

**CITY OF MENDOTA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2015**

CITY OF MENDOTA
FINANCIAL STATEMENTS
JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota, California (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota, California, as of June 30, 2015, 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.

677 Scott Avenue
Clovis, CA 93612

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-13 and 58-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
December 16, 2015

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The management of the City of Mendota (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at close of the most recent fiscal year by \$31,363,527 (net position). Of this amount, \$5,460,604 (unrestricted net position) may be used to meet the City's ongoing obligation to its citizens and creditors.

The City's total net position decreased by \$567,480 from the prior fiscal year. Governmental activities decreased the City's total net position by \$108,673 and business-type activities decreased by \$458,807. The overall decrease in net position is due to several factors. The business-type activities of the City were negatively affected by a decrease in water revenue due to conservation efforts during the current drought, coupled with significantly higher electrical utility costs to operate the City's water production wells and sewer processing plant. In addition, employee compensation and related benefits, primarily health insurance costs, continued to rise over prior year levels. With regard to the governmental-type activities, a decrease in overall General Fund revenues due to lower service related charges and intergovernmental revenue, coupled with higher employment costs and legal related expenses, was offset by lower operating expenses in its Special Revenue Funds for highway and roads, resulting in the net overall narrow decrease as compared to the prior fiscal year.

At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$5,087,468, a decrease of \$49,614 in comparison with the prior year. As discussed in the preceding paragraph, wage and benefit expenditures, along with a one-time legal settlement, are the primary reasons for the decrease in the overall reporting of governmental funds in comparison to the prior fiscal year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$100,261 or 4 percent of the total general fund expenditures for the fiscal year. This represents a 15% decrease from the prior year ratio and is primarily the result of lower service and permit related revenues, coupled with higher wages, employee related benefits, legal related charges, and capital outlays for equipment as compared to the prior fiscal year.

The City's total long-term debt of \$6,472,840 decreased by \$185,211 compared to last year. The decrease is the result of scheduled principal payments, net of new loans, on the City's outstanding debt during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

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

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

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

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

The City maintains 43 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, HOME Investment Partnership Program Special Revenue Fund, Measure C Special Revenue Fund, and the Gas Tax Special Revenue Fund. All of these are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

The basic proprietary fund financial statements can be found on pages 26 through 29 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

The basic fiduciary fund financial statements can be found on pages 30 through 31 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 56 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 55 through 61 of this report.

The combining fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 64 through 73.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$31,363,527 at June 30, 2015.

**City of Mendota
Condensed Statement of Net Position
June 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 7,334,769	\$ 6,149,122	\$ 3,047,893	\$ 3,364,433	\$ 10,382,662	\$ 9,513,555
Capital assets	11,482,469	11,533,173	16,520,559	16,972,436	28,003,028	28,505,609
Total assets	<u>18,817,238</u>	<u>17,682,295</u>	<u>19,568,452</u>	<u>20,336,869</u>	<u>38,385,690</u>	<u>38,019,164</u>
Long-term liabilities	459,185	450,645	6,013,655	6,207,406	6,472,840	6,658,051
Other liabilities	135,372	295,584	413,951	529,810	549,323	825,394
Total liabilities	<u>594,557</u>	<u>746,229</u>	<u>6,427,606</u>	<u>6,737,216</u>	<u>7,022,163</u>	<u>7,483,445</u>
Net position:						
Net investment in capital assets	11,076,030	11,130,422	10,616,274	10,901,282	21,692,304	22,031,704
Restricted	3,274,481	3,484,075	936,138	928,487	4,210,619	4,412,562
Unrestricted	<u>3,872,170</u>	<u>2,321,569</u>	<u>1,588,434</u>	<u>1,769,884</u>	<u>5,460,604</u>	<u>4,091,453</u>
Total net position	<u>\$ 18,222,681</u>	<u>\$ 16,936,066</u>	<u>\$ 13,140,846</u>	<u>\$ 13,599,653</u>	<u>\$ 31,363,527</u>	<u>\$ 30,535,719</u>

The largest portion of the City's net position, \$21,692,304 (69 percent) represents investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$5,460,604 (17.5 percent) represents unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors. The remaining balance of \$4,210,619 (13.5 percent) represents resources that are subject to external restrictions on their use.

