	43,605	52,303
Advances from other funds	2,178	-	-	-	-	-	2,178
Total liabilities	343,805	47,213	-	8,698	-	88,839	488,555
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - loans	-	-	718,375	1,142,244	-	-	1,860,619
Total deferred inflows of resources	-	-	718,375	1,142,244	-	-	1,860,619
FUND BALANCES (DEFICIT)							
Nonspendable:							
Prepaid expenses	41,097	-	-	-	-	356	41,453
Restricted for:							
Redevelopment and housing	-	-	436,448	-	-	470,379	906,827
Public safety	-	-	-	-	2,961,853	729,739	3,691,592
Highways and streets	-	1,344,629	-	-	-	1,863,556	3,208,185
Parks and recreation	-	-	-	-	-	146,107	146,107
Assigned to:							
Public Safety	10,618	-	-	-	-	22,409	33,027
Highways and streets	19,911	-	-	-	-	-	19,911
Unassigned	5,712,811	-	-	(8,698)	-	(189,524)	5,514,589
Total fund balances (deficit)	5,784,437	1,344,629	436,448	(8,698)	2,961,853	3,043,022	13,561,691
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 6,128,242	\$ 1,391,842	\$ 1,154,823	\$ 1,142,244	\$ 2,961,853	\$ 3,131,861	\$ 15,910,865

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

CITY OF MENDOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

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

Total fund balances - governmental funds	\$	13,561,691
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$25,311,510 and the accumulated depreciation is \$11,136,828.		14,174,682
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in governmental funds.		1,860,619
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.		(793)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Loan payable	(199,309)	
Compensated absences	(109,063)	(308,372)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in governmental funds.		
Net pension asset	33,173	
Deferred outflows	158,051	
Deferred inflows	(3,719)	187,505
Net position of governmental activities		\$ 29,475,332

CITY OF MENDOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds						Total Governmental Funds
	General	Gas Tax	CDBG	HOME Investment Partnership Program	Police Building Capital Projects Fund	Nonmajor Governmental Funds	
REVENUES							
Taxes	\$ 2,443,278	\$ -	\$ -	\$ -	\$ -	\$ 1,495,146	\$ 3,938,424
Licenses and permits	205,833	-	-	-	-	36,042	241,875
Intergovernmental	2,931,488	781,475	-	-	2,000,000	473,446	6,186,409
Charges for services	1,391,172	-	-	-	-	-	1,391,172
Fines	164,307	-	-	-	-	153	164,460
Loan repayments	-	-	33,710	-	-	200	33,910
Use of money and property	106,177	1,471	587	1	3,387	3,576	115,199
Miscellaneous	68,319	-	-	-	-	89,661	157,980
Total revenues	<u>7,310,574</u>	<u>782,946</u>	<u>34,297</u>	<u>1</u>	<u>2,003,387</u>	<u>2,098,224</u>	<u>12,229,429</u>
EXPENDITURES							
Current:							
General government	850,308	-	-	-	-	-	850,308
Public safety	2,311,049	-	-	-	-	402,714	2,713,763
Municipal airport	-	-	-	-	-	14,422	14,422
Highways and streets	-	200,310	-	-	-	549,119	749,429
Public works	71,944	-	-	-	-	-	71,944
Building and planning	173,758	-	-	-	-	-	173,758
Parks and recreation	410,521	-	-	-	-	79,730	490,251
Capital outlay	333,190	468,719	-	-	-	580,178	1,382,087
Debt service:							
Principal	39,712	-	-	-	-	-	39,712
Interest	1,966	-	-	-	-	-	1,966
Total expenditures	<u>4,192,448</u>	<u>669,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,626,163</u>	<u>6,487,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,118,126</u>	<u>113,917</u>	<u>34,297</u>	<u>1</u>	<u>2,003,387</u>	<u>472,061</u>	<u>5,741,789</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	41,858	-	-	-	-	-	41,858
Total other financing sources (uses)	<u>41,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,858</u>
Net change in fund balances	3,159,984	113,917	34,297	1	2,003,387	472,061	5,783,647
Fund balances (deficit) - beginning	<u>2,624,453</u>	<u>1,230,712</u>	<u>402,151</u>	<u>(8,699)</u>	<u>958,466</u>	<u>2,570,961</u>	<u>7,778,044</u>
Fund balances (deficit) - ending	<u>\$ 5,784,437</u>	<u>\$ 1,344,629</u>	<u>\$ 436,448</u>	<u>\$ (8,698)</u>	<u>\$ 2,961,853</u>	<u>\$ 3,043,022</u>	<u>\$ 13,561,691</u>

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

CITY OF MENDOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

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

Net change in fund balances - total governmental funds	\$ 5,783,647
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.	195,510
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.	39,713
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).	(5,528)
Prior year unavailable revenues previously recognized in the statement of activities were recognized in the governmental funds in the current fiscal year when made available.	(33,910)
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.	567
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>97,674</u>
Change in net position of governmental activities	<u>\$ 6,077,673</u>

CITY OF MENDOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,764,636	\$ 1,051,932	\$ 5,706	\$ 2,822,274
Receivables, net	2,228,088	215,717	138,646	2,582,451
Prepaid expenses	2,867	2,381	-	5,248
Total current assets	3,995,591	1,270,030	144,352	5,409,973
Noncurrent assets:				
Restricted assets:				
Cash and investments	556,128	233,676	-	789,804
Advances to other funds	1,873,174	4,356	-	1,877,530
Net pension asset	14,740	12,133	1,969	28,842
Capital assets:				
Nondepreciable	8,792,156	1,384,675	-	10,176,831
Depreciable, net	6,581,947	10,133,686	-	16,715,633
Total noncurrent assets	17,818,145	11,768,526	1,969	29,588,640
Total assets	21,813,736	13,038,556	146,321	34,998,613
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	73,340	58,185	9,119	140,644
Total deferred outflows of resources	73,340	58,185	9,119	140,644
LIABILITIES				
Current liabilities:				
Accounts payable	318,845	89,265	74,747	482,857
Deposits	771,031	-	-	771,031
Accrued interest	13,060	79,980	-	93,040
Compensated absences payable	36,317	27,437	2,522	66,276
Finance lease payable	137,523	-	-	137,523
Revenue bonds payable	-	55,000	-	55,000
Loans payable	52,000	6,534	-	58,534
Total current liabilities	1,328,776	258,216	77,269	1,664,261
Noncurrent liabilities:				
Advances from other funds	2,178	1,873,174	-	1,875,352
Compensated absences payable	9,612	8,967	212	18,791
Finance lease payable	3,608,825	-	-	3,608,825
Revenue bonds payable	-	3,771,336	-	3,771,336
Loans payable	293,000	-	-	293,000
Total noncurrent liabilities	3,913,615	5,653,477	212	9,567,304
Total liabilities	5,242,391	5,911,693	77,481	11,231,565

