

City Of Mendota | California

Financial Statements

For the Year Ended June 30, 2023



PRICE PAIGE & COMPANY
Certified Public Accountants

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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, 2023, 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, 2023, 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.

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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.

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, proportionate share of net pension liability (asset), schedule of contributions and the budgetary comparison information as listed in the table of contents, 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024, 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
May 24, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023. 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 \$57,689,508 (net position). Of this amount, \$13,198,470 (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 \$4,587,381 from the prior fiscal year. Governmental activities increased the City's total net position by \$4,190,529 while business-type activities increased the net position by \$396,852. The increase in net position is due to several factors. With regard to the business-type activities of the City, although utility service revenue, representing utility service for water, sewer and waste disposal, reported an increase in service revenue of approximately six percent, or \$240,093, over the prior fiscal year, operating expenses for the current year exceeded the growth in service revenue. Higher operating costs were incurred by both the water and sewer funds to mitigate spring flooding which overwhelmed the City's storm drainage systems. In addition, charges by the City's contracted sanitation disposal company, Mid-Valley Disposal, increased by \$205,908 over the prior year due to the costs of implementing a new waste disposal initiative mandated by the State of California under SB 1383. An additional, one-time charge of \$159,828 was incurred by the City's Joint Powers Authority Enterprise Fund related to issuance of the 2022 Lease Revenue Bond Series in November of 2022 and there was an overall increase of \$249,785 in depreciation expense for the business-type funds over the prior year. This decrease in operating income was offset by \$973,959 in nonoperating capital grants received by the enterprise funds during the fiscal year, resulting in an overall increase in net position for the fiscal year. With regard to the governmental-type activities, the City's increase in net position declined from \$6,077,673 for the fiscal year ended June 30, 2022 to \$4,190,529 for the fiscal year ended June 30, 2023, representing a \$1,887,144 retraction in growth. This reduction in profitability as compared to the prior year is due primarily to a significant decline in operating and capital grant income, which decreased by \$1,906,603 from the prior year and is primarily attributable to the absence of a one-time \$2,753,676 coronavirus relief operating grant that was received in the prior fiscal year. Offsetting the decline in operating and grant income, revenue from City service charges increased by approximately \$300,000 over the prior year due to an increase in public benefit fees collected from entities engaged in the cannabis industry that operate within the City's jurisdiction. In addition, property tax revenue increased by \$253,896, or 15%, over the prior year as property tax receipts once allocated by the State to the City's former Redevelopment Agency are now returning to the City's general fund due to the final dissolution of the former agency. Overall operating expenses of the City decreased by 1%, or \$25,104, from the prior fiscal year. This decrease in expenditures was due primarily to the absence of a one-time, city-wide special wage bonus of \$440,472 paid with coronavirus relief funds in the prior fiscal year. The savings from the absence of the bonus was offset by higher wage and employee benefits, particularly in public safety, which saw an increase of approximately \$160,000 over the prior year. In addition, the City's park and recreation department reported an approximately \$158,000 increase in costs over the prior year due primarily to higher maintenance costs as City park venues expand in acreage and post-pandemic usage continues to increase.

At June 30, 2023, the City's governmental funds reported combined ending fund balances of \$14,989,179, an increase of \$1,427,488 in comparison with the prior year. As discussed in the previous paragraph, the overall increase can be attributed to an increase in public benefit fees received by the City from entities engaged in the cannabis industry within its jurisdiction. In addition, the City received a state grant of \$1,500,000 to apply to the construction of a new police and council chambers facility. To date, the City has received a total of \$4,450,000 to state grants for the project which is currently under construction. These revenue increases were partially offset by higher salaries and benefits across all City departments, along with higher costs for park maintenance and capital outlay for the expansion of the Rojas-Pierce Park, along with the capital expenditure outlay for the above referenced police and council chambers facility.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,598,430. This represents a \$885,619 increase from the unassigned fund balance of \$5,712,811 reported at June 30, 2022. As described above, cannabis related public benefit fees, along with higher property tax revenue, coupled with lower general government expenditures were the primary attributes in increasing the City's unassigned fund balance.

The City's total long-term debt of \$8,573,156 decreased by \$22,163 compared to last year. On December 1, 2022, the City received a \$175,000 initial draw on the 2022 lease revenue bonds issued by the Mendota Joint Powers Authority. The issue will total \$3,500,000, when fully funded, and be used to supplement construction costs of the City's new police and council chambers building, currently under construction. Total debt reductions of \$197,163 during the fiscal year represents scheduled repayment of the City's existing debt as required under its various loan agreements, along with changes in the City's pension and compensated absences liabilities.

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, sanitation and a public finance authority.

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 21 through 22 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 finance statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

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

The City maintains 36 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, Gas Tax Special Revenue Fund, CDBG Program Special Revenue Fund, HOME Investment Partnership Program 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 24 through 27 of this report.

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

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, sanitation and the Mendota Joint Powers Authority 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 28 through 32 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 34 through 59 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund and major Special Revenue Funds budgetary comparison schedule to demonstrate compliance with the City's adopted budget. The City adopts an annual appropriated budget for its general fund.

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

The combining fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 68 through 75.

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 \$57,689,508 at June 30, 2023.

**Condensed Statement of Net Position
 June 30, 2023 and 2022**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022 (Restated)	2023	2022
Current and other assets	\$ 18,185,477	\$ 15,889,557	\$ 5,818,288	\$ 6,230,797	\$ 24,003,765	\$ 22,120,354
Capital assets, net	<u>17,065,787</u>	<u>14,174,682</u>	<u>27,359,710</u>	<u>26,892,464</u>	<u>44,425,497</u>	<u>41,067,146</u>
Total assets	<u>35,251,264</u>	<u>30,064,239</u>	<u>33,177,998</u>	<u>33,123,261</u>	<u>68,429,262</u>	<u>63,187,500</u>
Deferred outflows of resources	<u>167,956</u>	<u>158,051</u>	<u>128,182</u>	<u>140,644</u>	<u>296,138</u>	<u>298,695</u>
Long-term liabilities	341,190	308,372	8,231,966	8,286,947	8,573,156	8,595,319
Other liabilities	<u>1,267,545</u>	<u>434,867</u>	<u>1,050,092</u>	<u>1,346,928</u>	<u>2,317,637</u>	<u>1,781,795</u>
Total liabilities	<u>1,608,735</u>	<u>743,239</u>	<u>9,282,058</u>	<u>9,633,875</u>	<u>10,890,793</u>	<u>10,377,114</u>
Deferred inflows of resources	<u>144,624</u>	<u>3,719</u>	<u>475</u>	<u>3,235</u>	<u>145,099</u>	<u>6,954</u>
Net position:						
Net investment in capital assets	16,897,588	13,975,373	18,889,841	19,245,908	35,787,429	33,221,281
Restricted	8,585,838	9,813,330	117,771	789,804	8,703,609	10,603,134
Unrestricted	<u>8,182,435</u>	<u>5,686,629</u>	<u>5,016,035</u>	<u>3,591,083</u>	<u>13,198,470</u>	<u>9,277,712</u>
Total net position	<u>\$ 33,665,861</u>	<u>\$ 29,475,332</u>	<u>\$ 24,023,647</u>	<u>\$ 23,626,795</u>	<u>\$ 57,689,508</u>	<u>\$ 53,102,127</u>

The largest portion of the City's net position, \$35,787,429 (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 \$13,198,470 (23 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 \$8,703,609 (15 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net position by \$4,190,529, accounting for one hundred 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, 2023 and 2022**

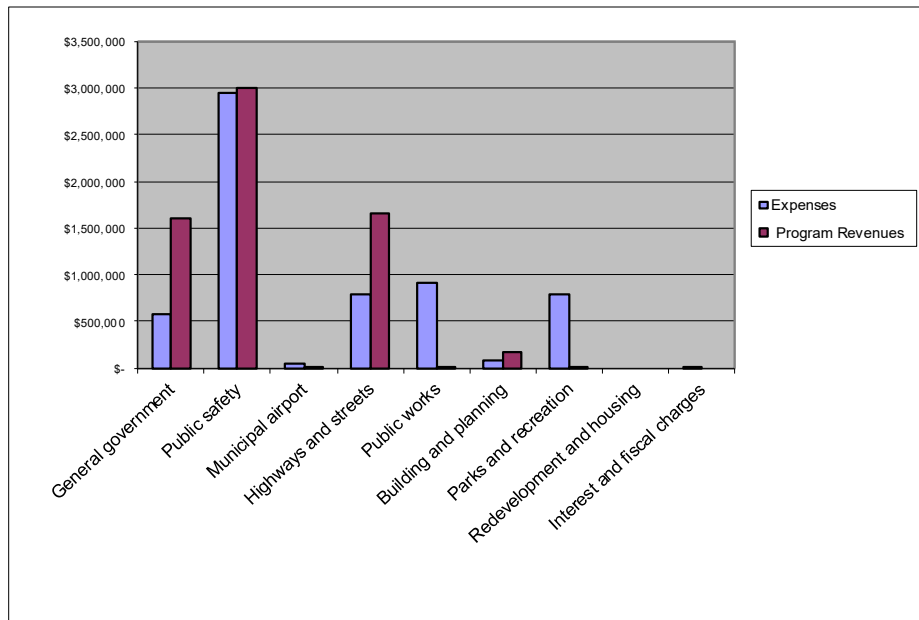
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022 (Restated)	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 2,097,011	\$ 1,797,507	\$ 5,267,444	\$ 4,998,852	\$ 7,364,455	\$ 6,796,359
Operating grants and contributions	1,830,184	3,736,787	42,979	88,907	1,873,163	3,825,694
Capital grants and contributions	2,546,833	2,541,783	1,008,502	2,964,295	3,555,335	5,506,078
General revenues:						
Property taxes	1,994,001	1,740,105	-	-	1,994,001	1,740,105
Sales tax	1,000,935	1,032,032	-	-	1,000,935	1,032,032
Franchise taxes	147,645	140,417	-	-	147,645	140,417
Other taxes	564,688	1,025,870	-	-	564,688	1,025,870
Earnings on investments	140,854	115,199	9,169	5,403	150,023	120,602
Miscellaneous	53,186	65,819	47,205	53,736	100,391	119,555
Gain on sale of assets	-	41,858	-	-	-	41,858
Total revenues	10,375,337	12,237,377	6,375,299	8,111,193	16,750,636	20,348,570
Expenses:						
General government	577,845	917,525	-	-	577,845	917,525
Public safety	2,949,276	2,786,952	-	-	2,949,276	2,786,952
Municipal airport	51,540	52,681	-	-	51,540	52,681
Highways and streets	795,911	703,297	-	-	795,911	703,297
Public works	920,480	888,433	-	-	920,480	888,433
Building and planning	90,669	173,502	-	-	90,669	173,502
Parks and recreation	794,781	636,340	-	-	794,781	636,340
Redevelopment and housing	-	-	-	-	-	-
Interest and fiscal charges	4,306	974	-	-	4,306	974
Water	-	-	2,657,989	2,175,136	2,657,989	2,175,136
Sewer	-	-	1,908,903	2,010,985	1,908,903	2,010,985
Sanitation	-	-	1,247,038	820,890	1,247,038	820,890
Madera Joint Power Financing Authority	-	-	164,517	-	164,517	-
Total expenses	6,184,808	6,159,704	5,978,447	5,007,011	12,163,255	11,166,715
Increase in net position before transfers	4,190,529	6,077,673	396,852	3,104,182	4,587,381	9,181,855
Increase (decrease) in net position	4,190,529	6,077,673	396,852	3,104,182	4,587,381	9,181,855
Net position - beginning	29,475,332	23,397,659	23,904,457	20,522,613	53,379,789	43,920,272
Net position - ending	\$ 33,665,861	\$ 29,475,332	\$ 24,023,647	\$ 23,626,795	\$ 57,689,508	\$ 53,102,127