Governmental activities decreased the City's net position by \$108,673 accounting for 20 percent of the total reduction in the net position of the City of Mendota as compared to the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

**City of Mendota
Condensed Statement of Activities
For the Years Ended June 30, 2015 and 2014**

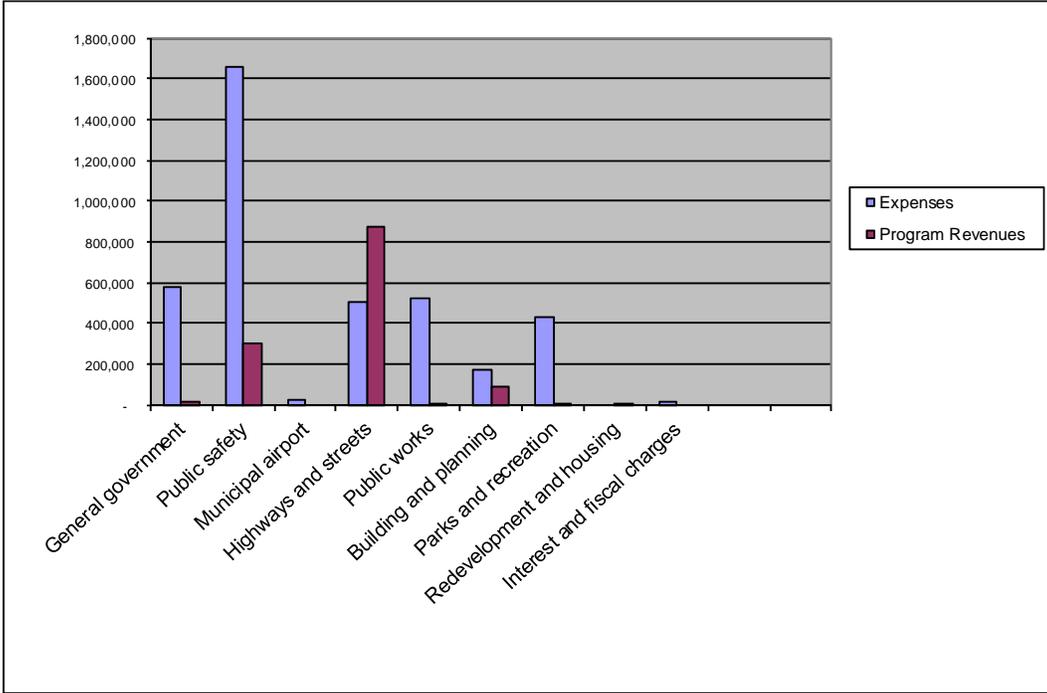
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 300,277	\$ 404,255	\$ 3,202,470	\$ 3,251,080	\$ 3,502,747	\$ 3,655,335
Operating grants and contributions	405,323	457,782	11,759	29,361	417,082	487,143
Capital grants and contributions	559,607	1,200,761	-	11,119	559,607	1,211,880
General revenues:						
Property taxes	1,030,111	1,054,212	-	-	1,030,111	1,054,212
Sales tax	460,966	482,263	-	-	460,966	482,263
Franchise taxes	106,534	98,189	-	-	106,534	98,189
Other taxes	777,069	779,074	-	-	777,069	779,074
Earnings on investments	3,655	4,259	24,577	29,700	28,232	33,959
Miscellaneous	250,311	189,319	2,566	46,564	252,877	235,883
Gain (loss) on sale of assets	5,821	-	740	17,144	6,561	17,144
Total revenues	3,899,674	4,670,114	3,242,112	3,384,968	7,141,786	8,055,082
Expenses:						
General government	580,318	489,214	-	-	580,318	489,214
Public safety	1,658,655	1,563,233	-	-	1,658,655	1,563,233
Municipal airport	26,553	26,206	-	-	26,553	26,206
Highways and streets	499,823	424,256	-	-	499,823	424,256
Public works	617,189	356,887	-	-	617,189	356,887
Building and planning	169,584	228,572	-	-	169,584	228,572
Parks and recreation	431,303	385,663	-	-	431,303	385,663
Redevelopment and housing	-	4,180	-	-	-	4,180
Sanitation	8,518	-	-	-	8,518	-
Interest and fiscal charges	16,404	21,349	-	-	16,404	21,349
Water	-	-	1,683,189	1,643,531	1,683,189	1,643,531
Sewer	-	-	1,329,277	1,252,296	1,329,277	1,252,296
Refuse	-	-	672,727	643,022	672,727	643,022
Mendota Joint Powers Financing Authority	-	-	15,726	18,407	15,726	18,407
Total expenses	4,008,347	3,499,560	3,700,919	3,557,256	7,709,266	7,056,816
Increase (decrease) in net position	(108,673)	1,170,554	(458,807)	(172,288)	(567,480)	998,266
Net position - beginning	16,936,066	15,976,564	13,599,653	13,771,941	30,535,719	29,748,505
Prior period adjustments	1,395,288	(211,052)	-	-	1,395,288	(211,052)
Net position - ending	\$ 18,222,681	\$ 16,936,066	\$ 13,140,846	\$ 13,599,653	\$ 31,363,527	\$ 30,535,719