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

CITY OF MENDOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022
(Continued)

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	1,654	1,360	221	3,235
Total deferred inflows of resources	<u>1,654</u>	<u>1,360</u>	<u>221</u>	<u>3,235</u>
NET POSITION				
Net investment in capital assets	11,282,755	7,685,491	-	18,968,246
Restricted for:				
Debt service	-	233,676	-	233,676
Infrastructure	556,128	-	-	556,128
Unrestricted	<u>4,804,148</u>	<u>(735,479)</u>	<u>77,738</u>	<u>4,146,407</u>
Total net position	<u>\$ 16,643,031</u>	<u>\$ 7,183,688</u>	<u>\$ 77,738</u>	<u>\$ 23,904,457</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, 2022

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating revenues:				
Charges for services	\$ 2,536,628	\$ 1,590,289	\$ 871,935	\$ 4,998,852
Miscellaneous	<u>52,736</u>	<u>1,000</u>	<u>21,968</u>	<u>75,704</u>
Total operating revenues	<u>2,589,364</u>	<u>1,591,289</u>	<u>893,903</u>	<u>5,074,556</u>
Operating expenses:				
Wages and benefits	632,588	508,819	74,211	1,215,618
Maintenance and supplies	1,045,516	447,703	745,448	2,238,667
Depreciation	407,304	490,825	-	898,129
Amortization	-	70,207	-	70,207
Bad debt	<u>9,315</u>	<u>3,125</u>	<u>1,231</u>	<u>13,671</u>
Total operating expenses	<u>2,094,723</u>	<u>1,520,679</u>	<u>820,890</u>	<u>4,436,292</u>
Operating income	<u>494,641</u>	<u>70,610</u>	<u>73,013</u>	<u>638,264</u>
Nonoperating revenue (expenses):				
Intergovernmental revenue	-	32,557	-	32,557
Developer fees	18,802	15,580	-	34,382
Interest income	3,720	1,683	-	5,403
Interest expense	(80,413)	(212,644)	-	(293,057)
Capital grant revenue	<u>1,824,891</u>	<u>-</u>	<u>-</u>	<u>1,824,891</u>
Total nonoperating revenues (expenses)	<u>1,767,000</u>	<u>(162,824)</u>	<u>-</u>	<u>1,604,176</u>
Income (loss) before capital contributions	2,261,641	(92,214)	73,013	2,242,440
Capital contributions	<u>1,139,404</u>	<u>-</u>	<u>-</u>	<u>1,139,404</u>
Change in net position	3,401,045	(92,214)	73,013	3,381,844
Net position - beginning	<u>13,241,986</u>	<u>7,275,902</u>	<u>4,725</u>	<u>20,522,613</u>
Net position - ending	<u>\$ 16,643,031</u>	<u>\$ 7,183,688</u>	<u>\$ 77,738</u>	<u>\$ 23,904,457</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, 2022

	Business-Type Activities — Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 2,369,043	\$ 1,575,600	\$ 829,439	\$ 4,774,082
Cash payments to suppliers	(1,282,319)	(387,082)	(787,455)	(2,456,856)
Cash payments to employees	(658,825)	(545,468)	(80,697)	(1,284,990)
Other operating cash receipts	<u>52,736</u>	<u>1,000</u>	<u>21,968</u>	<u>75,704</u>
Net cash provided by operating activities	<u>480,635</u>	<u>644,050</u>	<u>(16,745)</u>	<u>1,107,940</u>
Cash flows from noncapital financing activities:				
Loans from/(to) other funds	57,406	(55,147)	-	2,259
Grants	<u>-</u>	<u>32,557</u>	<u>-</u>	<u>32,557</u>
Net cash provided (used) by noncapital financing activities	<u>57,406</u>	<u>(22,590)</u>	<u>-</u>	<u>34,816</u>
Cash flows from capital and related financing activities:				
Cash received from capital grants	46,377	-	-	46,377
Cash received from capital contribution	653,429	-	-	653,429
Cash received from developers	18,802	15,580	-	34,382
Proceeds from incurrence of capital debt	-	3,821,660	-	3,821,660
Principal and interest paid on capital debt	(251,034)	(4,523,206)	-	(4,774,240)
Acquisition or construction of capital assets	<u>(2,932,889)</u>	<u>(951,679)</u>	<u>-</u>	<u>(3,884,568)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,465,315)</u>	<u>(1,637,645)</u>	<u>-</u>	<u>(4,102,960)</u>
Cash flows from investing activities:				
Interest and dividends on investments	<u>3,703</u>	<u>1,572</u>	<u>-</u>	<u>5,275</u>
Net cash provided by investing activities	<u>3,703</u>	<u>1,572</u>	<u>-</u>	<u>5,275</u>
Net increase (decrease) in cash	(1,923,571)	(1,014,613)	(16,745)	(2,954,929)
Cash and investments - beginning	<u>4,244,335</u>	<u>2,300,221</u>	<u>22,451</u>	<u>6,567,007</u>
Cash and investments - ending	<u>\$ 2,320,764</u>	<u>\$ 1,285,608</u>	<u>\$ 5,706</u>	<u>\$ 3,612,078</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, 2022
(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	Total
Operating income	\$ 494,641	\$ 70,610	\$ 73,013	\$ 638,264
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>				
Depreciation and amortization	407,304	561,032	-	968,336
<i>Change in assets and liabilities:</i>				
Decrease (increase) in receivables	(161,994)	(11,564)	(41,265)	(214,823)
Decrease (increase) in prepaid expenses	1,994	1,072	-	3,066
Decrease (increase) in pension deferred outflows	(14,592)	(16,141)	(3,663)	(34,396)
Increase (decrease) in accounts payable	(238,797)	59,549	(42,007)	(221,255)
Increase (decrease) in compensated absences	10,564	(2,383)	(166)	8,015
Increase (decrease) in customer deposits	3,724	-	-	3,724
Increase (decrease) in net pension liabilities	(23,400)	(19,202)	(2,838)	(45,440)
Increase (decrease) in pension deferred inflows	1,191	1,077	181	2,449
Net cash provided by operating activities	<u>\$ 480,635</u>	<u>\$ 644,050</u>	<u>\$ (16,745)</u>	<u>\$ 1,107,940</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, 2022

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Blended Component Unit

Mendota Community Corporation

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

C. Basis of Presentation

Management's Discussion and Analysis

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

Government-Wide Financial Statements

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

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

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

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

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

D. Major Funds

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

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

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

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

CDBG Housing Special Revenue Fund – This fund is used to account for grant funds passed through the Fresno Council of Governments from the Community Development Block Grant program of the federal government for the purposes of supporting low-income housing within the City of Mendota.