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

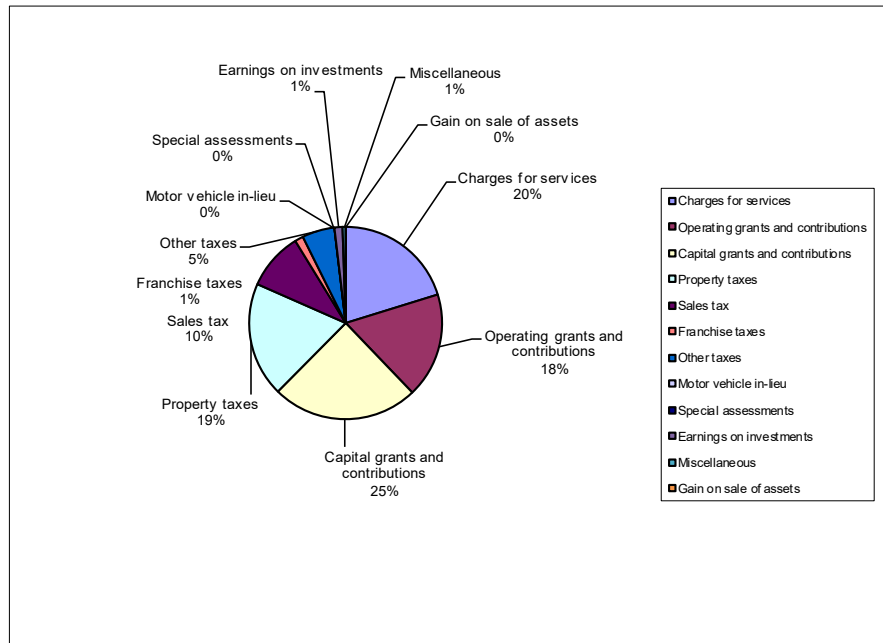
- Charges for services increased by \$299,504 to \$2,097,011 from the prior year. Through the assessment of public benefit fees, the City continues to benefit from the growing operations of three private sector cannabis companies operating within City limits. Public benefit service revenue received from these farming entities increased by approximately \$365,000 over the prior fiscal year. This increase in public benefit fees was partially offset by lower service charges for building permits due to reduced planning and development activity as compared to the prior year.
- Operating grants and contributions decreased by \$1,906,603 to \$1,830,184 from the previous year. During the prior fiscal year, the City received grant income of \$2,753,676, representing Coronavirus Fiscal Recovery Funds, passed through the State of California, with no similar pandemic relief funds received during the current fiscal year.
- Capital grants and contributions increased \$5,050 to \$2,546,833 during the fiscal year. Higher overall governmental grants for public safety and road improvements, was partially offset by a \$500,000 reduction in capital grants received by the City from the State of California for the construction of a new police and city chambers building. Grants received for the building project in the prior fiscal year totaled \$2,000,000, while the current year grant procurement from the State was limited to \$1,500,000.

- Property taxes increased by \$253,896 or 15% during the fiscal year. The increase can be attributed primarily to a larger allocation of property tax revenues generated within City limits that previously were allocated to the City's Redevelopment Agency. As the former Mendota Redevelopment Agency is in its final stage of dissolution, its property tax base revenue has now reverted back to the City's general fund. By contrast, sales tax revenue was essentially flat as compared to the prior fiscal year as economic uncertainties weighed on retail sales within the City during the second half of the fiscal year ending June 30, 2023.
- Franchise taxes increased by \$7,228 or 6% to \$147,645 during the fiscal year. The current year increase is due entirely to higher determined utility franchise fees calculated and received from Pacific Gas & Electric and Comcast Corporation during the current fiscal year.
- Other taxes decreased by \$461,182 to \$564,688 from the prior fiscal year primarily due to a reclassification of transportation development act ("TDA") funds allocated by the Fresno Council of Governments. The prior year included the activity within other taxes and the current year included the activity within intergovernmental revenue. The decrease in TDA funds was partially offset by higher Measure C tax revenue, a Fresno County local sales tax dedicated to highway maintenance and improvement, by approximately \$14,000 over the prior fiscal year.
- Miscellaneous income decreased by \$12,633 to \$53,186 over the prior fiscal year. The decrease is due primarily to lower public donations received by the Mendota Community Corporation Special Revenue Fund, along with the absence of other one-time receipts of income collected during the prior fiscal year.

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



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

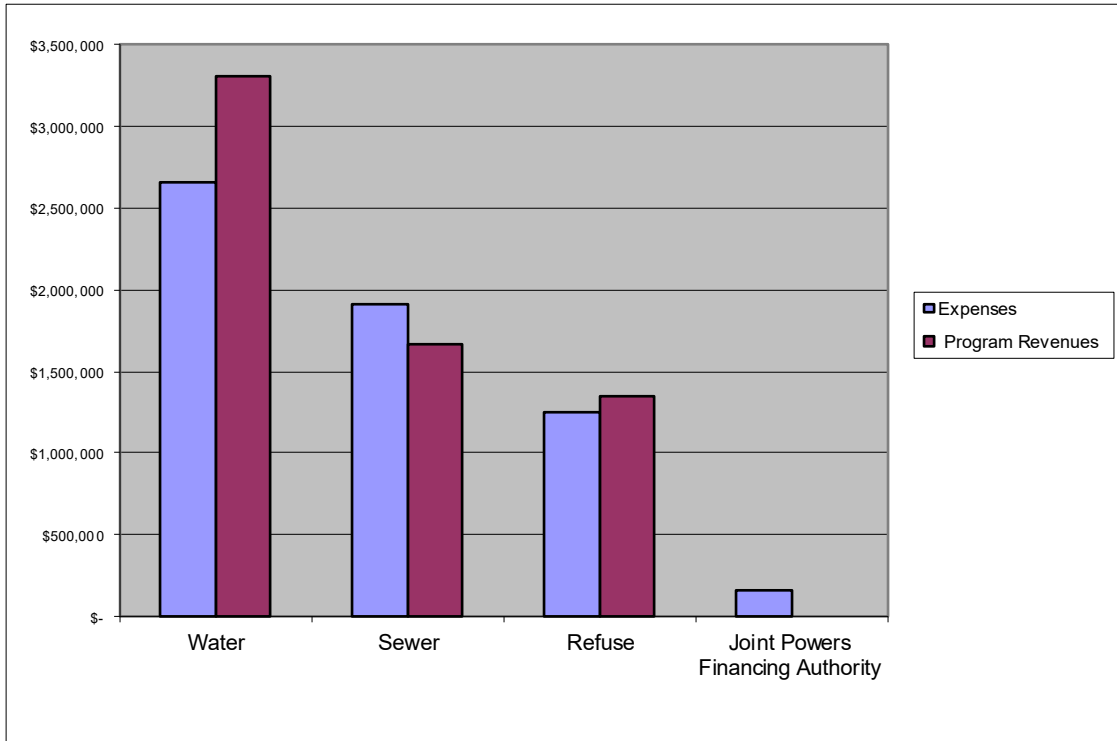
- General government expenditures decreased by \$339,680 to \$577,845 in 2023. The decrease is due primarily to a one-time, City-wide bonus, totaling \$440,472, paid to employees utilizing funds provided by the Coronavirus Fiscal Recovery grant received in the prior fiscal year. No similar bonuses were paid in the current fiscal year. This decrease in wage bonus payments was partially offset by higher administrative and finance staff salaries, along with corresponding increases in employee benefits for health and retirement.
- Public safety expenses increased by \$162,324 or approximately 6% 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 \$20,000 in the annual fee charged by the Fresno County for fire protection services over the prior fiscal year.
- Highways and streets expenditures increased by \$92,614 or 14% to \$795,911. The increase is due primarily to higher wages and benefits for street personnel, and was partially offset by lower utility bills for street and signal lighting and vehicle maintenance charges as compared to the prior fiscal year.
- Public works expenses increased by \$32,047 to \$920,480. 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 \$82,833 or 48% to \$90,669. During the fiscal year, there were no new cannabis related farming and retail ventures presented to the City for planning consideration. In addition, there was a noticeable decline in new commercial and residential developments. Consequently, expenditures for outsourced engineering and legal services for planning and zoning were significantly less when compared to the prior fiscal year.

- Parks and recreation expenses increased by \$158,441 to \$794,781. Costs related to operating and maintaining the City's park venues and senior center has increased significantly over the past two fiscal years as COVID pandemic restrictions on public gatherings have been lifted. In addition to addressing deferred maintenance projects during the fiscal year, the City also completed an expansion of the Rojas-Pierce Park, which has increased the cost of maintenance, operational supplies and utilities, along with the cost of labor and related benefits, as compared to the prior fiscal year.

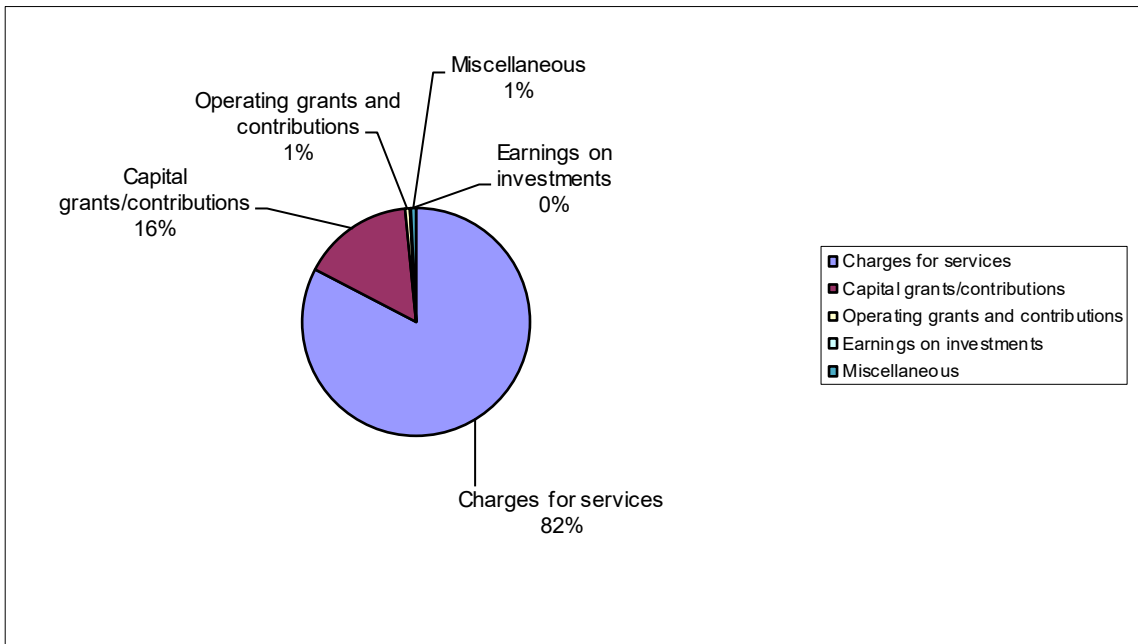
Business-type activities. Business-type activities increased the City's net position by \$396,852 over the prior fiscal year. Key elements of this increase are as follows:

- Charges for services for the business-type activities increased by \$268,592 or 6% over the previous year. The water enterprise fund saw a decrease of approximately \$169,000 in service revenue, which the City attributes to accurate monthly readings from newly installed electronic water meters reflecting actual water usage revenue. The sewer enterprise fund reported an increase in revenue of \$73,398 over the prior year, due primarily to an increase in residential connections during the current fiscal year. The sanitation enterprise fund reported an increase in revenue of \$361,778 or 41% over the previous fiscal year. A large rate increase was enacted by the City to mitigate a substantial increase in service charges by the City's outside refuse contractor, Mid-Valley Disposal, Inc., to implement new California green waste initiatives under SB 1383.
- Operating grants and contributions for the business-type activities decreased by \$45,928 to \$42,979. During the prior fiscal year, the City received \$72,267 in state grants to reimburse the water and sewer enterprise funds for delinquent customer account balances attributed to the pandemic. In addition, the sanitation fund received a Cal-Recycling grant of \$21,968 to implement SB 1383, a green waste initiative. There were no similar grants received during the current fiscal year, resulting in a substantial decrease in operating grant revenue.
- Capital grants decreased by \$1,955,793, or 66%, to \$1,008,502 for the current fiscal year. The City completed replacement of a bridge accessing the City's water wells and begin engineering of a new pipeline extension utilizing \$34,543 of a federal deposit the City received during the fiscal year ended June 30, 2022. The remaining unused federal deposit of \$521,586 at June 30, 2023 will be used to complete the water pipeline extension in the next fiscal year. In addition, the City received a capital grant to complete the installation of modern water meters, totaling \$204,486. Recognized grant revenue for the above two projects in the prior fiscal year totaled \$2,964,295.
- Expenses of the Water Enterprise Fund increased by \$487,480 to \$2,657,989 during the year. The increase is due primarily to higher facility maintenance and contract service costs incurred during the current fiscal year, primarily being sand and gravel deliveries to mitigate flooding caused by winter storms. In addition, depreciation expense increased by \$199,250, which is primarily due to the bridge replacement placed in service during the fiscal year.
- Excluding the effects of a \$277,662 prior period adjustment related to bond issuance costs recorded for the fiscal year ended June 30, 2022, expenses of the Sewer Enterprise Fund increased by \$175,580 or 11%. The increase is due primarily to a \$131,875 increase in facility maintenance costs, including a \$67,030 periodic charge for sludge build-up removal and a \$67,973 charge for sand and gravel deliveries to mitigate winter storm flooding. In addition, depreciation expense increased by \$50,535 over the prior year as several large infrastructure projects placed in service towards the end of the prior fiscal year reported a full year depreciation provision. These increases were offset by lower interest related debt service charges due to the refinancing of revenue bonds in the prior fiscal year.
- Expenses of the Sanitation Enterprise Fund increased \$426,148 or 52% 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



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 \$14,989,179 an increase of \$1,427,488 in comparison with the prior year. Of this total amount, \$8,553,266 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$6,435,913 at June 30, 2023. This represents an increase of \$921,324 over the prior year unassigned fund balance of \$5,514,589 at June 30, 2022.

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 \$4,968,639 at June 30, 2023; the unassigned General Fund balance is currently showing a balance of \$6,598,430 at June 30, 2023.

The fund balance of the City's General Fund increased by \$900,876 during the current fiscal year. The following table provides an explanation of revenues by source that changed significantly over the prior year.

**Revenue by Source
 GENERAL FUND**

	FY2023		FY2022		Increase/ (Decrease)	Percent of Total
	Amount	Percent of Total	Amount	Percent of Total		
Taxes	\$ 2,668,374	45.26%	\$ 2,443,278	33.23%	\$ 225,096	-15.45%
Licenses and permits	202,505	3.43%	205,833	2.80%	(3,328)	0.23%
Intergovernmental	983,048	16.67%	2,931,488	39.87%	(1,948,440)	133.74%
Charges for services	1,748,899	29.66%	1,391,172	18.92%	357,727	-24.55%
Fines	114,027	1.93%	164,307	2.23%	(50,280)	3.45%
Use of money and property	119,054	2.02%	106,177	1.44%	12,877	-0.88%
Proceeds from sale of capital assets	-	0.00%	41,858	0.57%	(41,858)	2.87%
Miscellaneous	59,673	1.01%	68,319	0.93%	(8,646)	0.59%
Total	\$ 5,895,580	100%	\$ 7,352,432	100%	\$ (1,456,852)	100%

- Taxes increased by \$225,096 or 10% as compared to the prior fiscal year. Property tax revenue increased by approximately \$234,000 from the prior year due almost exclusively to the reallocation of tax revenue previously earmarked to the City's former redevelopment agency in 2023. This increase was offset by a decrease in sales tax revenue attributable to weather related events in the spring and general economic uncertainty in the local economy.
- Licenses and permits decreased by \$3,328 or 2% compared to the prior fiscal year. Building permit revenue decreased by \$21,448. A backlog of new permits issued in the prior fiscal year due to delays caused by the COVID pandemic was not present during the current fiscal year, resulting in lower fee revenue. The decrease in permit revenue was partially offset by an \$18,632 increase in business license revenue as the City implemented a fee increase and worked to improve local business registration compliance.

- Intergovernmental revenue decreased by \$1,948,440 to \$983,048. The decrease is due almost exclusively to a one-time Coronavirus Fiscal Recovery grant awarded to the City in the prior fiscal year. This decrease was partially offset by a \$341,854 capital grant awarded to the City for expansion of the Rojas-Pierce Park completed during the current fiscal year.
- Charges for services increased by \$357,727 or 26%. The increase is due almost entirely to higher public benefit fees charged to the City's three cannabis operators, Odyssey Insights, Boca Del Rio and Leftbank Holdings. Public benefit fees collected by the City increased by approximately \$365,000 over the prior fiscal year.
- Revenue from fines decreased \$50,280 to \$114,027. After several years of increasing revenue, traffic and vehicle fine revenue decreased by \$35,272 in the current fiscal year. The City attributes the overall decrease in traffic violations to the effectiveness of increased enforcement over the past several years, coupled with a public education campaign to reduce violations. The City also reported lower revenue from vehicle repossessions and DUI fines as compared to the prior fiscal year, as well.
- Use of money and property increased by \$12,877 to \$119,054. The increase is attributable to higher rates of return on the City's invested pooled cash funds with the California Local Agency Investment Account. Interest rates earned on the fund has increased from .75% at June 30, 2022 to 3.36% at June 30, 2023.
- There were no capital asset disposals by the City during the fiscal year ended June 30, 2023.
- The \$8,646 decrease in miscellaneous revenue over the prior fiscal year can be attributable to one-time receipts of income in the prior fiscal year not present in the current fiscal year.

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

**Expenditures by Function
 GENERAL FUND**

	FY2023		FY2022		Increase/ (Decrease)	Percent of Total
	Amount	Percent of Total	Amount	Percent of Total	Amount	
General government	\$ 475,066	9.56%	\$ 850,308	20.28%	\$ (375,242)	-48.34%
Public safety	2,242,549	45.13%	2,311,049	55.12%	(68,500)	-8.83%
Public works	64,769	1.30%	71,944	1.72%	(7,175)	-0.92%
Building and planning	90,496	1.82%	173,758	4.14%	(83,262)	-10.73%
Parks and recreation	548,253	11.03%	410,521	9.79%	137,732	17.74%
Capital outlay	1,515,531	30.50%	333,190	7.95%	1,182,341	152.33%
Debt Service	31,975	0.64%	41,678	0.99%	(9,703)	-1.25%
Total	\$ 4,968,639	100%	\$ 4,192,448	100%	\$ 776,191	100%

- General government expenditures decreased by \$375,242 to \$475,066. In the prior fiscal year, the City utilized a Coronavirus relief grant to pay a one-time, city-wide, bonus to employees, totaling \$440,472. There was no comparable bonus' paid in the current fiscal year, resulting in the significant decrease in general government expenditures. Higher finance and administrative departmental salaries, along with in an increase in travel expense and departmental supplies have partially offset the savings from the prior year paid bonus.

- Public safety expenditures decreased by \$68,500 from the previous fiscal year. The decrease is due primarily to a \$137,306 decrease in legal service expenditures for both the police and code enforcement departments as compared to the prior fiscal year. In addition, the allocation of a portion of police labor and related benefits from the City's General Fund to special revenue funds dedicated to public safety during the current fiscal year provided approximately \$30,000 in additional savings. The reduction in legal and labor costs savings was offset by higher police vehicle maintenance and fuel costs, departmental supplies and contract services. In addition, as previously mentioned, expenditures for contract fire protection services provided by Fresno County increased by approximately \$20,000 over the prior fiscal year.
- Building and planning expenditures decreased by \$83,262 or 11% from the previous year due to a decrease in outsourced engineering and planning service fees incurred by the City. Unlike the prior two fiscal years, the City did not incur expenditures for any new cannabis related farming or retail ventures, resulting in a significant decrease in planning expenditures for the current fiscal year.
- Parks and recreation expenditures increased by \$137,732 to \$548,253 over the prior fiscal year. As previously discussed, the City's park venues were negatively impacted by state mandated restrictions on public gatherings and events, resulting in lower costs for maintenance, labor and operational supplies in prior years. As pandemic restrictions have been lifted, the City has increased park spending to address its deferred maintenance backlog, along with increased costs of maintenance as the parks are once again fully utilized by the public. In addition, the City completed an expansion of the Rojos-Pierce Park during the current fiscal year, requiring additional labor and supply resources to maintain as compared to the prior fiscal year.
- Capital outlay expenditures for the fiscal year ended June 30, 2023 include \$360,134 in shared costs for the continuing construction of the new City police and council chambers building, which is in progress at June 30, 2023. In addition, the General Fund incurred \$981,355 in costs to complete the expansion of Rojos-Pierce Park during the fiscal year. Also, the General Fund paid for the purchase of a new police patrol vehicle and the proportional cost of four public works vehicles shared the water and sewer enterprise funds, totaling \$96,541. Remaining capital outlays, totaling \$77,501, were expended for the purchase of various equipment and land improvements for the public works and parks departments during the course of the fiscal year.

The Home Investment Partnership Program Special Revenue Fund has a total fund deficit of \$8,695. The fund had no activity during the current fiscal year due to lack of new funding for low-income community housing assistance. The CDBG Program Special Revenue Fund has a fund balance of \$503,837 at June 30, 2023. The fund collected \$66,000 in debt service on its low-income housing portfolio during the fiscal year and made no new loans during the fiscal year.

The State Gas Tax Special Revenue Fund has a total fund balance of \$1,352,428, all of which is restricted to street maintenance and road improvement projects. The fund was allocated \$650,469 in state gas tax revenue, along with road infrastructure grants, during the fiscal year. Of the \$716,763 in fund expenditures for the fiscal year, \$184,718 was for general maintenance of City streets, while the remaining \$532,045 was devoted to capital outlay for various street improvement projects, including a roundabout improvement located at Highway 180 and Highway 33, a railroad crossing project on Highway 33, street reconstruction projects at Stamoules Street, Mendota Jr. High School and 5th and Quince Streets.

The Police Building Capital Projects Fund maintains a fund balance of \$3,021,552, all of which is committed to the construction of a new police department and city council chambers facility. On April 26, 2023, the City received a \$1,500,000 state grant dedicated to the construction of the facility, which adds to \$2,950,000 in state grants received in earlier fiscal years for the same commitment. The City is currently in the construction phase 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 \$83,830 lower than the final budgetary appropriations. The primary reason for the positive budget variance relates to lower than expected general government expenditures. General Government was budgeted for \$894,648, while actual expenditures for the fiscal year came in at \$475,066. In preparing the budget, the City inadvertently included a one-time, city-wide, bonus paid in the prior fiscal year in the current year budget, causing a large positive variance of \$419,582. In addition, the City anticipated a higher volume of both cannabis and commercial/residential building projects to be submitted to the Building and Planning department for review; however, this expected increased in project volume never materialized during the fiscal year, resulting in a positive variance of \$123,212. The above two positive variances were offset by negative variances in the Public Safety, Parks and Recreation, and Capital Outlay. Although the City had anticipated allocating more of the police labor expenditures to special revenue funds dedicated to public safety, the actual allocation was significantly less than budgeted amounts, causing a negative variance of \$211,166. In addition, budgeted expenditures for the City parks did not take into consideration added costs to address post pandemic increased use, deferred maintenance projects or the expansion of the Rojas-Pierce Park, resulting in a negative variance of \$118,244. Finally, capital outlay exceeded budgeted amounts by \$116,756 due to the new police and council chambers building which is proceeding ahead of schedule in its construction from originally budgeted amounts for the fiscal year ended June 30, 2023.