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

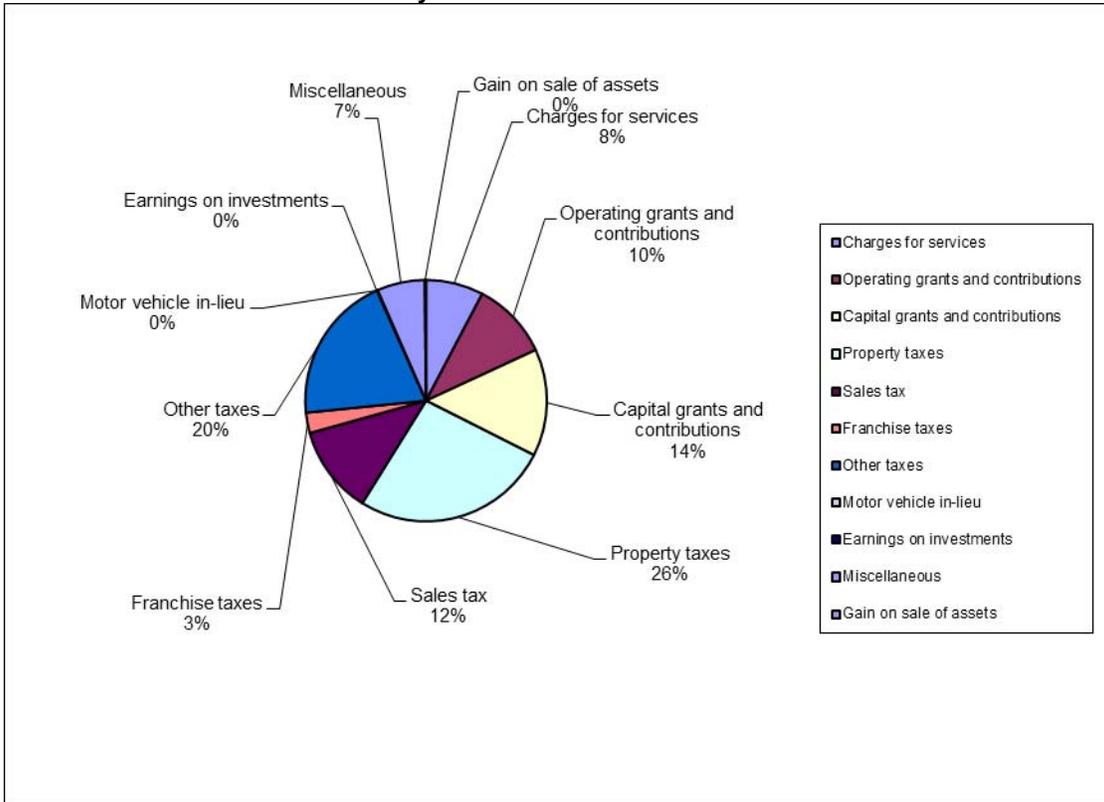
- Charges for services decreased by \$103,978 to \$300,277 from the prior year. The decrease is due primarily to decreased revenue from charges to area developers for planning and zoning services. In the prior fiscal year, there were a number of new housing projects planned, in particular with the Fresno Housing Authority for low-income housing projects. There were no similar size projects during the current fiscal year.
- Governmental operating grants decreased by \$50,459 from the prior year to \$405,323. During the prior fiscal year, the City received a one-time \$64,644 federal operating grant related to its police department. There were no grants of similar size received during the current fiscal year.
- Governmental capital grants decreased \$641,154 to \$559,607 during the fiscal year. The decrease reflects completion of several City street projects in the previous fiscal year that were partially funded by federal and state construction grants. There were no similar large scale, federally backed, street projects during the current fiscal year.
- Property tax and sales tax revenues both saw modest declines from the prior fiscal year. The decreases can be attributable to a slowdown in economic activity caused by the ongoing drought and its effect on agricultural dependent communities like the City of Mendota.
- Miscellaneous revenue increased \$60,992 or 33% from the previous fiscal year. The increase can be attributed entirely to one-time receipts received during the course of the fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