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.

Police Building Capital Project Fund – This fund is used to account for grant revenues received by the City to fund the future construction of a new police building.

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

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

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

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

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

E. Measurement Focus, Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

Cash and Cash Equivalents

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

Restricted Assets

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

Interfund Transactions

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

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

Capital Assets

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest Payable

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

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

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

Unearned Revenue

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

Unavailable Revenue

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

Compensated Absences

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

Pensions

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

Net Position and Fund Balance

Net Position

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

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

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

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

Net Position and Fund Balance (Continued)

Fund Balance Classification

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

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

The 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 the 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, 2022

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

Property Tax Calendar

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

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

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

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

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 14,214,590
Cash and investments - restricted	<u>789,804</u>
Total cash and investments	<u>\$ 15,004,394</u>

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$ 700
Bank deposits	13,590,887
LAIF	1,179,131
Investments	<u>233,676</u>
 Total cash and investments	 <u>\$ 15,004,394</u>

A. Deposits

The carrying amount of the City’s cash deposit was \$13,590,887 at June 30, 2022. The bank balance at June 30, 2022 was \$14,321,389 the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City’s name as described below.

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

B. Investments

Investments Authorized by the City’s Investment Policy

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

Investments Authorized by Debt Agreements

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

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

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Amount	Remaining Maturity Date
LAIF	\$ 1,179,131	12 months or less
Held by fiscal agents:		
Money market	<u>233,676</u>	12 months or less
Total	<u>\$ 1,412,807</u>	

Disclosure Relating to Credit Risk

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

Investment Type	Amount	Ratings as of Year-End	
		AAAm	Not Rated
LAIF	\$ 1,179,131	\$ -	\$ 1,179,131
Held by fiscal agents:			
Money market	<u>233,676</u>	<u>-</u>	<u>233,676</u>
Total	<u>\$ 1,412,807</u>	<u>\$ -</u>	<u>\$ 1,412,807</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:

- \$233,676 of cash and investments (including amounts held by bond trustee) reported in the Sewer Fund are held in the form of the above-described money market funds.

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Custodial Credit Risk

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

Investment in State Investment Pool

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

Investments Valuation

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

Fair value measurements of the City's investments are as follows at June 30, 2022:

- Investment in the Local Agency Investment Fund: valued at \$1,179,131, based on the City's pro-rata share of the fair value provided by the LAIF for the entire LAIF portfolio. LAIF invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, LAIF is not an investment type that can be categorized in any particular level in the fair value hierarchy.
- Investment in the money market is valued at \$233,676. Money market funds have a maturity of less than one year and are presented at amortized costs, which approximates fair value. Since they are presented at amortized costs, they are not an investment type that can be categorized in any particular level in the fair value hierarchy.

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2022 consist of the following:

Governmental Activities

	General	Gas Tax	CDBG	HOME Investment Partnership Program	Police Building	Nonmajor Governmental	Total
Receivables:							
Intergovernmental	\$ 1,913,969	\$ 292,303	\$ -	\$ -	\$ -	\$ 356,343	\$ 2,562,615
Interest	530	170	68	-	381	410	1,559
Loans	-	-	718,375	1,142,244	-	-	1,860,619
Total receivables	<u>\$ 1,914,499</u>	<u>\$ 292,473</u>	<u>\$ 718,443</u>	<u>\$ 1,142,244</u>	<u>\$ 381</u>	<u>\$ 356,753</u>	<u>\$ 4,424,793</u>

Business-Type Activities

	Water Fund	Sewer Fund	Sanitation Fund	Total
Receivables:				
Accounts	\$ 512,164	\$ 232,228	\$ 151,100	\$ 895,492
Intergovernmental	1,778,514	-	-	1,778,514
Interest	459	190	-	649
Allowance for uncollectible	(63,049)	(16,701)	(12,454)	(92,204)
Total receivables, net	<u>\$ 2,228,088</u>	<u>\$ 215,717</u>	<u>\$ 138,646</u>	<u>\$ 2,582,451</u>

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 52,303	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,698
Nonmajor Funds:		
Aviation Assistance Special Revenue Fund	-	17,815
Street Capital Projects Fund	-	25,790
	<u> </u>	<u> </u>
Total	<u>\$ 52,303</u>	<u>\$ 52,303</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, 2022, 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	\$ -	\$ 2,178
Water Fund	1,873,174	2,178
Sewer Fund	4,356	1,873,174
	<u> </u>	<u> </u>
Total	<u>\$ 1,877,530</u>	<u>\$ 1,877,530</u>

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS

A summary of governmental activities capital assets activity for the year ended June 30, 2022 is as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2022</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 357,322	\$ -	\$ -	\$ 357,322
Construction in progress	<u>155,244</u>	<u>371,696</u>	<u>(100,621)</u>	<u>426,319</u>
Total capital assets, not being depreciated	<u>512,566</u>	<u>371,696</u>	<u>(100,621)</u>	<u>783,641</u>
Capital assets, being depreciated:				
Infrastructure	13,735,441	735,463	-	14,470,904
Land improvements	5,846,749	5,997	-	5,852,746
Buildings and improvements	1,440,436	-	-	1,440,436
Equipment	<u>2,405,006</u>	<u>393,277</u>	<u>(34,500)</u>	<u>2,763,783</u>
Total capital assets, being depreciated	<u>23,427,632</u>	<u>1,134,737</u>	<u>(34,500)</u>	<u>24,527,869</u>
Less: accumulated depreciation	<u>(9,961,026)</u>	<u>(1,210,302)</u>	<u>34,500</u>	<u>(11,136,828)</u>
Total capital asset, being depreciated, net	<u>13,466,606</u>	<u>(75,565)</u>	<u>-</u>	<u>13,391,041</u>
Governmental activities capital assets, net	<u>\$ 13,979,172</u>	<u>\$ 296,131</u>	<u>\$ (100,621)</u>	<u>\$ 14,174,682</u>