During the year, actual revenues were \$1,251,139 higher than the final budgetary estimates. The largest positive variance was in the Charges for Services category. The City inadvertently excluded budgeted amounts for public benefit fees from cannabis operations, which totaled \$1,376,404, for the fiscal year. This positive variance was offset by a negative variance of \$328,965 for Property and Sales Tax revenue as the City had anticipated higher sales tax revenue at the time 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, 2023, amounts to \$44,425,497 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, building and improvements, and equipment. The total increase in the City's investments in capital assets for the current year is approximately nine percent.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 357,322	\$ 357,322	\$ 1,325,374	\$ 1,325,374	\$ 1,682,696	\$ 1,682,696
Construction in progress	3,139,802	426,319	654,991	8,790,032	3,794,793	9,216,351
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	14,709,675	14,470,904	24,140,244	14,584,126	38,849,919	29,055,030
Land improvements	6,904,404	5,852,746	10,285,096	10,285,096	17,189,500	16,137,842
Buildings and improvements	1,440,436	1,440,436	4,397,754	4,203,671	5,838,190	5,644,107
Equipment	2,908,599	2,763,783	-	-	2,908,599	2,763,783
Less: accumulated depreciation	<u>(12,394,451)</u>	<u>(11,136,828)</u>	<u>(13,505,174)</u>	<u>(12,357,260)</u>	<u>(25,899,625)</u>	<u>(23,494,088)</u>
Total capital assets	<u>\$ 17,065,787</u>	<u>\$ 14,174,682</u>	<u>\$ 27,359,710</u>	<u>\$ 26,892,464</u>	<u>\$ 44,425,497</u>	<u>\$ 41,067,146</u>

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS (Continued)

Capital Assets (Continued)

This year's additions include:

Completion of architectural design and commenced construction of new police facility	\$ 1,956,606
Completion of the Rojas-Pierce Park expansion project	981,354
Completion of the Mendota Junior High School street project	216,406
Continuing engineering and construction of several street projects, including the Hwy 33 & 180 roundabout, Stamoules Street, Hwy 33 railroad crossing and Quince Street	963,538
Continuing engineering on backwash pump station & stormwater improvement projects	274,169
Completion of the Mowry Bridge project and engineering of the main water line extension	34,543
Completion of the city-wide auto read water meter project	809,087
Purchase of five vehicles for the police, public works and streets departments	180,784
Initial payment on new generator for the water enterprise fund	84,770
Purchase of various other equipment and improvements during the fiscal year	<u>262,631</u>
 Total additions	 <u>\$ 5,763,888</u>

For further information, see Note 6 of the financial statements on pages 46 through 47 of this report.

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$8,573,156. Of this amount, \$341,190 is the liability of governmental activities and \$8,231,966 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>06/30/2023</u>	<u>06/30/2022</u>	<u>06/30/2023</u>	<u>06/30/2022 (Restated)</u>	<u>06/30/2023</u>	<u>06/30/2022</u>
Revenue bonds payable	\$ -	\$ -	\$ 4,221,457	\$ 4,103,998	\$ 4,221,457	\$ 4,103,998
Loans payable	168,199	199,309	293,000	351,534	461,199	550,843
Finance leases	-	-	3,608,826	3,746,348	3,608,826	3,746,348
Compensated absences	125,050	109,063	73,409	85,067	198,459	194,130
Net pension liability	<u>47,941</u>	<u>-</u>	<u>35,274</u>	<u>-</u>	<u>83,215</u>	<u>-</u>
Total long-term debt	<u>\$ 341,190</u>	<u>\$ 308,372</u>	<u>\$ 8,231,966</u>	<u>\$ 8,286,947</u>	<u>\$ 8,573,156</u>	<u>\$ 8,595,319</u>

Additional information on the City's long-term debt can be found in Note 7 of the financial statements on pages 48 through 51 of this report.

ECONOMIC FACTORS AND NEXT FIVE YEARS' BUDGETS AND RATES

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

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MENDOTA | JUNE 30, 2023

Statement of Net Position

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 14,050,544	\$ 4,328,290	\$ 18,378,834
Receivables, net	4,114,822	1,364,814	5,479,636
Prepaid items	22,253	5,271	27,524
Internal balances	(2,142)	2,142	-
Restricted assets:			
Cash and investments	-	117,771	117,771
Capital assets:			
Nondepreciable	3,497,124	2,041,790	5,538,914
Depreciable, net	<u>13,568,663</u>	<u>25,317,920</u>	<u>38,886,583</u>
Total assets	<u>35,251,264</u>	<u>33,177,998</u>	<u>68,429,262</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>167,956</u>	<u>128,182</u>	<u>296,138</u>
Total deferred outflows of resources	<u>167,956</u>	<u>128,182</u>	<u>296,138</u>
LIABILITIES			
Accounts payable	1,248,512	234,070	1,482,582
Deposits	-	739,437	739,437
Accrued interest	4,246	76,585	80,831
Unearned revenues	14,787	-	14,787
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	26,908	52,773	79,681
Finance lease payable	-	156,993	156,993
Revenue bonds payable	-	140,000	140,000
Loans payable	168,199	54,000	222,199
Portion due or payable after one year:			
Compensated absences payable	98,142	20,636	118,778
Finance lease payable	-	3,451,833	3,451,833
Revenue bonds payable	-	4,081,457	4,081,457
Loans payable	-	239,000	239,000
Net pension liability	<u>47,941</u>	<u>35,274</u>	<u>83,215</u>
Total liabilities	<u>1,608,735</u>	<u>9,282,058</u>	<u>10,890,793</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	644	475	1,119
Lease related	<u>143,980</u>	<u>-</u>	<u>143,980</u>
Total deferred inflows of resources	<u>144,624</u>	<u>475</u>	<u>145,099</u>
NET POSITION			
Net investment in capital assets	16,897,588	18,889,841	35,787,429
Restricted for:			
Redevelopment and housing	1,125,126	-	1,125,126
Public safety	3,856,441	-	3,856,441
Highways and streets	3,417,141	-	3,417,141
Parks and recreation	187,130	-	187,130
Debt service	-	117,771	117,771
Unrestricted	<u>8,182,435</u>	<u>5,016,035</u>	<u>13,198,470</u>
Total net position	<u>\$ 33,665,861</u>	<u>\$ 24,023,647</u>	<u>\$ 57,689,508</u>

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

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023

Statement of Activities

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	\$ 577,845	\$ 1,526,155	\$ 76,364	\$ -	\$ 1,024,674	\$ -	\$ 1,024,674
Public safety	2,949,276	356,684	1,134,806	1,500,000	42,214	-	42,214
Municipal airport	51,540	-	20,942	-	(30,598)	-	(30,598)
Highways and streets	795,911	14,553	598,072	1,046,833	863,547	-	863,547
Public works	920,480	8,462	-	-	(912,018)	-	(912,018)
Building and planning	90,669	180,234	-	-	89,565	-	89,565
Parks and recreation	794,781	10,923	-	-	(783,858)	-	(783,858)
Interest and fiscal charges	4,306	-	-	-	(4,306)	-	(4,306)
Total governmental activities	6,184,808	2,097,011	1,830,184	2,546,833	289,220	-	289,220
Business-Type Activities:							
Water	2,657,989	2,367,592	23,503	915,276	-	648,382	648,382
Sewer	1,908,903	1,644,171	19,476	-	-	(245,256)	(245,256)
Sanitation	1,247,038	1,255,681	-	93,226	-	101,869	101,869
Joint Powers Financing Authority	164,517	-	-	-	-	(164,517)	(164,517)
Total business-type activities	5,978,447	5,267,444	42,979	1,008,502	-	340,478	340,478
Total City of Mendota	\$ 12,163,255	\$ 7,364,455	\$ 1,873,163	\$ 3,555,335	289,220	340,478	629,698
General revenues:							
Taxes:							
Property taxes					1,994,001	-	1,994,001
Sales tax					1,000,935	-	1,000,935
Franchise taxes					147,645	-	147,645
Other taxes					564,688	-	564,688
Revenue from the use of money and property					140,854	9,169	150,023
Miscellaneous					53,186	47,205	100,391
Total general revenues					3,901,309	56,374	3,957,683
Change in net position					4,190,529	396,852	4,587,381
Net position - beginning (restated)					29,475,332	23,626,795	53,102,127
Net position - ending					\$ 33,665,861	\$ 24,023,647	\$ 57,689,508

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

FUND FINANCIAL STATEMENTS

CITY OF MENDOTA | JUNE 30, 2023

Governmental Funds

Balance Sheet

	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	\$ 5,816,127	\$ 1,562,556	\$ 503,534	\$ -	\$ 3,289,797	\$ 2,878,530	\$ 14,050,544
Receivables	1,185,375	146,967	647,078	1,142,245	1,830	991,327	4,114,822
Due from other funds	18,371	-	-	-	-	-	18,371
Prepaid items	20,476	-	-	-	-	1,777	22,253
Total assets	\$ 7,040,349	\$ 1,709,523	\$ 1,150,612	\$ 1,142,245	\$ 3,291,627	\$ 3,871,634	\$ 18,205,990
LIABILITIES							
Accounts payable	\$ 194,127	\$ 357,095	\$ -	\$ -	\$ 270,075	\$ 427,215	\$ 1,248,512
Unearned revenues	14,787	-	-	-	-	-	14,787
Due to other funds	-	-	-	8,696	-	9,675	18,371
Advances from other funds	2,142	-	-	-	-	-	2,142
Total liabilities	211,056	357,095	-	8,696	270,075	436,890	1,283,812
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - loans	-	-	646,775	1,142,244	-	-	1,789,019
Lease related	143,980	-	-	-	-	-	143,980
Total deferred inflows of resources	143,980	-	646,775	1,142,244	-	-	1,932,999
FUND BALANCES (DEFICIT)							
Nonspendable:							
Prepaid items	20,476	-	-	-	-	1,777	22,253
Lease related	31,716	-	-	-	-	-	31,716
Restricted for:							
Redevelopment and housing	-	-	503,837	-	-	477,309	981,146
Public safety	-	-	-	-	3,021,552	834,889	3,856,441
Highways and streets	-	1,352,428	-	-	-	2,064,713	3,417,141
Parks and recreation	-	-	-	-	-	187,130	187,130
Assigned to:							
Public Safety	14,724	-	-	-	-	22,472	37,196
Highways and streets	19,967	-	-	-	-	276	20,243
Unassigned	6,598,430	-	-	(8,695)	-	(153,822)	6,435,913
Total fund balances (deficit)	6,685,313	1,352,428	503,837	(8,695)	3,021,552	3,434,744	14,989,179
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 7,040,349	\$ 1,709,523	\$ 1,150,612	\$ 1,142,245	\$ 3,291,627	\$ 3,871,634	\$ 18,205,990