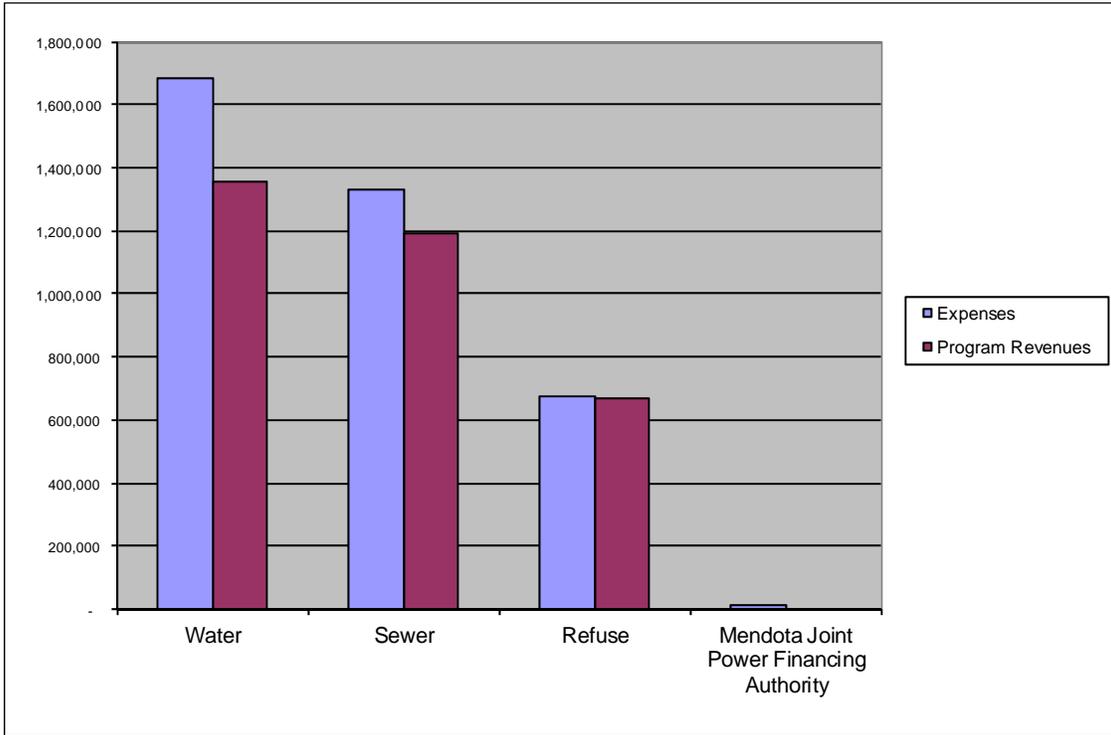
- General government expenses increased by \$91,104 or 19 percent to \$580,318 in 2015. The increase is due primarily to a court settlement associated with a former resident in the amount of \$40,000, along with related legal fees. In addition, wages and health insurance benefits for City Hall employees increase by approximately \$39,000 over the prior fiscal year.
- Public safety expenses increased by \$95,422 or 6% from the prior year. Salaries and health insurance expense related to police personnel increase by approximately \$75,000 during the current fiscal year as the City continued to grow its law enforcement presence. These costs, coupled with higher contract service costs for dispatching and operational supplies are the primary reasons for the increase in public safety expense.
- Highways and streets expenditures increased by \$75,567 or 18% to \$499,823. In the prior fiscal year, most of the City's street and roadwork was concentrated on large-scale road reconstruction projects, which were included as Capital Outlay expenditures in the prior year. For the current fiscal year, the City devoted more resources to general street repair and maintenance, resulting in higher costs as compared to last year.
- Public works expenses increased by \$260,302 or 73% to \$617,189. The increase is due almost exclusively to increased depreciation expense recorded for infrastructure projects placed in service during the prior fiscal years.
- Building and planning expenses decreased by \$58,988 or 26% to \$169,584. As planned building activity has decreased over the previous fiscal year, outside services provided by engineering and legal firms to the City for permitting and zoning has decreased, resulting in the overall decrease in expenditures.
- Parks and recreation expenses increased by \$45,640 or 12% to \$431,303. Approximately \$35,000 of this increase is attributable to salaries and employee health insurance coverage as the City added additional personnel during the fiscal year, with the remaining increase related to operational supplies for maintaining the facilities, primarily the Rojas-Pierce Park.
- Interest and fiscal charges decreased by \$4,945 or 23% to \$16,404 at June 30, 2015. The decrease is the result of a corresponding reduction in debt from the prior fiscal year.

Business-type activities. Business-type activities decreased the City's net position by \$458,807 over the prior fiscal year. Key elements of this decrease are as follows:

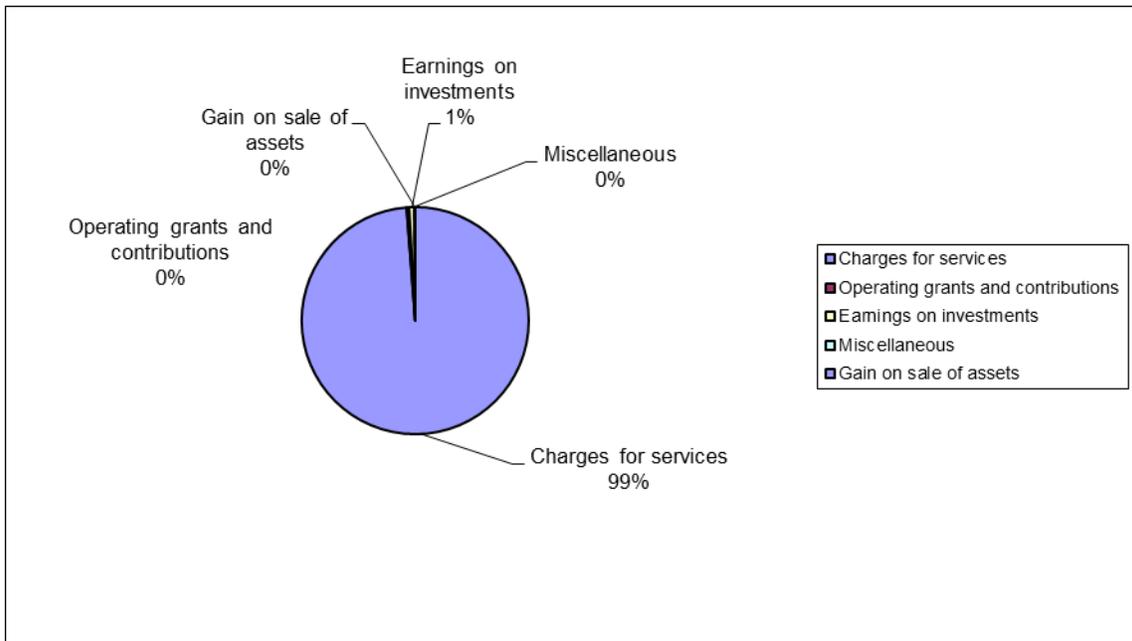
- Service revenue for the business-type activities decreased by \$48,610 or 1% over the previous year. The decrease is due primarily to a decrease in water revenue which has been negatively impacted by conservation efforts during the California drought resulting in lower water sales by the City.
- Miscellaneous revenue for the business-type activities decreased by \$43,998 or 94% over the previous year. The decrease is due to a one-time sale of 718 acre feet of water to the Firebaugh Canal District in the prior fiscal year for \$43,080. In addition, the prior year revenue was enhanced by an equipment sale in the amount of \$17,117.
- Expenses of the Water Enterprise Fund increased by \$39,658 or 2% to \$1,683,189 during the year. The increase is due primarily to significantly higher utility billings, which increased by \$92,836 over the prior fiscal year. The fund also saw increases in employee wages and benefits costs, along with higher charges for operational supplies than in the prior fiscal year. These increases were partially offset by lower facility maintenance costs as compared to the prior fiscal year.
- Expenses of the Sewer Enterprise Fund increased by \$76,981 or 6% from the prior fiscal year. As with the Water Enterprise Fund, the increase can be attributable to higher utility costs, which increased \$25,854 over the prior year, for operating the treatment plant, coupled with higher employee wage and benefit costs as compared to the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Expenses and Program Revenue – Business-Type Activities



Revenue by Source – Business-Type Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

FINANCIAL ANALYSIS OF CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,087,468, a decrease of \$49,614 in comparison with the prior year. Of this total amount, \$5,428,102 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall negative unassigned fund balance of \$340,634 at June 30, 2015. This represents an increase of \$87,887 over the prior year unassigned negative fund balance of \$252,747 at June 30, 2014.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. At June 30, 2015, unassigned General Fund balance of \$100,261 represents 4 percent of total general fund expenditures for the year.

The fund balance of the City's General Fund decreased by \$385,192 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year.

**Revenue by Source
GENERAL FUND**

	FY 2015		FY 2014		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes	\$ 1,609,494	71.91%	\$ 1,601,527	71.69%	\$ 7,967	223.67%
Licenses and permits	63,267	2.83%	78,885	3.53%	(15,618)	-438.46%
Intergovernmental	53,698	2.40%	110,056	4.93%	(56,358)	-1582.20%
Charges for services	85,018	3.80%	165,937	7.43%	(80,919)	-2271.73%
Fines	129,121	5.77%	149,300	6.68%	(20,179)	-566.51%
Revenue from the use of money and property	68,174	3.05%	70,372	3.15%	(2,198)	-61.71%
Proceeds from sale of capital assets	5,821	0.26%	-	0.00%	5,821	163.42%
Miscellaneous	223,501	9.99%	58,455	2.62%	165,046	4633.52%
Total	\$ 2,238,094	100.00%	\$ 2,234,532	100.00%	\$ 3,562	100.00%

- Taxes increased by \$7,967 as compared to the prior fiscal year. Modestly lower overall property and sales tax revenue for the current fiscal year was offset by higher tax revenue received from other sources, resulting in an overall increase in tax revenue for the fiscal year.
- Licenses and permits revenue decreased by \$15,618 from the prior year. As with the decrease in charges for planning and zoning services fees, there was a significantly decrease in building permits issued during the current fiscal year, resulting in the significant decrease in reported revenue.
- Intergovernmental revenue decreased by \$56,358 over the prior fiscal year. During the prior fiscal year, the City received a one-time federal community policing operational grant in the amount of \$64,644. Although the City received other grants during the current fiscal year, none were as large as the above policing grant.
- The \$80,919 decrease in service charges is due entirely to a substantial decrease in zoning and planning fees as compared to the previous year due to a significant drop in building and permits issued during the fiscal year.
- The \$2,198 decrease in revenue from the use of money and property is attributable to lower investable funds maintained by the City during the current fiscal year as compared to the prior year. The average interest rate provided by the California Local Agency Investment Fund, which maintains a large portion of the City's available cash, averaged 0.26% for the current fiscal year.
- Miscellaneous revenue increased by \$165,046 due to the receipt of one-time revenue during the current fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