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

Governmental Activities	
General government	\$ 35,441
Public safety	90,847
Municipal airport	38,577
Highways and streets	771,787
Public works	47,831
Parks and recreation	<u>225,819</u>
Total depreciation expense - governmental activities	<u>\$ 1,210,302</u>

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS (Continued)

A summary of business-type capital assets activity for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Acquisitions	Dispositions	Balance June 30, 2022
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,325,374	\$ -	\$ -	\$ 1,325,374
Construction in progress	5,868,352	2,921,680	-	8,790,032
Infrastructure	<u>61,425</u>	<u>-</u>	<u>-</u>	<u>61,425</u>
Total capital assets, not being depreciated	<u>7,255,151</u>	<u>2,921,680</u>	<u>-</u>	<u>10,176,831</u>
Capital assets, being depreciated:				
Infrastructure	14,520,326	63,800	-	14,584,126
Buildings and improvements	10,279,996	5,100	-	10,285,096
Equipment	<u>3,309,684</u>	<u>893,987</u>	<u>-</u>	<u>4,203,671</u>
Total capital assets, being depreciated	<u>28,110,006</u>	<u>962,887</u>	<u>-</u>	<u>29,072,893</u>
Less: accumulated depreciation	<u>(11,459,131)</u>	<u>(898,129)</u>	<u>-</u>	<u>(12,357,260)</u>
Total capital asset, being depreciated, net	<u>16,650,875</u>	<u>64,758</u>	<u>-</u>	<u>16,715,633</u>
Business-type activities capital assets, net	<u>\$ 23,906,026</u>	<u>\$ 2,986,438</u>	<u>\$ -</u>	<u>\$ 26,892,464</u>

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

Business-Type Activities:	
Water	\$ 407,304
Sewer	<u>490,825</u>
Total - business-type activities	<u>\$ 898,129</u>

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – LONG-TERM LIABILITIES

A summary of governmental activities long-term debt transactions for the year ended June 30, 2022 is as follows:

	<u>Balance July 1, 2021</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Governmental Activities:					
<i>Notes from direct borrowings and direct placements:</i>					
 Loan due to the Successor Agency of the Mendota Redevelopment Agency. Interest is calculated and accrued quarterly based on the current rate of interest earned with the California Local Agency Investment Fund. Annual principal reductions of \$10,143, including interest equal to the Local Agency Investment Fund (LAIF) current rate, is payable on January 1 each year until paid in full on January 1, 2024. There is a provision in the loan whereby in an event of default the lender may declare the entire unpaid principal and interest immediately due and payable, with an increase in interest per annum of 10% or the maximum amount permitted by applicable law. Additionally, the lender may modify this loan without the consent or of notice to the City.	\$ 226,047	\$ -	\$ (28,641)	\$ 197,406	\$ 10,143
 Westamerica Bank Loan, payable in monthly installments of \$958, including interest at 5.25%. Instrument matures on August 14, 2022 and is secured by police vehicles acquired. There is a provision whereby if the City is unable to make payments then all principal and interest becomes immediately due and payable. Additionally, the lender may modify this loan without consent or of notice to the City.	<u>12,975</u>	<u>-</u>	<u>(11,072)</u>	<u>1,903</u>	<u>1,903</u>
<i>Total notes from direct borrowings and direct placements:</i>	239,022	-	(39,713)	199,309	12,046
Compensated absences	<u>103,535</u>	<u>183,290</u>	<u>(177,762)</u>	<u>109,063</u>	<u>30,444</u>
Governmental activities long-term liabilities	<u>\$ 342,557</u>	<u>\$ 183,290</u>	<u>\$ (217,475)</u>	<u>\$ 308,372</u>	<u>\$ 42,490</u>

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – LONG-TERM LIABILITIES (Continued)

A summary of business-type activities long-term debt transactions for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Issued/ Transferred	Retired/ Transferred	Balance June 30, 2022	Due Within One Year
Business-Type Activities:					
<i>Revenue Bonds:</i>					
Mendota Joint Powers Financing Authority Wastewater Revenue Bonds, Series 2005, payable in annual principal reductions from \$30,000 to \$200,000, interest payable on January 1 and July 1; serial bonds with annual maturities on July 1 beginning in 2006, in amounts from \$30,000 to \$135,000, with interest rates from 3.00% to 4.75%; term bonds in the amount of \$620,000 at 5.10% maturing July 1, 2024, and in the amount of \$1,725,000 at 5.25% maturing July 1, 2035, with annual payments ranging from \$135,000 to \$200,000 beginning 2024. The bonds are secured by revenues received from ownership and operation of the Wastewater Enterprise Fund. There is a provision in the bonds whereby in an event of default the lender may accelerate the installment payments; however, there can be no assurance that there will be sufficient revenue to pay the accelerated amount. Series was defeased in full on November 10, 2021.	\$ 2,345,000	\$ -	\$ (2,345,000)	\$ -	\$ -
Less: unamortized bond discount	(65,531)	-	65,531	-	-
Subtotal	2,279,469	-	(2,279,469)	-	-
Mendota Joint Powers Financing Authority Wastewater Refunding Revenue Bonds, Series 2021, payable in annual principal reductions from \$55,000 to \$195,000, interest payable on January 1 and July 1; serial bonds of \$1,190,000 with annual maturities, beginning on July 1, 2022, in principal amounts from \$55,000 to \$125,000, with interest rates from 2.00% to 4.00%, maturing July 1, 2033; serial bonds in the amount of \$1,265,000 with annual maturities in principal amounts of \$130,000 to \$155,000, with interest rates from 2.25% to 2.50% maturing July 1, 2042, and serial bonds in the amount of \$1,580,000, with interest rates from 2.50% to 2.75%, maturing July 1, 2051, with annual principal payments ranging from \$160,000 to \$195,000 beginning 2043. The loan is secured by a pledge of net revenues. There is a provision in the loan whereby in an event of default the lender may declare the entire unpaid principal and interest immediately due and payable.	-	4,035,000	-	4,035,000	55,000
Less: unamortized bond discount	-	(213,340)	4,676	(208,664)	-
Subtotal	-	3,821,660	4,676	3,826,336	55,000
<i>Notes from direct borrowings and direct placements:</i>					
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum. The loan is secured by a pledge of net revenues.	395,000	-	(50,000)	345,000	52,000
Westamerica Bank Loan, payable in monthly installments of \$610, including interest at 5.25%. Instrument matures on May 21, 2023 and is secured by administrative vehicle acquired. There is a provision whereby if the City is unable to make payment then all principal and interest becomes immediately due and payable. Additionally, the lender may modify this loan without the consent or of notice to the City.	13,309	-	(6,775)	6,534	6,534
Mendota Joint Powers Financing Authority Wastewater Certificates of Participation, Series 2010-1, payable in annual principal reductions from \$18,000 to \$110,000 beginning on July 1, 2010 through July 1, 2049, interest payable semi-annually on January 1 and July 1 at the stated interest rate of 4.00%. The loan is secured by a pledge of net revenues. There is a provision in the loan whereby in an event of default the lender may declare the entire unpaid principal and interest immediately due and payable. Series was defeased in full on November 10, 2021.	1,935,000	-	(1,935,000)	-	-
<i>Total notes from direct borrowings and direct placements:</i>	2,343,309	-	(1,991,775)	351,534	58,534
Signature Bank finance lease obligation, payable in quarterly principal reductions from \$226 to \$120,577 beginning on May 28, 2020 through February 28, 2035, interest payable quarterly on February 28, May 28, August 28 and November 30 at a stated rate of 3.394%. Secured by the solar project acquired. There is a provision whereby if the City is unable to make payment then all principal and interest becomes immediately due and payable. There is also a provision in the lease whereby, in the event of default on other loans that are greater than or equal to \$500,000, the outstanding principal and interest may become immediately due and payable.	3,865,675	-	(119,327)	3,746,348	137,523
Compensated absences	77,052	102,877	(94,862)	85,067	66,276
Business-type activities long-term liabilities	\$ 8,565,505	\$ 3,924,537	\$ (4,480,757)	\$ 8,009,285	\$ 317,333