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

CITY OF MENDOTA | JUNE 30, 2023

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position

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

Total fund balances - governmental funds		\$ 14,989,179
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 \$29,460,238 and the accumulated depreciation is \$12,394,451.		17,065,787
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in governmental funds.		1,789,019
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.		(4,246)
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	(168,199)	
Compensated absences	<u>(125,050)</u>	(293,249)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in governmental funds.		
Net pension liability	(47,941)	
Deferred outflows	167,956	
Deferred inflows	<u>(644)</u>	<u>119,371</u>
Net position of governmental activities		<u>\$ 33,665,861</u>

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

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

	Special Revenue Funds						Total Governmental Funds
	General	Gas Tax	CDBG	HOME Investment Partnership Program	Police Building Capital Projects Fund	Nonmajor Governmental Funds	
REVENUES							
Taxes	\$ 2,668,374	\$ -	\$ -	\$ -	\$ -	\$ 1,038,895	\$ 3,707,269
Licenses and permits	202,505	-	-	-	-	31,580	234,085
Intergovernmental	983,048	720,515	-	-	1,500,000	1,090,603	4,294,166
Charges for services	1,748,899	-	-	-	-	-	1,748,899
Fines	114,027	-	-	-	-	-	114,027
Loan repayments	-	-	66,000	-	-	5,600	71,600
Use of money and property	119,054	4,047	1,389	3	8,429	7,932	140,854
Miscellaneous	59,673	-	-	-	-	76,364	136,037
Total revenues	5,895,580	724,562	67,389	3	1,508,429	2,250,974	10,446,937
EXPENDITURES							
Current:							
General government	475,066	-	-	-	-	-	475,066
Public safety	2,242,549	-	-	-	-	585,482	2,828,031
Municipal airport	-	-	-	-	-	12,785	12,785
Highways and streets	-	184,718	-	-	-	588,130	772,848
Public works	64,769	-	-	-	-	-	64,769
Building and planning	90,496	-	-	-	-	-	90,496
Parks and recreation	548,253	-	-	-	-	46,497	594,750
Capital outlay	1,515,531	532,045	-	-	1,448,730	652,423	4,148,729
Debt service:							
Principal	31,110	-	-	-	-	-	31,110
Interest	865	-	-	-	-	-	865
Total expenditures	4,968,639	716,763	-	-	1,448,730	1,885,317	9,019,449
Excess (deficiency) of revenues over (under) expenditures	926,941	7,799	67,389	3	59,699	365,657	1,427,488
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	26,065	26,065
Transfers out	(26,065)	-	-	-	-	-	(26,065)
Total other financing sources (uses)	(26,065)	-	-	-	-	26,065	-
Net change in fund balances	900,876	7,799	67,389	3	59,699	391,722	1,427,488
Fund balances (deficit) - beginning	5,784,437	1,344,629	436,448	(8,698)	2,961,853	3,043,022	13,561,691
Fund balances (deficit) - ending	\$ 6,685,313	\$ 1,352,428	\$ 503,837	\$ (8,695)	\$ 3,021,552	\$ 3,434,744	\$ 14,989,179

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

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities

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

Net change in fund balances - total governmental funds \$ 1,427,488

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. 2,891,106

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. 31,110

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). (15,987)

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. (71,600)

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. (3,454)

Changes to net pension liability and the related deferred outflows and inflows do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (68,134)

Change in net position of governmental activities \$ 4,190,529

CITY OF MENDOTA | JUNE 30, 2023

Proprietary Funds
Statement of Net Position

	Business-Type Activities — Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Joint Powers Financing Authority	Total
ASSETS					
Current assets:					
Cash and investments	\$ 3,341,664	\$ 944,959	\$ 41,667	\$ -	\$ 4,328,290
Receivables, net	947,495	185,014	232,305	-	1,364,814
Prepaid items	<u>3,263</u>	<u>2,008</u>	<u>-</u>	<u>-</u>	<u>5,271</u>
Total current assets	<u>4,292,422</u>	<u>1,131,981</u>	<u>273,972</u>	<u>-</u>	<u>5,698,375</u>
Noncurrent assets:					
Restricted assets:					
Cash and investments	-	102,599	-	15,172	117,771
Advances to other funds	1,804,413	-	-	2,142	1,806,555
Capital assets:					
Nondepreciable	386,496	1,655,294	-	-	2,041,790
Depreciable, net	<u>15,588,652</u>	<u>9,729,268</u>	<u>-</u>	<u>-</u>	<u>25,317,920</u>
Total noncurrent assets	<u>17,779,561</u>	<u>11,487,161</u>	<u>-</u>	<u>17,314</u>	<u>29,284,036</u>
Total assets	<u>22,071,983</u>	<u>12,619,142</u>	<u>273,972</u>	<u>17,314</u>	<u>34,982,411</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	<u>66,025</u>	<u>53,145</u>	<u>9,012</u>	<u>-</u>	<u>128,182</u>
Total deferred outflows of resources	<u>66,025</u>	<u>53,145</u>	<u>9,012</u>	<u>-</u>	<u>128,182</u>
LIABILITIES					
Current liabilities:					
Accounts payable	107,680	28,922	97,468	-	234,070
Deposits	739,437	-	-	-	739,437
Accrued interest	11,696	62,747	-	2,142	76,585
Compensated absences payable	28,765	21,419	2,589	-	52,773
Finance lease payable	156,993	-	-	-	156,993
Revenue bonds payable	-	85,000	-	55,000	140,000
Loans payable	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,000</u>
Total current liabilities	<u>1,098,571</u>	<u>198,088</u>	<u>100,057</u>	<u>57,142</u>	<u>1,453,858</u>
Noncurrent liabilities:					
Advances from other funds	-	1,804,413	-	-	1,804,413
Compensated absences payable	8,644	11,462	530	-	20,636
Finance lease payable	3,451,833	-	-	-	3,451,833
Revenue bonds payable	-	3,961,457	-	120,000	4,081,457
Loans payable	239,000	-	-	-	239,000
Net pension liability	<u>18,182</u>	<u>14,546</u>	<u>2,546</u>	<u>-</u>	<u>35,274</u>
Total noncurrent liabilities	<u>3,717,659</u>	<u>5,791,878</u>	<u>3,076</u>	<u>120,000</u>	<u>9,632,613</u>
Total liabilities	<u>4,816,230</u>	<u>5,989,966</u>	<u>103,133</u>	<u>177,142</u>	<u>11,086,471</u>

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

CITY OF MENDOTA | JUNE 30, 2023

Proprietary Funds
Statement of Net Position
(Continued)

	Business-Type Activities — Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Authority	
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	245	196	34	-	475
Total deferred inflows of resources	245	196	34	-	475
NET POSITION					
Net investment in capital assets	11,551,736	7,338,105	-	-	18,889,841
Restricted for:					
Debt service	-	102,599	-	15,172	117,771
Unrestricted	5,769,797	(758,579)	179,817	(175,000)	5,016,035
Total net position	<u>\$ 17,321,533</u>	<u>\$ 6,682,125</u>	<u>\$ 179,817</u>	<u>\$ (159,828)</u>	<u>\$ 24,023,647</u>

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

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position

	Business-Type Activities — Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Joint Powers Financing Authority	
Operating revenues:					
Charges for services	\$ 2,367,592	\$ 1,644,171	\$ 1,255,681	\$ -	\$ 5,267,444
Miscellaneous	<u>24,000</u>	<u>18,516</u>	<u>-</u>	<u>4,689</u>	<u>47,205</u>
Total operating revenues	<u>2,391,592</u>	<u>1,662,687</u>	<u>1,255,681</u>	<u>4,689</u>	<u>5,314,649</u>
Operating expenses:					
Wages and benefits	744,501	601,106	100,126	-	1,445,733
Maintenance and supplies	1,230,432	590,251	1,145,325	-	2,966,008
Depreciation	606,554	541,360	-	-	1,147,914
Bad debt	<u>716</u>	<u>838</u>	<u>1,587</u>	<u>-</u>	<u>3,141</u>
Total operating expenses	<u>2,582,203</u>	<u>1,733,555</u>	<u>1,247,038</u>	<u>-</u>	<u>5,562,796</u>
Operating income	<u>(190,611)</u>	<u>(70,868)</u>	<u>8,643</u>	<u>4,689</u>	<u>(248,147)</u>
Nonoperating revenue (expenses):					
Developer fees	23,503	19,476	-	-	42,979
Interest income	6,120	2,839	210	-	9,169
Interest expense	(75,786)	(175,348)	-	(4,689)	(255,823)
Bond issuance expense	-	-	-	(159,828)	(159,828)
Intergovernmental revenue (capital grant)	<u>880,733</u>	<u>-</u>	<u>93,226</u>	<u>-</u>	<u>973,959</u>
Total nonoperating revenues (expenses)	<u>834,570</u>	<u>(153,033)</u>	<u>93,436</u>	<u>(164,517)</u>	<u>610,456</u>
Income (loss) before capital contributions	643,959	(223,901)	102,079	(159,828)	362,309
Capital contributions	<u>34,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,543</u>
Change in net position	678,502	(223,901)	102,079	(159,828)	396,852
Net position - beginning (restated)	<u>16,643,031</u>	<u>6,906,026</u>	<u>77,738</u>	<u>-</u>	<u>23,626,795</u>
Net position - ending	<u>\$ 17,321,533</u>	<u>\$ 6,682,125</u>	<u>\$ 179,817</u>	<u>\$ (159,828)</u>	<u>\$ 24,023,647</u>

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

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023

Proprietary Funds

Statement of Cash Flows

	Business-Type Activities — Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Authority	
Cash flows from operating activities:					
Cash received from customers	\$ 2,549,059	\$ 1,674,475	\$ 1,253,705	\$ -	\$ 5,477,239
Cash payments to suppliers	(1,441,993)	(650,221)	(1,122,604)	-	(3,214,818)
Cash payments to employees	(714,193)	(574,074)	(95,306)	-	(1,383,573)
Other operating cash receipts	24,000	18,516	-	4,689	47,205
Net cash provided by operating activities	<u>416,873</u>	<u>468,696</u>	<u>35,795</u>	<u>4,689</u>	<u>926,053</u>
Cash flows from noncapital financing activities:					
Advances from/(to) other funds	<u>66,583</u>	<u>(64,405)</u>	<u>-</u>	<u>(2,142)</u>	<u>36</u>
Net cash provided (used) by noncapital financing activities	<u>66,583</u>	<u>(64,405)</u>	<u>-</u>	<u>(2,142)</u>	<u>36</u>
Cash flows from capital and related financing activities:					
Cash received from capital grants	1,983,000	-	-	-	1,983,000
Cash received from developers	23,503	19,476	-	-	42,979
Proceeds from issuance of capital debt	-	-	-	15,172	15,172
Principal and interest paid on capital debt	(266,672)	(256,656)	-	(2,547)	(525,875)
Acquisition or construction of capital assets	<u>(1,207,599)</u>	<u>(407,561)</u>	<u>-</u>	<u>-</u>	<u>(1,615,160)</u>
Net cash provided (used) by capital and related financing activities	<u>532,232</u>	<u>(644,741)</u>	<u>-</u>	<u>12,625</u>	<u>(99,884)</u>
Cash flows from investing activities:					
Interest and dividends on investments	<u>5,212</u>	<u>2,400</u>	<u>166</u>	<u>-</u>	<u>7,778</u>
Net cash provided by investing activities	<u>5,212</u>	<u>2,400</u>	<u>166</u>	<u>-</u>	<u>7,778</u>
Net increase (decrease) in cash	1,020,900	(238,050)	35,961	15,172	833,983
Cash and investments - beginning	<u>2,320,764</u>	<u>1,285,608</u>	<u>5,706</u>	<u>-</u>	<u>3,612,078</u>
Cash and investments - ending	<u>\$ 3,341,664</u>	<u>\$ 1,047,558</u>	<u>\$ 41,667</u>	<u>\$ 15,172</u>	<u>\$ 4,446,061</u>