**Expenditures by Function
GENERAL FUND**

	FY 2015		FY 2014		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	General government	\$ 549,226	20.94%	\$ 458,973	20.07%	\$ 90,253
Public safety	1,337,151	50.97%	1,224,961	53.58%	112,190	33.30%
Public works	130,965	4.99%	35,734	1.56%	95,231	28.27%
Building and planning	169,584	6.46%	228,572	10.00%	(58,988)	-17.51%
Parks and recreation	270,099	10.30%	225,002	9.84%	45,097	13.39%
Capital outlay	100,509	3.83%	38,301	1.68%	62,208	18.47%
Debt Service	65,752	2.51%	74,863	3.27%	(9,111)	-2.70%
Total	\$ 2,623,286	100.00%	\$ 2,286,406	100.00%	\$ 336,880	100.00%

- General government expenditures increased by \$90,253 to \$549,226 as compared to last year. The increase is due primarily to a court-mandated settlement with a former resident in the amount of \$40,000 along with related legal fees, coupled by an increased in City Hall employee salaries and health benefits of approximately \$39,000.
- Public safety expenditures increased by \$112,190 over the previous fiscal year due primarily to employee wage and benefit increases as the City continues to expand its police department. In addition, police contract service expenditures for dispatching from the City of Firebaugh and outside forensic and lab services, along with departmental supplies showed increases, as well, over the prior fiscal year.
- Building and planning expenditures decreased by \$58,988 over the previous fiscal year due to a substantial decrease in contracted engineering and zoning service fees incurred by the City due to a decrease in building and permit activity during the year.
- Capital outlay expenditures increased by \$62,208 due primarily to the purchase of a two police vehicles and related equipment during the fiscal year at a cost of \$52,868, along with the purchase of building and planning services software at a cost of \$9,000.
- Debt service expenditures decreased by \$9,111 due primarily to the retirement of a Westamerica Bank loan which matured in March of 2015.

The Home Investment Partnership Program Special Revenue Fund has a total fund deficit of \$8,709. The net increase in fund balance during the current year was \$1, representing interest earnings. The fund had no activity during the current fiscal year due to lack of new funding.

The Measure C Special Revenue Fund has a total fund balance of \$1,211,628, all of which is restricted to street maintenance and road improvement projects. The net increase in fund balance during the current fiscal year was \$35,607. A majority of the City's major road projects during the fiscal year were substantially reimbursed by capital grants received from the federal government, allowing the City to retain funds for future projects. Of the \$333,113 in apportioned sales tax revenue received through Measure C, the City utilized \$207,446 in general road maintenance during the year.

The Gas Tax Special Revenue Fund has a total fund balance of \$736,677, an increase of \$266,509 from the prior year balance of \$470,168, all of which is restricted to street maintenance and road improvement. The increase is due from the receipt of approximately \$115,000 in federal funds related to the Safe Route to Schools street project, coupled with a higher apportionment in state highway user fees as compared to the prior year. The fund had no major capital projects commence during the fiscal year.

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

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, actual expenditures were \$476,947 higher than the final budgetary appropriations. The higher expenditure variance is due to several factors including a court settlement involving a former resident of the City that was unknown at the time the budget was adopted, higher salaries and benefits for the City's police department that were not anticipated as the budget was being developed last year, and the purchase of two police vehicles that was not originally expected to occur during the current fiscal year. In addition, the added debt service expenditures associated with the assumption of a debt obligation of the former redevelopment agency by the general fund in the prior fiscal year was not budgeted for in the current fiscal year.

During the year, actual revenues were \$257,914 higher than the final budgetary estimates. The revenue variance is due primarily to higher than projected property and sales tax revenue, intergovernmental, and miscellaneous revenue received during the course of the year, offset by lower than projected income for building permit and related service revenue.

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, 2015, amounts to \$28,003,028 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, building and improvements, and equipment. The total decrease in the City's investments in capital assets for the current year is approximately two percent.