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2022, annual debt service requirements for governmental activities are as follows:

Westamerica Bank - Police Vehicle Loan			
Year Ending June 30	Principal	Interest	Totals
2023	\$ 1,903	\$ 13	\$ 1,916
Total	<u>\$ 1,903</u>	<u>\$ 13</u>	<u>\$ 1,916</u>

Successor Agency of the Mendota Redevelopment Agency Loan			
Year Ending June 30	Principal	Interest	Totals
2023	\$ 10,143	\$ 793	\$ 10,936
2024	<u>187,263</u>	<u>-</u>	<u>187,263</u>
Total	<u>\$ 197,406</u>	<u>\$ 793</u>	<u>\$ 198,199</u>

As of June 30, 2022, annual debt service requirements for business-type activities are as follows:

USDA Water Improvement Loan			
Year Ending June 30	Principal	Interest	Totals
2023	\$ 52,000	\$ 15,525	\$ 67,525
2024	54,000	13,185	67,185
2025	57,000	10,755	67,755
2026	60,000	8,190	68,190
2027	62,000	5,490	67,490
Thereafter	<u>60,000</u>	<u>2,700</u>	<u>62,700</u>
Total	<u>\$ 345,000</u>	<u>\$ 55,845</u>	<u>\$ 400,845</u>

Westamerica Bank - Jeep Cherokee Loan			
Year Ending June 30	Principal	Interest	Totals
2023	\$ 6,534	\$ 175	\$ 6,709
Total	<u>\$ 6,534</u>	<u>\$ 175</u>	<u>\$ 6,709</u>

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Signature Bank Finance Lease Obligation (Solar Project)			
Year Ending June 30	Principal	Interest	Totals
2023	\$ 137,523	\$ 125,473	\$ 262,996
2024	156,993	120,562	277,555
2025	182,784	114,953	297,737
2026	210,405	108,362	318,767
2027	234,813	100,916	335,729
2028-2032	1,600,286	361,142	1,961,428
2033-2035	<u>1,223,544</u>	<u>63,790</u>	<u>1,287,334</u>
Total	<u>\$ 3,746,348</u>	<u>\$ 995,198</u>	<u>\$ 4,741,546</u>

Mendota Joint Powers Financing Authority Wastewater Refunding Revenue Bonds, Series 2021			
Year Ending June 30	Principal	Interest	Totals
2023	\$ 55,000	\$ 132,326	\$ 187,326
2024	85,000	114,013	199,013
2025	85,000	111,463	196,463
2026	95,000	108,762	203,762
2027	95,000	105,437	200,437
2028-2032	530,000	466,487	996,487
2033-2037	640,000	359,369	999,369
2038-2042	715,000	276,263	991,263
2043-2047	815,000	180,638	995,638
2048-2052	<u>920,000</u>	<u>64,900</u>	<u>984,900</u>
Subtotal	4,035,000	1,919,658	5,954,658
Less: unamortized discount	<u>(208,664)</u>	<u>-</u>	<u>(208,664)</u>
Total	<u>\$ 3,826,336</u>	<u>\$ 1,919,658</u>	<u>\$ 5,745,994</u>

NOTE 7 – CAPITAL CONTRIBUTIONS

During fiscal year 2019, the City entered into an agreement with United States Department of the Interior for replacement of a bridge accessing the City's water wells. The City recognized capital contributions in the following amounts within the Water Fund:

	Year Ending June 30				Total
	2019	2020	2021	2022	
Capital contributions	<u>\$ 418,118</u>	<u>\$ 480,844</u>	<u>\$ 4,889,782</u>	<u>\$ 1,139,404</u>	\$ 6,928,148
Total amount of contract					<u>7,484,276</u>
Total to be recognized in FY 2022					<u>\$ 556,128</u>

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – DEPOSITS

Deposits as of June 30, 2022 consist of the following:

	Water Fund	Total
Deposits:		
Customer deposits	\$ 214,903	\$ 214,903
Bridge project	<u>556,128</u>	<u>556,128</u>
Total deposits	<u>\$ 771,031</u>	<u>\$ 771,031</u>

NOTE 9 – RISK MANAGEMENT

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

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

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension related items that qualify to be reported as deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 12.

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

	CDBG Program	HOME Investment Partnership Program	Total
Unavailable revenues - loans	\$ <u>718,375</u>	\$ <u>1,142,244</u>	\$ <u>1,860,619</u>
Total deferred inflows of resources	<u>\$ 718,375</u>	<u>\$ 1,142,244</u>	<u>\$ 1,860,619</u>

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – 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, 2022, employee contributions totaled \$65,619 and the City recognized pension expense of \$7,475, which comprise of contributions made by the City to the Plan.