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

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023

Proprietary Funds
Statement of Cash Flows
(Continued)

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

	Business-Type Activities — Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Authority	Total
Operating income	\$ (190,611)	\$ (70,868)	\$ 8,643	\$ 4,689	\$ (248,147)
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>					
Depreciation and amortization	606,554	541,360	-	-	1,147,914
<i>Change in assets and liabilities:</i>					
Decrease (increase) in receivables	179,234	31,142	(389)	-	209,987
Decrease (increase) in prepaid items	(396)	373	-	-	(23)
Decrease (increase) in pension deferred outflows	7,315	5,040	107	-	12,462
Increase (decrease) in accounts payable	(211,165)	(60,343)	22,721	-	(248,787)
Increase (decrease) in compensated absences	(8,520)	(3,523)	385	-	(11,658)
Increase (decrease) in customer deposits	2,949	-	-	-	2,949
Increase (decrease) in net pension liabilities	32,922	26,679	4,515	-	64,116
Increase (decrease) in pension deferred inflows	(1,409)	(1,164)	(187)	-	(2,760)
Net cash provided by operating activities	<u>\$ 416,873</u>	<u>\$ 468,696</u>	<u>\$ 35,795</u>	<u>\$ 4,689</u>	<u>\$ 926,053</u>

Reconciliation of Cash to Balance Sheet

	Water Fund	Sewer Fund	Sanitation Fund	Mendota	Total
				Joint Powers Authority	
Cash and cash equivalents:					
Unrestricted	\$ 3,341,664	\$ 944,959	\$ 41,667	\$ -	\$ 4,328,290
Restricted	-	102,599	-	15,172	117,771
Total cash and cash equivalents	<u>\$ 3,341,664</u>	<u>\$ 1,047,558</u>	<u>\$ 41,667</u>	<u>\$ 15,172</u>	<u>\$ 4,446,061</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

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 Projects 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.

Mendota Joint Powers Authority – This fund is used to account for the debt service activities of the 2022 Lease Revenue Bonds issued on December 1, 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."

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, streetlights 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.

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.

Leases

Lessor: The City is a lessor for a lease of property. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

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

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.

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.

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

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

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.

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, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 18,378,834
Cash and investments - restricted	<u>117,771</u>
Total cash and investments	<u>\$ 18,496,605</u>

Cash and investments as of June 30, 2023 consist of the following:

Cash on hand	\$ 700
Bank deposits	17,178,553
LAIF	1,199,581
Investments	<u>117,771</u>
Total cash and investments	<u>\$ 18,496,605</u>

A. Deposits

The carrying amount of the City’s cash deposit was \$17,178,553 at June 30, 2023. The bank balance at June 30, 2023 was \$15,827,297 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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Investments Authorized by Debt Agreements

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

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

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	\$ 1,199,581	12 months or less
Held by fiscal agents:		
Money market	117,771	12 months or less
Total	\$ 1,317,352	

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	\$ 1,199,581	\$ -	\$ 1,199,581
Held by fiscal agents:			
Money market	117,771	-	117,771
Total	\$ 1,317,352	\$ -	\$ 1,317,352

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk

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

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

- \$117,771 of cash and investments (including amounts held by bond trustee) reported in the Sewer Fund are held in the form of the above-described money market funds.

Custodial Credit Risk

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

Investment in State Investment Pool

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

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Investments Valuation (Continued)

Fair value measurements of the City’s investments are as follows at June 30, 2023:

- Investment in the Local Agency Investment Fund: valued at \$1,199,581, 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 from 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 \$117,771. 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.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2023 consist of the following:

Governmental Activities

	General	Gas Tax	CDBG Program	HOME Investment Partnership Program	Police Building Capital Projects Fund	Nonmajor Governmental	Total
Receivables:							
Intergovernmental	\$ 1,006,432	\$ 146,091	\$ -	\$ -	\$ -	\$ 989,594	\$ 2,142,117
Interest	3,247	876	303	1	1,830	1,733	7,990
Loans	-	-	646,775	1,142,244	-	-	1,789,019
Leases	175,696	-	-	-	-	-	175,696
Total receivables	<u>\$ 1,185,375</u>	<u>\$ 146,967</u>	<u>\$ 647,078</u>	<u>\$ 1,142,245</u>	<u>\$ 1,830</u>	<u>\$ 991,327</u>	<u>\$ 4,114,822</u>

Business-Type Activities

	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Authority	Total
Receivables:					
Accounts	\$ 333,646	\$ 201,924	\$ 153,076	\$ -	\$ 688,646
Intergovernmental	676,247	-	93,226	-	769,473
Interest	1,367	629	44	-	2,040
Allowance for uncollectible	(63,765)	(17,539)	(14,041)	-	(95,345)
Total receivables, net	<u>\$ 947,495</u>	<u>\$ 185,014</u>	<u>\$ 232,305</u>	<u>\$ -</u>	<u>\$ 1,364,814</u>

NOTE 4 – LEASES

Leasing operations consist of the following leases for governmental activities for the year ended June 30, 2023:

In 2009, the City began leasing a building to a third party. The lease term is for 40 years. The City will receive annual payments of \$10,000 for the first 22 years of the agreement. On January 1st of the 22nd year, annual rent will increase by a Consumer Price Index factor and will continue to increase every five years after that. The City recognized \$4,516 in lease revenue and \$5,857 in interest revenue during the current fiscal year related to this lease. As of June 30, 2023, the City’s receivable for lease payments was \$175,696. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$143,980.

NOTE 5 – 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, 2023 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 18,371	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,696
Nonmajor Funds:		
Aviation Assistance Special Revenue Fund	-	9,675
	<u> </u>	<u> </u>
Total	<u>\$ 18,371</u>	<u>\$ 18,371</u>

Advances to/Advances from Other Funds

Advances receivables constitute long-term borrowing between funds. Advances typically carry a stated interest rate and have scheduled debt service payments. At June 30, 2023, 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	\$ -	\$ 2,142
Water Fund	1,804,413	-
Sewer Fund	-	1,804,413
Joint Powers Financing Authority	2,142	-
	<u> </u>	<u> </u>
Total	<u>\$ 1,806,555</u>	<u>\$ 1,806,555</u>

NOTE 6 – CAPITAL ASSETS

A summary of governmental activities capital assets activity for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Dispositions	Balance June 30, 2023
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 357,322	\$ -	\$ -	\$ 357,322
Construction in progress	<u>426,319</u>	<u>2,772,402</u>	<u>(58,919)</u>	<u>3,139,802</u>
Total capital assets, not being depreciated	<u>783,641</u>	<u>2,772,402</u>	<u>(58,919)</u>	<u>3,497,124</u>
Capital assets, being depreciated:				
Infrastructure	14,470,904	238,771	-	14,709,675
Land improvements	5,852,746	1,051,658	-	6,904,404
Buildings and improvements	1,440,436	-	-	1,440,436
Equipment	<u>2,763,783</u>	<u>144,816</u>	<u>-</u>	<u>2,908,599</u>
Total capital assets, being depreciated	24,527,869	1,435,245	-	25,963,114
Less: accumulated depreciation	<u>(11,136,828)</u>	<u>(1,257,623)</u>	<u>-</u>	<u>(12,394,451)</u>
Total capital asset, being depreciated, net	<u>13,391,041</u>	<u>177,622</u>	<u>-</u>	<u>13,568,663</u>
Governmental activities capital assets, net	<u>\$ 14,174,682</u>	<u>\$ 2,950,024</u>	<u>\$ (58,919)</u>	<u>\$ 17,065,787</u>

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

Governmental Activities	
General government	\$ 35,262
Public safety	105,245
Municipal airport	38,577
Highways and streets	823,415
Public works	27,883
Parks and recreation	<u>227,241</u>
Total depreciation expense - governmental activities	<u>\$ 1,257,623</u>

NOTE 6 – CAPITAL ASSETS (Continued)

A summary of business-type capital assets activity for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Acquisitions	Dispositions	Balance June 30, 2023
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,325,374	\$ -	\$ -	\$ 1,325,374
Construction in progress	8,790,032	560,800	(8,695,841)	654,991
Easements	61,425	-	-	61,425
Total capital assets, not being depreciated	<u>10,176,831</u>	<u>560,800</u>	<u>(8,695,841)</u>	<u>2,041,790</u>
Capital assets, being depreciated:				
Infrastructure	14,584,126	9,556,118	-	24,140,244
Buildings and improvements	10,285,096	-	-	10,285,096
Equipment	4,203,671	194,083	-	4,397,754
Total capital assets, being depreciated	29,072,893	9,750,201	-	38,823,094
Less: accumulated depreciation	<u>(12,357,260)</u>	<u>(1,147,914)</u>	<u>-</u>	<u>(13,505,174)</u>
Total capital asset, being depreciated, net	<u>16,715,633</u>	<u>8,602,287</u>	<u>-</u>	<u>25,317,920</u>
Business-type activities capital assets, net	<u>\$ 26,892,464</u>	<u>\$ 9,163,087</u>	<u>\$ (8,695,841)</u>	<u>\$ 27,359,710</u>

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

Business-Type Activities:	
Water	\$ 606,554
Sewer	<u>541,360</u>
Total - business-type activities	<u>\$ 1,147,914</u>

NOTE 7 – LONG-TERM LIABILITIES

A summary of governmental activities long-term debt transactions for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Issued/ Transferred	Retired/ Transferred	Balance June 30, 2023	Due Within One Year
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 range from \$10,143 to \$29,207, 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.	\$ 197,406	\$ -	\$ (29,207)	\$ 168,199	\$ 168,199
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>1,903</u>	<u>-</u>	<u>(1,903)</u>	<u>-</u>	<u>-</u>
<i>Total notes from direct borrowings and direct placements:</i>	199,309	-	(31,110)	168,199	168,199
Compensated absences	<u>109,063</u>	<u>174,649</u>	<u>(158,662)</u>	<u>125,050</u>	<u>26,908</u>
Governmental activities long-term liabilities	<u>\$ 308,372</u>	<u>\$ 174,649</u>	<u>\$ (189,772)</u>	<u>\$ 293,249</u>	<u>\$ 195,107</u>

CITY OF MENDOTA | JUNE 30, 2023
Notes to the Basic Financial Statements

NOTE 7 – LONG-TERM LIABILITIES (Continued)

A summary of business-type activities long-term debt transactions for the year ended June 30, 2023 is as follows:

Business-Type Activities:	July 1, 2022 (Restated)	Issued/ Transferred	Retired/ Transferred	Balance June 30, 2023	Due Within One Year
<i>Revenue Bonds:</i>					
<i>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.</i>					
	\$ 4,035,000	\$ -	\$ (55,000)	\$ 3,980,000	\$ 85,000
Unamortized bond premium	<u>68,998</u>	-	<u>(2,541)</u>	<u>66,457</u>	-
Subtotal	4,103,998	-	(57,541)	4,046,457	85,000
<i>Mendota Joint Powers Financing Authority Lease Revenue Bonds, Series 2022, payable in annual principal reductions from \$55,000 to \$221,000, interest payable on October 1 and April 1; serial bonds with semi-annual maturities on October 1 and April 1 beginning in 2023, in amounts from \$27,000 to \$112,000, with a stated interest rate of 4.99% through April 1, 2042, converting to a rate equal to the Federal Home Loan Bank through maturity. Through June 30, 2023, the City has drawn down \$175,000 of the \$3,500,000 available under the issue; the City expects to draw down the remaining portion of the issue during the fiscal year ended June 30, 2024 to coincide with construction of its new police and council chambers facility.</i>					
	-	175,000	-	175,000	55,000
<i>Notes from direct borrowings and direct placements:</i>					
<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.</i>					
	345,000	-	(52,000)	293,000	54,000
<i>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.</i>					
	<u>6,534</u>	-	<u>(6,534)</u>	-	-
Total notes from direct borrowings and direct placements:	4,455,532	175,000	(116,075)	4,514,457	194,000
<i>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.</i>					
	3,746,348	-	(137,522)	3,608,826	156,993
Compensated absences	<u>85,067</u>	<u>99,382</u>	<u>(111,040)</u>	<u>73,409</u>	<u>52,773</u>
Business-type activities long-term liabilities	<u>\$ 8,286,947</u>	<u>\$ 274,382</u>	<u>\$ (364,637)</u>	<u>\$ 8,196,692</u>	<u>\$ 403,766</u>