City of Mendota's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 271,317	\$ 271,317	\$ 2,098,220	\$ 2,098,220	\$ 2,369,537	\$ 2,369,537
Construction in progress	115,036	86,066	-	-	115,036	86,066
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	8,113,340	7,897,888	9,391,201	9,391,202	17,504,541	17,289,090
Land improvements	4,585,147	4,573,611	-	-	4,585,147	4,573,611
Buildings and improvements	1,414,456	1,376,816	10,268,022	10,268,021	11,682,478	11,644,837
Equipment	1,701,487	1,518,825	2,550,800	2,497,366	4,252,287	4,016,191
Less: accumulated depreciation	(4,718,314)	(4,191,350)	(7,849,109)	(7,343,798)	(12,567,423)	(11,535,148)
Total capital assets	<u>\$ 11,482,469</u>	<u>\$ 11,533,173</u>	<u>\$ 16,520,559</u>	<u>\$ 16,972,436</u>	<u>\$ 28,003,028</u>	<u>\$ 28,505,609</u>

This year's additions included:

▪ Completion of CDBG ADA ramps project	\$ 173,699
▪ Commencement of 6 th Street resurfacing project	17,830
▪ Commencement of S.R. 33 and Oller roundabout project	44,081
▪ Installation of a shade structure at Rojos-Pierce Park	37,641
▪ Purchase of a new City street sweeper	277,350
▪ Drain basin improvements at Naples Street	11,536
▪ Acquisition of police vehicles and related equipment	52,868
▪ Various other governmental fund equipment purchases	17,812
▪ Upgrade telemetry systems at water and sewer plants	35,935
▪ Chlorine tank coverings at City water facility	7,991
▪ Various enterprise fund equipment purchases	<u>41,864</u>
	<u>\$ 718,607</u>

For further information, see Note 5 of the financial statements on pages 48 through 49 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$6,472,840. Of this amount, \$459,185 is the liability of governmental activities and \$6,013,655 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds payable	\$ -	\$ -	\$ 5,312,384	\$ 5,475,704	\$ 5,312,384	\$ 5,475,704
Loans payable	406,439	402,751	666,851	689,000	1,073,290	1,091,751
Compensated absences	52,746	47,894	34,420	42,702	87,166	90,596
Total long-term liabilities	<u>\$ 459,185</u>	<u>\$ 450,645</u>	<u>\$ 6,013,655</u>	<u>\$ 6,207,406</u>	<u>\$ 6,472,840</u>	<u>\$ 6,658,051</u>

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 50 through 54 of this report.

ECONOMIC FACTORS AND NEXT FIVE YEARS' BUDGETS AND RATES

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

- No employee salary adjustments for the current year.
- Health care adjustments of less than 5.0 percent.
- Increases in intergovernmental revenue to be received on various programs from the State of California.
- Property tax revenue sales tax reductions due to effects of drought on the local economy in and around the City of Mendota.

REQUESTS FOR INFORMATION

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF MENDOTA

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,759,017	\$ 1,883,305	\$ 6,642,322
Receivables	2,315,161	377,932	2,693,093
Prepaid expenses	1,500	1,530	3,030
Internal balances	259,091	(259,091)	-
Restricted assets:			
Cash and cash equivalents	-	1,044,217	1,044,217
Capital assets:			
Non-depreciable	386,353	2,159,645	2,545,998
Depreciable (net)	<u>11,096,116</u>	<u>14,360,914</u>	<u>25,457,030</u>
Total assets	<u>18,817,238</u>	<u>19,568,452</u>	<u>38,385,690</u>
LIABILITIES			
Accounts payable	117,038	130,508	247,546
Deposits	-	143,268	143,268
Accrued interest	18,334	140,175	158,509
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	10,176	8,914	19,090
Capital lease payable	-	5,034	5,034
Revenue bonds payable	-	174,000	174,000
Loans payable	100,558	38,000	138,558
Portion due or payable after one year:			
Compensated absences payable	42,570	25,506	68,076
Capital lease payable	-	8,817	8,817
Revenue bonds payable	-	5,138,384	5,138,384
Loans payable	<u>305,881</u>	<u>615,000</u>	<u>920,881</u>
Total liabilities	<u>594,557</u>	<u>6,427,606</u>	<u>7,022,163</u>
NET POSITION			
Net investment in capital assets	11,076,030	10,616,274	21,692,304
Restricted for:			
Redevelopment and housing	614,216	-	614,216
Public safety	561,084	-	561,084
Highways and streets	2,056,864	-	2,056,864
Parks and recreation	42,317	-	42,317
Debt service reserve	-	936,138	936,138
Unrestricted	<u>3,872,170</u>	<u>1,588,434</u>	<u>5,460,604</u>
Total net position	<u>\$ 18,222,681</u>	<u>\$ 13,140,846</u>	<u>\$ 31,363,527</u>