Employees are immediately vested in their own contributions and earnings on those contributions and become fully vested in City contributions and earnings after completing 3 years of creditable service with the City. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the Plan’s administrative expenses and contributions. For the year ended June 30, 2022, there were no forfeitures reported.

NOTE 12 – 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, 2022 are summarized as follows:

	Miscellaneous PEPRA
Hire date	Prior to on or after January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 - 67
Monthly benefits, as a % of annual salary	1.0% to 2.5%
Required employee contribution rates	6.75%
Required employer contribution rates	7.590%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$4,714 for the fiscal year ended June 30, 2022.

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

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

The City’s contributions to the plan that were recognized as a part of pension expense for the year ended June 30, 2022 were \$100,063.

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

As of June 30, 2022, the City reported a net pension liability (asset) for its proportionate share of the Plan of (\$62,015).

The City’s net pension liability (asset) for the Plan is measured as the proportionate share of the net pension liability (asset). The net pension liability (asset) of the Plan is measured as of June 30, 2021, and the total pension liability (asset) for the Plan used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. The City’s proportion of the net pension liability (asset) was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability (asset) for the Plan as of June 30, 2020 and 2021 was as follows:

Proportion - June 30, 2020	0.0003%
Proportion - June 30, 2021	-0.0011%
Change - Increase (Decrease)	-0.0014%

For the year ended June 30, 2022, the City recognized pension revenue of \$59,377. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 115,684	\$ -
Changes of assumptions	-	-
Differences between actual and expected experience	-	6,954
Net differences between projected and actual earnings on plan investments	54,135	-
Change in employer's proportion	40,205	-
Differences between the employer's actual contributions and the employer's proportionate share of contributions	<u>88,671</u>	<u>-</u>
Total	<u>\$ 298,695</u>	<u>\$ 6,954</u>

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

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

\$115,684 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 (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Years Ending June 30</u>	
2023	\$ 75,633
2024	54,374
2025	31,090
2026	14,960
2027	-
Thereafter	-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry- Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% ⁽¹⁾
Mortality	Derived using CalPERS' Membership Data for all Funds ⁽²⁾

⁽¹⁾ Net of pension plan investment expenses, including inflation

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

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

D. Discount Rate

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

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

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

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

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

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

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

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

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

Discount Rate -1%	Current Discount Rate	Discount Rate +1%
6.15%	7.15%	8.15%
\$ 45,004	\$ (62,015)	\$ (150,487)

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, 2022.

CITY OF MENDOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 – DEFICIT FUND BALANCES/NET POSITIONS

The following funds had deficit fund equity at June 30, 2022:

Major Funds:

HOME Investment Partnership Program Special Revenue Fund	\$ 8,698
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Nonmajor Governmental Funds:

Aviation Assistance Special Revenue Fund	17,844
Streets Capital Projects Fund	25,790

NOTE 14 – STABILIZATION POLICY

In fiscal year 2016, City Council approved a stabilization agreement through a resolution. The funds are to be replenished to the greater of 50% of the average of the last three years' General Fund expenditures or the highest fund balance attained in the emergency fund. Under the policy, the emergency funds could be utilized if one of the following conditions are met:

The City's fund balance meets or falls below a 110% amount of unpaid obligations remaining within the same fund, in an individual year.

The Emergency Center is activated at level 2 or higher.

Upon finding by the City Council that the emergency conditions exist necessitating the use of said emergency funds.

The fund balance is over \$600,000 or an amount equal to two months of the City's average monthly operating expenses over the past five years, whichever is greater, a non-emergency need requiring the use of said funds, determined by the City

As of June 30, 2022, the stabilization fund did not have a balance; accordingly, there was nothing reported as unassigned within the General Fund. The policy does not meet the GASB 54 stabilization arrangement criteria requirements.

NOTE 15 – CONTINGENCIES

A. Grants

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

NOTE 16 - COMMITMENTS

The City entered into an agreement with a consultant to build a new police and city of chambers facility totaling approximately \$8,700,000. The facility will primarily be funded with grant funding.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 2,293,456	\$ 2,293,456	\$ 2,443,278	\$ 149,822
Licenses and permits	133,000	133,000	205,833	72,833
Intergovernmental	579,336	1,096,836	2,931,488	1,834,652
Charges for services	374,053	374,053	1,391,172	1,017,119
Fines	93,000	93,000	164,307	71,307
Use of money and property	102,500	102,500	106,177	3,677
Miscellaneous	16,535	16,535	68,319	51,784
 Total revenues	 <u>3,591,880</u>	 <u>4,109,380</u>	 <u>7,310,574</u>	 <u>3,201,194</u>
EXPENDITURES				
Current:				
General government	694,442	1,211,942	850,308	361,634
Public safety	2,020,514	2,020,514	2,311,049	(290,535)
Public works	62,834	62,834	71,944	(9,110)
Building and planning	88,140	88,140	173,758	(85,618)
Parks and recreation	250,979	250,979	410,521	(159,542)
Capital outlay	785,000	785,000	333,190	451,810
Debt service:				
Principal	24,555	24,555	39,712	(15,157)
Interest	5,445	5,445	1,966	3,479
 Total expenditures	 <u>3,931,909</u>	 <u>4,449,409</u>	 <u>4,192,448</u>	 <u>256,961</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(340,029)</u>	 <u>(340,029)</u>	 <u>3,118,126</u>	 <u>3,458,155</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	4,000	4,000	41,858	37,858
Transfers in	336,029	336,029	-	(336,029)
Transfers out	(5,445)	(5,445)	-	5,445
 Total other financing sources (uses)	 <u>334,584</u>	 <u>334,584</u>	 <u>41,858</u>	 <u>(292,726)</u>
 Net change in fund balance	 <u>\$ (5,445)</u>	 <u>\$ (5,445)</u>	 3,159,984	 <u>\$ 3,165,429</u>
 Fund balance - beginning			 <u>2,624,453</u>	
 Fund balance - ending			 <u>\$ 5,784,437</u>	

CITY OF MENDOTA
BUDGETARY COMPARISON SCHEDULE
GAS TAX
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 1,212,608	\$ 1,212,608	\$ 781,475	\$ (431,133)
Use of money and property	-	-	1,471	1,471
Total revenues	<u>1,212,608</u>	<u>1,212,608</u>	<u>782,946</u>	<u>(429,662)</u>
EXPENDITURES				
Current:				
Highways and streets	137,651	137,651	200,310	(62,659)
Capital outlay	<u>1,191,085</u>	<u>1,191,085</u>	<u>468,719</u>	<u>722,366</u>
Total expenditures	<u>1,328,736</u>	<u>1,328,736</u>	<u>669,029</u>	<u>659,707</u>
Net change in fund balance	<u>\$ (116,128)</u>	<u>\$ (116,128)</u>	113,917	<u>\$ 230,045</u>
Fund balance - beginning			<u>1,230,712</u>	
Fund balance - ending			<u>\$ 1,344,629</u>	