NOTE 7 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2023, annual debt service requirements for governmental activities are as follows:

Successor Agency of the Mendota Redevelopment Agency Loan			
Year Ending	Principal	Interest	Totals
June 30			
2024	\$ 168,199	\$ 2,826	\$ 171,025
Total	<u>\$ 168,199</u>	<u>\$ 2,826</u>	<u>\$ 171,025</u>

As of June 30, 2023, annual debt service requirements for business-type activities are as follows:

USDA Water Improvement Loan			
Year Ending	Principal	Interest	Totals
June 30			
2024	\$ 54,000	\$ 5,490	\$ 59,490
2025	57,000	13,185	70,185
2026	60,000	10,755	70,755
2027	62,000	8,190	70,190
Thereafter	<u>60,000</u>	<u>2,700</u>	<u>62,700</u>
Total	<u>\$ 293,000</u>	<u>\$ 40,320</u>	<u>\$ 333,320</u>

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Signature Bank Finance Lease Obligation (Solar Project)

Year Ending June 30	Principal	Interest	Totals
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	260,844	92,621	353,465
2029-2033	1,758,155	304,852	2,063,007
2034-2035	804,832	27,459	832,291
Total	<u>\$ 3,608,826</u>	<u>\$ 869,725</u>	<u>\$ 4,478,551</u>

**Mendota Joint Powers Financing Authority
Wastewater Refunding Revenue Bonds, Series 2021**

Year Ending June 30	Principal	Interest	Totals
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	95,000	101,638	196,638
2029-2033	555,000	444,788	999,788
2034-2038	655,000	341,478	996,478
2039-2043	735,000	258,578	993,578
2044-2048	830,000	159,238	989,238
2049-2052	750,000	41,938	791,938
Subtotal	3,980,000	1,787,333	5,767,333
Unamortized premium	66,457	-	66,457
Total	<u>\$ 4,046,457</u>	<u>\$ 1,787,333</u>	<u>\$ 5,833,790</u>

**Mendota Joint Powers Financing Authority
Lease Revenue Bonds, Series 2022**

Year Ended June 30	Principal	Interest	Totals
2024	\$ 55,000	\$ 5,573	\$ 60,573
2025	59,000	3,421	62,421
2026	61,000	1,157	62,157
Total	<u>\$ 175,000</u>	<u>\$ 10,151</u>	<u>\$ 185,151</u>

NOTE 8 – 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	2023	
Capital contributions	\$ 418,118	\$ 480,844	\$ 4,889,782	\$ 1,139,404	\$ 34,543	\$ 6,962,691
Total amount of contract						7,484,277
Total to be recognized in FY 2023						\$ 521,586

NOTE 9 – DEPOSITS

Deposits as of June 30, 2023 consist of the following:

	Water	
	Fund	Total
Deposits:		
Customer deposits	\$ 217,851	\$ 217,851
Bridge project	521,586	521,586
Total deposits	\$ 739,437	\$ 739,437

NOTE 10 – 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 11 – 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 13.

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>\$ 646,775</u>	<u>\$ 1,142,244</u>	<u>\$ 1,789,019</u>
Total deferred inflows of resources	<u>\$ 646,775</u>	<u>\$ 1,142,244</u>	<u>\$ 1,789,019</u>

NOTE 12 – 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 their 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, 2023, employee contributions totaled \$74,761 and the City recognized pension expense of \$8,399, 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, 2023, there were no forfeitures reported.

NOTE 13 – 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, 2023 are summarized as follows:

	Miscellaneous PEPRA
	Prior to on or after
Hire date	January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 - 67
Monthly benefits, as a % of annual salary	1.0% to 2.5%
Required employee contribution rates	6.75%
Required employer contribution rates	7.470%

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 \$5,401 for the fiscal year ended June 30, 2023.

NOTE 13 – 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, 2023 were \$115,684.

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

As of June 30, 2023, the City reported a net pension liability for its proportionate share of the Plan of \$83,215.

The City’s net pension liability for the Plan is measured as a proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

Proportion - June 30, 2021	-0.0011%
Proportion - June 30, 2022	0.0007%
Change - Increase (Decrease)	0.0018%

For the year ended June 30, 2023, the City recognized pension expense of \$268,054. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 126,102	\$ -
Changes of assumptions	8,527	-
Differences between actual and expected experience	1,671	1,119
Net differences between projected and actual earnings on plan investments	15,244	-
Change in employer's proportion	59,816	-
Differences between the employer's actual contributions and the employer's proportionate share of contributions	<u>84,778</u>	<u>-</u>
Total	<u>\$ 296,138</u>	<u>\$ 1,119</u>

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

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

\$126,102 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ending June 30		
2024	\$	80,429
2025		54,916
2026		24,249
2027		9,323
2028		-
Thereafter		-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry- Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	6.90%
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 rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 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.

Changes of Assumptions – Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense/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)
Global equity - cap-weighted	30.0%	4.45%
Global equity non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

⁽¹⁾ An expected inflation of 2.30% used for this period

⁽²⁾ Figures are based on the 2021-22 Asset Liability Management

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1% 5.90%	Current Discount Rate 6.90%	Discount Rate +1% 7.90%
\$ 243,159	\$ 83,215	\$ (48,378)

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

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, 2023.

NOTE 14 – DEFICIT FUND BALANCES/NET POSITIONS

The following funds had deficit fund equity at June 30, 2023.

Major Funds:		
HOME Investment Partnership Program Special Revenue Fund	\$	8,695
Nonmajor Governmental Funds:		
Aviation Assistance Special Revenue Fund		9,687
Enterprise Funds:		
Joint Powers Financing Authority		159,828

NOTE 15 – STABILIZATION POLICY

In fiscal year 2016, the 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, 2023, 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 16 – CONTINGENCIES

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 17 - 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.

NOTE 18 – PRIOR PERIOD ADJUSTMENT

The beginning net position of the Sewer Fund and Business-Type Activities have been restated to record a prior period adjustment to correctly expense the cost of issuance related to a bond.

	Business-Type Activities	Sewer Fund
Net position, June 30, 2022, as previously reported	\$ 23,904,457	\$ 7,183,688
Prior period adjustments:		
Understatement of cost of issuance expenses	<u>(277,662)</u>	<u>(277,662)</u>
Net position, July 1, 2022, as restated	<u>\$ 23,626,795</u>	<u>\$ 6,906,026</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA | JUNE 30, 2023

Pension Plan – Public Agency Cost-Sharing Multiple-Employer Plan
 Proportionate Share of Net Pension Liability (Asset)
 Last 10 Years*

	2018	2019	2020	2021	2022	2023
Proportion of the net pension liability (asset)	0.0000%	0.0000%	0.0001%	0.0003%	-0.0011%	0.0007%
Proportionate share of the net pension liability (asset)	\$ -	\$ (3,773)	\$ 7,214	\$ 35,449	\$ (62,015)	\$ 83,215
Covered payroll	\$ 902,792	\$ 1,141,007	\$ 1,274,069	\$ 1,154,780	\$ 1,238,823	\$ 1,462,052
Proportionate share of the net pension liability (asset) as percentage of covered payroll	0.00%	-0.33%	0.57%	3.07%	-5.01%	5.69%
Plan fiduciary net position as a percentage of the total pension liability (asset)	0.00%	102.66%	98.15%	94.41%	107.65%	92.91%

NOTES TO SCHEDULE

Changes in Benefit Terms: None

Changes of Assumptions:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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

CITY OF MENDOTA | JUNE 30, 2023

Pension Plan – Public Agency Cost-Sharing Multiple-Employer Plan
 Schedule of Contributions
 Last 10 Years*

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially required contribution (actuarially determined)	\$ 59,178	\$ 74,542	\$ 87,172	\$ 80,969	\$ 100,063	\$ 115,684	\$ 126,102
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>	<u>126,102</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,615,807
Contributions as a percentage of covered payroll	6.55%	6.53%	6.84%	7.01%	8.08%	7.91%	7.80%

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

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023

Budgetary Comparison Schedules

General Fund

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 2,510,314	\$ 2,997,340	\$ 2,668,374	\$ (328,966)
Licenses and permits	158,000	158,000	202,505	44,505
Intergovernmental	875,929	875,929	983,048	107,119
Charges for services	404,053	404,053	1,748,899	1,344,846
Fines	90,000	90,000	114,027	24,027
Use of money and property	102,500	102,500	119,054	16,554
Miscellaneous	16,619	16,619	59,673	43,054
Total revenues	<u>4,157,415</u>	<u>4,644,441</u>	<u>5,895,580</u>	<u>1,251,139</u>
EXPENDITURES				
Current:				
General government	880,927	894,648	475,066	419,582
Public safety	2,031,383	2,031,383	2,242,549	(211,166)
Public works	53,946	53,946	64,769	(10,823)
Building and planning	213,708	213,708	90,496	123,212
Parks and recreation	428,730	430,009	548,253	(118,244)
Capital outlay	926,750	1,398,775	1,515,531	(116,756)
Debt service:				
Principal	24,555	24,555	31,110	(6,555)
Interest	5,445	5,445	865	4,580
Total expenditures	<u>4,565,444</u>	<u>5,052,469</u>	<u>4,968,639</u>	<u>83,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(408,029)</u>	<u>(408,028)</u>	<u>926,941</u>	<u>1,334,969</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,000	2,000	-	(2,000)
Transfers in	456,029	456,029	-	(456,029)
Transfers out	(5,445)	(5,445)	(26,065)	(20,620)
Total other financing sources (uses)	<u>452,584</u>	<u>452,584</u>	<u>(26,065)</u>	<u>(478,649)</u>
Net change in fund balance	<u>\$ 44,555</u>	<u>\$ 44,556</u>	900,876	<u>\$ 856,320</u>
Fund balance - beginning			<u>5,784,437</u>	
Fund balance - ending			<u>\$ 6,685,313</u>	

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023

Budgetary Comparison Schedules

Gas Tax – Special Revenue Fund

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 2,507,857	\$ 2,507,857	\$ 720,515	\$ (1,787,342)
Use of money and property	-	-	4,047	4,047
Total revenues	<u>2,507,857</u>	<u>2,507,857</u>	<u>724,562</u>	<u>(1,783,295)</u>
EXPENDITURES				
Current:				
Highways and streets	162,279	162,575	184,718	(22,143)
Capital outlay	<u>3,046,902</u>	<u>3,046,902</u>	<u>532,045</u>	<u>2,514,857</u>
Total expenditures	<u>3,209,181</u>	<u>3,209,477</u>	<u>716,763</u>	<u>2,492,714</u>
Net change in fund balance	<u>\$ (701,324)</u>	<u>\$ (701,620)</u>	7,799	<u>\$ 709,419</u>
Fund balance - beginning			<u>1,344,629</u>	
Fund balance - ending			<u>\$ 1,352,428</u>	