**CITY OF MENDOTA
 BUDGETARY COMPARISON SCHEDULE
 POLICE BUILDING
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
Use of money and property	<u>-</u>	<u>-</u>	<u>3,387</u>	<u>3,387</u>
Total revenues	<u>-</u>	<u>-</u>	<u>2,003,387</u>	<u>2,003,387</u>
EXPENDITURES				
Current:				
Highways and streets	137,651	137,651	-	137,651
Capital outlay	<u>1,191,085</u>	<u>1,191,085</u>	<u>-</u>	<u>1,191,085</u>
Total expenditures	<u>1,328,736</u>	<u>1,328,736</u>	<u>-</u>	<u>1,328,736</u>
Net change in fund balance	<u><u>\$ (1,328,736)</u></u>	<u><u>\$ (1,328,736)</u></u>	2,003,387	<u><u>\$ 3,332,123</u></u>
Fund balance - beginning			<u>958,466</u>	
Fund balance - ending			<u><u>\$ 2,961,853</u></u>	

CITY OF MENDOTA
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

A budget was not prepared for the HOME Investment Partnership Program fund nor the CDBG Program fund for the year ended June 30, 2022. Accordingly, budgetary comparison schedules are not presented.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2022, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Public safety	\$ 290,535
Public works	9,110
Building and planning	85,618
Parks and recreation	159,542
Principal	15,157
Gas Tax Fund:	
Highways and streets	62,659

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Proportion of the net pension liability (asset)	0.0000%	0.0000%	0.0001%	0.0003%	-0.0011%
Proportionate share of the net pension liability (asset)	\$ -	\$ (3,773)	\$ 7,214	\$ 35,449	\$ (62,015)
Covered payroll	\$ 902,792	\$ 1,141,007	\$ 1,274,069	\$ 1,154,780	\$ 1,238,823
Proportionate share of the net pension liability (asset) as percentage of covered payroll	0.00%	-0.33%	0.57%	3.07%	-5.01%
Plan fiduciary net position as a percentage of the total pension liability (asset)	0.00%	102.66%	98.15%	94.41%	107.65%

NOTES TO SCHEDULE

Changes in Benefit Terms: None

Changes of Assumptions: None

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

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially required contribution (actuarially determined)	\$ 59,178	\$ 74,542	\$ 87,172	\$ 80,969	\$ 100,063	\$ 115,684
Contributions in relation to the actuarially determined contributions	<u>59,178</u>	<u>74,542</u>	<u>87,172</u>	<u>80,969</u>	<u>100,063</u>	<u>115,684</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 902,792	\$ 1,141,007	\$ 1,274,069	\$ 1,154,780	\$ 1,238,823	\$ 1,462,052
Contributions as a percentage of covered payroll	6.55%	6.53%	6.84%	7.01%	8.08%	7.91%

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

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SUPPLEMENTARY INFORMATION

**CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
ASSETS			
Cash and investments	\$ 2,688,390	\$ 86,362	\$ 2,774,752
Receivables	356,740	13	356,753
Prepaid expenses	356	-	356
Total assets	<u>\$ 3,045,486</u>	<u>\$ 86,375</u>	<u>\$ 3,131,861</u>
LIABILITIES			
Accounts payable	\$ 45,234	\$ -	\$ 45,234
Due to other funds	17,815	25,790	43,605
Total liabilities	<u>63,049</u>	<u>25,790</u>	<u>88,839</u>
FUND BALANCES (DEFICIT)			
Nonspenable:			
Prepays	356	-	356
Restricted for:			
Redevelopment and housing	470,379	-	470,379
Public safety	729,739	-	729,739
Highways and streets	1,777,181	86,375	1,863,556
Parks and recreation	146,107	-	146,107
Assigned to:			
Public safety	22,409	-	22,409
Unassigned	(163,734)	(25,790)	(189,524)
Total fund balances (deficit)	<u>2,982,437</u>	<u>60,585</u>	<u>3,043,022</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,045,486</u>	<u>\$ 86,375</u>	<u>\$ 3,131,861</u>

CITY OF MENDOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
REVENUES			
Taxes	\$ 1,495,146	\$ -	\$ 1,495,146
Licenses and permits	36,042	-	36,042
Intergovernmental	473,446	-	473,446
Fines	153	-	153
Loan repayments	200	-	200
Use of money and property	3,462	114	3,576
Miscellaneous	89,661	-	89,661
Total revenues	<u>2,098,110</u>	<u>114</u>	<u>2,098,224</u>
EXPENDITURES			
Current:			
Public safety	402,714	-	402,714
Municipal airport	14,422	-	14,422
Highways and streets	549,119	-	549,119
Parks and recreation	79,730	-	79,730
Capital outlay	580,178	-	580,178
Total expenditures	<u>1,626,163</u>	<u>-</u>	<u>1,626,163</u>
Net change in fund balances	471,947	114	472,061
Fund balances (deficit) - beginning	<u>2,510,490</u>	<u>60,471</u>	<u>2,570,961</u>
Fund balances (deficit) - ending	<u>\$ 2,982,437</u>	<u>\$ 60,585</u>	<u>\$ 3,043,022</u>

**CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2022**

	Housing Income	Aviation Assistance	Police Grants	Local Transportation Fund	LLMD
ASSETS					
Cash and investments	\$ 470,306	\$ -	\$ 189,900	\$ 776,311	\$ 24,494
Receivables	73	-	26,633	143,666	402
Prepaid expenses	-	-	-	-	-
Total assets	\$ 470,379	\$ -	\$ 216,533	\$ 919,977	\$ 24,896
LIABILITIES					
Accounts payable	\$ -	\$ 29	\$ -	\$ 20,766	\$ 315
Due to other funds	-	17,815	-	-	-
Total liabilities	-	17,844	-	20,766	315
FUND BALANCES (DEFICIT)					
Nonspendable:					
Prepays	-	-	-	-	-
Restricted for:					
Redevelopment and housing	470,379	-	-	-	-
Public safety	-	-	194,124	-	-
Highways and streets	-	-	-	899,211	24,581
Parks and recreation	-	-	-	-	-
Assigned to:					
Public safety	-	-	22,409	-	-
Unassigned	-	(17,844)	-	-	-
Total fund balances (deficit)	470,379	(17,844)	216,533	899,211	24,581
Total liabilities and fund balances (deficit)	\$ 470,379	\$ -	\$ 216,533	\$ 919,977	\$ 24,896