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The official budget was prepared for adoption for the General Fund, Special Revenue Funds, and major Capital Projects 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 be 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 4/5th vote of the members of the City Council. As required by law, such amendments are made after the 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, 2023. Accordingly, budgetary comparison schedules are not presented.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2023, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Public safety	\$ 211,166
Public works	10,823
Parks and recreation	118,244
Capital outlay	116,756
Principal	6,555
Gas Tax Fund:	
Highways and streets	22,143

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

CITY OF MENDOTA | JUNE 30, 2023

Nonmajor Governmental Funds

Combining Balance Sheet

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
ASSETS			
Cash and investments	\$ 2,791,688	\$ 86,842	\$ 2,878,530
Receivables	991,274	53	991,327
Prepaid items	<u>1,777</u>	<u>-</u>	<u>1,777</u>
 Total assets	 <u>\$ 3,784,739</u>	 <u>\$ 86,895</u>	 <u>\$ 3,871,634</u>
LIABILITIES			
Accounts payable	\$ 427,215	\$ -	\$ 427,215
Due to other funds	<u>9,675</u>	<u>-</u>	<u>9,675</u>
 Total liabilities	 <u>436,890</u>	 <u>-</u>	 <u>436,890</u>
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepays	1,777	-	1,777
Restricted for:			
Redevelopment and housing	477,309	-	477,309
Public safety	834,889	-	834,889
Highways and streets	1,978,094	86,619	2,064,713
Parks and recreation	187,130	-	187,130
Assigned to:			
Public safety	22,472	-	22,472
Highways and streets	-	276	276
Unassigned	<u>(153,822)</u>	<u>-</u>	<u>(153,822)</u>
 Total fund balances (deficit)	 <u>3,347,849</u>	 <u>86,895</u>	 <u>3,434,744</u>
 Total liabilities and fund balances (deficit)	 <u>\$ 3,784,739</u>	 <u>\$ 86,895</u>	 <u>\$ 3,871,634</u>

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
REVENUES			
Taxes	\$ 1,038,895	\$ -	\$ 1,038,895
Licenses and permits	31,580	-	31,580
Intergovernmental	1,090,603	-	1,090,603
Loan repayments	5,600	-	5,600
Use of money and property	7,687	245	7,932
Miscellaneous	76,364	-	76,364
Total revenues	<u>2,250,729</u>	<u>245</u>	<u>2,250,974</u>
EXPENDITURES			
Current:			
Public safety	585,482	-	585,482
Municipal airport	12,785	-	12,785
Highways and streets	588,130	-	588,130
Parks and recreation	46,497	-	46,497
Capital outlay	652,423	-	652,423
Total expenditures	<u>1,885,317</u>	<u>-</u>	<u>1,885,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>365,412</u>	<u>245</u>	<u>365,657</u>
Other financing sources (uses):			
Transfers in	-	26,065	26,065
Total other financing sources (uses)	<u>-</u>	<u>26,065</u>	<u>26,065</u>
Net change in fund balances	365,412	26,310	391,722
Fund balances (deficit) - beginning	<u>2,982,437</u>	<u>60,585</u>	<u>3,043,022</u>
Fund balances (deficit) - ending	<u>\$ 3,347,849</u>	<u>\$ 86,895</u>	<u>\$ 3,434,744</u>

CITY OF MENDOTA | JUNE 30, 2023

Nonmajor Governmental Funds – Special Revenue Funds
Combining Balance Sheet

	Housing Income	Aviation Assistance	Police Grants	Local Transportation Fund	LLMD
ASSETS					
Cash and investments	\$ 477,018	\$ -	\$ 179,630	\$ 492,333	\$ 35,446
Receivables	291	-	112	839,685	144
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 477,309</u>	<u>\$ -</u>	<u>\$ 179,742</u>	<u>\$ 1,332,018</u>	<u>\$ 35,590</u>
LIABILITIES					
Accounts payable	\$ -	\$ 12	\$ -	\$ 288,437	\$ 1,084
Due to other funds	-	9,675	-	-	-
Total liabilities	-	9,687	-	288,437	1,084
DEFERRED INFLOWS OF RESOURCES					
Total deferred inflows of resources	-	-	-	-	-
FUND BALANCES (DEFICIT)					
Nonspendable:					
Prepays	-	-	-	-	-
Restricted for:					
Redevelopment and housing	477,309	-	-	-	-
Public safety	-	-	157,270	-	-
Highways and streets	-	-	-	1,043,581	34,506
Parks and recreation	-	-	-	-	-
Assigned to:					
Public safety	-	-	22,472	-	-
Unassigned	-	(9,687)	-	-	-
Total fund balances (deficit)	<u>477,309</u>	<u>(9,687)</u>	<u>179,742</u>	<u>1,043,581</u>	<u>34,506</u>
Total liabilities and fund balances (deficit)	<u>\$ 477,309</u>	<u>\$ -</u>	<u>\$ 179,742</u>	<u>\$ 1,332,018</u>	<u>\$ 35,590</u>

CITY OF MENDOTA | JUNE 30, 2023

Nonmajor Governmental Funds – Special Revenue Funds

Combining Balance Sheet

(Continued)

	Mendota CFD	Mendota Community Corporation	Development Fees	Measure C	Total
ASSETS					
Cash and investments	\$ 584,654	\$ 102,134	\$ 326,775	\$ 593,698	\$ 2,791,688
Receivables	3,404	-	286	147,352	991,274
Prepaid items	1,390	-	-	387	1,777
	<u>1,390</u>	<u>-</u>	<u>-</u>	<u>387</u>	<u>1,777</u>
Total assets	<u>\$ 589,448</u>	<u>\$ 102,134</u>	<u>\$ 327,061</u>	<u>\$ 741,437</u>	<u>\$ 3,784,739</u>
LIABILITIES					
Accounts payable	\$ 1,175	\$ -	\$ -	\$ 136,507	\$ 427,215
Due to other funds	-	-	-	-	9,675
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,675</u>
Total liabilities	<u>1,175</u>	<u>-</u>	<u>-</u>	<u>136,507</u>	<u>436,890</u>
DEFERRED INFLOWS OF RESOURCES					
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)					
Nonspendable:					
Prepays	1,390	-	-	387	1,777
Restricted for:					
Redevelopment and housing	-	-	-	-	477,309
Public safety	586,883	-	90,736	-	834,889
Highways and streets	-	-	295,464	604,543	1,978,094
Parks and recreation	-	102,134	84,996	-	187,130
Assigned to:					
Public safety	-	-	-	-	22,472
Unassigned	-	-	(144,135)	-	(153,822)
	<u>-</u>	<u>-</u>	<u>(144,135)</u>	<u>-</u>	<u>(153,822)</u>
Total fund balances (deficit)	<u>588,273</u>	<u>102,134</u>	<u>327,061</u>	<u>604,930</u>	<u>3,347,849</u>
Total liabilities and fund balances (deficit)	<u>\$ 589,448</u>	<u>\$ 102,134</u>	<u>\$ 327,061</u>	<u>\$ 741,437</u>	<u>\$ 3,784,739</u>

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023

Nonmajor Governmental Funds – Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

	Housing Income	Aviation Assistance	Police Grants	Local Transportation Fund	LLMD
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 22,062
Licenses and permits	-	-	-	-	-
Intergovernmental	-	20,942	145,271	881,143	-
Loan repayments	5,600	-	-	-	-
Use of money and property	1,330	-	510	1,777	73
Miscellaneous	-	-	-	-	-
Total revenues	<u>6,930</u>	<u>20,942</u>	<u>145,781</u>	<u>882,920</u>	<u>22,135</u>
EXPENDITURES					
Current:					
Public safety	-	-	182,572	-	-
Municipal airport	-	12,785	-	-	-
Highways and streets	-	-	-	298,807	12,210
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	439,743	-
Total expenditures	<u>-</u>	<u>12,785</u>	<u>182,572</u>	<u>738,550</u>	<u>12,210</u>
Net change in fund balances	6,930	8,157	(36,791)	144,370	9,925
Fund balances (deficit) - beginning	<u>470,379</u>	<u>(17,844)</u>	<u>216,533</u>	<u>899,211</u>	<u>24,581</u>
Fund balances (deficit) - ending	<u>\$ 477,309</u>	<u>\$ (9,687)</u>	<u>\$ 179,742</u>	<u>\$ 1,043,581</u>	<u>\$ 34,506</u>

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023

Nonmajor Governmental Funds – Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

(Continued)

	Mendota CFD	Mendota Community Corporation	Development Fees	Measure C	Total
REVENUES					
Taxes	\$ 534,437	\$ -	\$ -	\$ 482,396	\$ 1,038,895
Licenses and permits	-	-	31,580	-	31,580
Intergovernmental	-	-	-	43,247	1,090,603
Loan repayments	-	-	-	-	5,600
Use of money and property	1,180	-	1,306	1,511	7,687
Miscellaneous	-	76,364	-	-	76,364
Total revenues	<u>535,617</u>	<u>76,364</u>	<u>32,886</u>	<u>527,154</u>	<u>2,250,729</u>
EXPENDITURES					
Current:					
Public safety	401,424	-	1,486	-	585,482
Municipal airport	-	-	-	-	12,785
Highways and streets	-	-	-	277,113	588,130
Parks and recreation	-	46,497	-	-	46,497
Capital outlay	-	-	-	212,680	652,423
Total expenditures	<u>401,424</u>	<u>46,497</u>	<u>1,486</u>	<u>489,793</u>	<u>1,885,317</u>
Net change in fund balances	134,193	29,867	31,400	37,361	365,412
Fund balances (deficit) - beginning	<u>454,080</u>	<u>72,267</u>	<u>295,661</u>	<u>567,569</u>	<u>2,982,437</u>
Fund balances (deficit) - ending	<u>\$ 588,273</u>	<u>\$ 102,134</u>	<u>\$ 327,061</u>	<u>\$ 604,930</u>	<u>\$ 3,347,849</u>

CITY OF MENDOTA | JUNE 30, 2023

Nonmajor Governmental Funds – Capital Projects Funds
Combining Balance Sheet

	CDBG - Sewer and Drainage Projects	Street Capital Projects	Total
ASSETS			
Cash and investments	\$ 86,566	\$ 276	\$ 86,842
Receivables	<u>53</u>	<u>-</u>	<u>53</u>
Total assets	<u>\$ 86,619</u>	<u>\$ 276</u>	<u>\$ 86,895</u>
LIABILITIES			
Total liabilities	\$ -	\$ -	\$ -
FUND BALANCES (DEFICITS)			
Restricted to:			
Highways and streets	86,619	-	86,619
Assigned to:			
Highways and streets	<u>-</u>	<u>276</u>	<u>276</u>
Total fund balances (deficit)	<u>86,619</u>	<u>276</u>	<u>86,895</u>
Total liabilities and fund balances (deficit)	<u>\$ 86,619</u>	<u>\$ 276</u>	<u>\$ 86,895</u>

CITY OF MENDOTA | FOR THE YEAR ENDED JUNE 30, 2023

Nonmajor Governmental Funds – Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

	CDBG - Sewer and Drainage Projects	Street Capital Projects	Total
REVENUES			
Use of money and property	\$ 244	\$ 1	\$ 245
Total revenues	<u>244</u>	<u>1</u>	<u>245</u>
EXPENDITURES			
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>244</u>	<u>1</u>	<u>245</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>26,065</u>	<u>26,065</u>
Total other financing sources (uses)	<u>-</u>	<u>26,065</u>	<u>26,065</u>
Net change in fund balances	244	26,066	26,310
Fund balances (deficit) - beginning	<u>86,375</u>	<u>(25,790)</u>	<u>60,585</u>
Fund balances (deficit) - ending	<u>\$ 86,619</u>	<u>\$ 276</u>	<u>\$ 86,895</u>