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2022
(Continued)

	Mendota CFD	Mendota Community Corporation	Development Fees	Measure C	Total
ASSETS					
Cash and investments	\$ 449,981	\$ 72,337	\$ 295,594	\$ 409,467	\$ 2,688,390
Receivables	5,269	-	67	180,630	356,740
Prepaid expenses	-	-	-	356	356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 455,250</u>	<u>\$ 72,337</u>	<u>\$ 295,661</u>	<u>\$ 590,453</u>	<u>\$ 3,045,486</u>
LIABILITIES					
Accounts payable	\$ 1,170	\$ 70	\$ -	\$ 22,884	\$ 45,234
Due to other funds	-	-	-	-	17,815
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,170</u>	<u>70</u>	<u>-</u>	<u>22,884</u>	<u>63,049</u>
FUND BALANCES (DEFICIT)					
Nonspendable:					
Prepays	-	-	-	356	356
Restricted for:					
Redevelopment and housing	-	-	-	-	470,379
Public safety	454,080	-	81,535	-	729,739
Highways and streets	-	-	286,176	567,213	1,777,181
Parks and recreation	-	72,267	73,840	-	146,107
Assigned to:					
Public safety	-	-	-	-	22,409
Unassigned	-	-	(145,890)	-	(163,734)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>454,080</u>	<u>72,267</u>	<u>295,661</u>	<u>567,569</u>	<u>2,982,437</u>
Total liabilities and fund balances (deficit)	<u>\$ 455,250</u>	<u>\$ 72,337</u>	<u>\$ 295,661</u>	<u>\$ 590,453</u>	<u>\$ 3,045,486</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, 2022

	Housing Income	Aviation Assistance	Police Grants	Local Transportation Fund	LLMD
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 493,488	\$ 22,278
Licenses and permits	-	-	-	-	-
Intergovernmental	-	10,000	157,889	149,337	-
Fines	-	-	-	-	-
Loan repayments	200	-	-	-	-
Use of money and property	627	-	261	992	41
Miscellaneous	-	-	-	-	-
Total revenues	<u>827</u>	<u>10,000</u>	<u>158,150</u>	<u>643,817</u>	<u>22,319</u>
EXPENDITURES					
Current:					
Public safety	-	-	86,498	-	-
Municipal airport	-	14,422	-	-	-
Highways and streets	-	-	-	253,704	15,635
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	296,905	-
Total expenditures	<u>-</u>	<u>14,422</u>	<u>86,498</u>	<u>550,609</u>	<u>15,635</u>
Net change in fund balances	827	(4,422)	71,652	93,208	6,684
Fund balances (deficit) - beginning	<u>469,552</u>	<u>(13,422)</u>	<u>144,881</u>	<u>806,003</u>	<u>17,897</u>
Fund balances (deficit) - ending	<u>\$ 470,379</u>	<u>\$ (17,844)</u>	<u>\$ 216,533</u>	<u>\$ 899,211</u>	<u>\$ 24,581</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, 2022
(Continued)

	Mendota CFD	Mendota Community Corporation	Development Fees	Measure C	Total
REVENUES					
Taxes	\$ 514,378	\$ -	\$ -	\$ 465,002	\$ 1,495,146
Licenses and permits	-	-	36,042	-	36,042
Intergovernmental	-	-	-	156,220	473,446
Fines	-	-	153	-	153
Loan repayments	-	-	-	-	200
Use of money and property	370	-	588	583	3,462
Miscellaneous	-	89,661	-	-	89,661
Total revenues	<u>514,748</u>	<u>89,661</u>	<u>36,783</u>	<u>621,805</u>	<u>2,098,110</u>
EXPENDITURES					
Current:					
Public safety	316,216	-	-	-	402,714
Municipal airport	-	-	-	-	14,422
Highways and streets	-	-	-	279,780	549,119
Parks and recreation	-	79,730	-	-	79,730
Capital outlay	-	-	-	283,273	580,178
Total expenditures	<u>316,216</u>	<u>79,730</u>	<u>-</u>	<u>563,053</u>	<u>1,626,163</u>
Net change in fund balances	198,532	9,931	36,783	58,752	471,947
Fund balances (deficit) - beginning	<u>255,548</u>	<u>62,336</u>	<u>258,878</u>	<u>508,817</u>	<u>2,510,490</u>
Fund balances (deficit) - ending	<u>\$ 454,080</u>	<u>\$ 72,267</u>	<u>\$ 295,661</u>	<u>\$ 567,569</u>	<u>\$ 2,982,437</u>

**CITY OF MENDOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2022**

	CDBG - Sewer and Drainage Projects	Street Capital Projects	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 86,362	\$ -	\$ 86,362
Receivables	<u>13</u>	<u>-</u>	<u>13</u>
Total assets	<u>\$ 86,375</u>	<u>\$ -</u>	<u>\$ 86,375</u>
LIABILITIES			
Due to other funds	<u>\$ -</u>	<u>\$ 25,790</u>	<u>\$ 25,790</u>
Total liabilities	<u>-</u>	<u>25,790</u>	<u>25,790</u>
FUND BALANCES (DEFICITS)			
Restricted to:			
Highways and streets	86,375	-	86,375
Unassigned	<u>-</u>	<u>(25,790)</u>	<u>(25,790)</u>
Total fund balances (deficit)	<u>86,375</u>	<u>(25,790)</u>	<u>60,585</u>
Total liabilities and fund balances (deficit)	<u>\$ 86,375</u>	<u>\$ -</u>	<u>\$ 86,375</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, 2022

	CDBG - Sewer and Drainage Projects	Street Capital Projects	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Use of money and property	\$ 114	\$ -	\$ 114
Total revenues	<u>114</u>	<u>-</u>	<u>114</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	114	-	114
Fund balances (deficit) - beginning	<u>86,261</u>	<u>(25,790)</u>	<u>60,471</u>
Fund balances (deficit) - ending	<u>\$ 86,375</u>	<u>\$ (25,790)</u>	<u>\$ 60,585</u>