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

CITY OF MENDOTA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 580,318	\$ 15,530	\$ -	\$ -
Public safety	1,658,655	136,955	123,640	-
Municipal airport	26,553	-	-	-
Highways and streets	499,823	42,867	281,683	520,447
Public works	617,189	5,537	-	39,160
Building and planning	169,584	91,201	-	-
Parks and recreation	431,303	8,187	-	-
Redevelopment and housing	-	-	-	-
Sanitation	8,518	-	-	-
Interest and fiscal charges	16,404	-	-	-
Total governmental activities	<u>4,008,347</u>	<u>300,277</u>	<u>405,323</u>	<u>559,607</u>
Business-Type Activities:				
Water	1,683,189	1,345,231	11,759	-
Sewer	1,329,277	1,191,520	-	-
Refuse	672,727	665,719	-	-
Mendota Joint Powers Financing Authority	15,726	-	-	-
Total business-type activities	<u>3,700,919</u>	<u>3,202,470</u>	<u>11,759</u>	<u>-</u>
Total City of Mendota	<u>\$ 7,709,266</u>	<u>\$ 3,502,747</u>	<u>\$ 417,082</u>	<u>\$ 559,607</u>

General revenues:
 Taxes:
 Property taxes
 Sales tax
 Franchise taxes
 Other taxes
 Earnings on investments
 Miscellaneous
 Gain (loss) on sale of assets

Total general revenues

Change in net position

Net position - beginning

Prior period adjustments

Net position - restated

Net position - ending

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (564,788)	\$ -	\$ (564,788)
(1,398,060)	-	(1,398,060)
(26,553)	-	(26,553)
345,174	-	345,174
(572,492)	-	(572,492)
(78,383)	-	(78,383)
(423,116)	-	(423,116)
-	-	-
(8,518)	-	(8,518)
<u>(16,404)</u>	<u>-</u>	<u>(16,404)</u>
<u>(2,743,140)</u>	<u>-</u>	<u>(2,743,140)</u>
-	(326,199)	(326,199)
-	(137,757)	(137,757)
-	(7,008)	(7,008)
<u>-</u>	<u>(15,726)</u>	<u>(15,726)</u>
<u>-</u>	<u>(486,690)</u>	<u>(486,690)</u>
<u>(2,743,140)</u>	<u>(486,690)</u>	<u>(3,229,830)</u>
1,030,111	-	1,030,111
460,966	-	460,966
106,534	-	106,534
777,069	-	777,069
3,655	24,577	28,232
250,311	2,566	252,877
<u>5,821</u>	<u>740</u>	<u>6,561</u>
<u>2,634,467</u>	<u>27,883</u>	<u>2,662,350</u>
<u>(108,673)</u>	<u>(458,807)</u>	<u>(567,480)</u>
16,936,066	13,599,653	30,535,719
<u>1,395,288</u>	<u>-</u>	<u>1,395,288</u>
<u>18,331,354</u>	<u>13,599,653</u>	<u>31,931,007</u>
<u>\$ 18,222,681</u>	<u>\$ 13,140,846</u>	<u>\$ 31,363,527</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF MENDOTA

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	Gas Tax Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 991,192	\$ 1,188,445	\$ -	\$ 739,616	\$ 1,839,764	\$ 4,759,017
Receivables	122,124	24,327	1,279,009	69	889,632	2,315,161
Due from other funds	623,283	-	-	-	-	623,283
Prepaid expenses	1,500	-	-	-	-	1,500
Total assets	<u>\$ 1,738,099</u>	<u>\$ 1,212,772</u>	<u>\$ 1,279,009</u>	<u>\$ 739,685</u>	<u>\$ 2,729,396</u>	<u>\$ 7,698,961</u>
LIABILITIES						
Accounts payable	\$ 111,093	\$ 1,144	\$ -	\$ 3,008	\$ 1,793	\$ 117,038
Due to other funds	-	-	8,709	-	168,083	176,792
Advances from other funds	177,400	-	-	-	10,000	187,400
Total liabilities	<u>288,493</u>	<u>1,144</u>	<u>8,709</u>	<u>3,008</u>	<u>179,876</u>	<u>481,230</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred loans	-	-	1,279,009	-	851,254	2,130,263
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,279,009</u>	<u>-</u>	<u>851,254</u>	<u>2,130,263</u>
FUND BALANCES						
Nonspendable:						
Prepays	1,500	-	-	-	-	1,500
Restricted for:						
Redevelopment and housing	-	-	900	-	613,316	614,216
Public safety	-	-	-	-	561,084	561,084
Highways and streets	-	1,211,628	-	-	845,236	2,056,864
Parks and recreation	-	-	-	-	42,317	42,317
Committed to:						
Emergency contingency	1,300,000	-	-	-	-	1,300,000
Public safety	-	-	-	-	8,397	8,397
Highways and streets	-	-	-	736,677	59,202	795,879
Assigned to:						
Streets and roads	33,050	-	-	-	-	33,050
Other	14,795	-	-	-	-	14,795
Unassigned	100,261	-	(9,609)	-	(431,286)	(340,634)
Total fund balances	<u>1,449,606</u>	<u>1,211,628</u>	<u>(8,709)</u>	<u>736,677</u>	<u>1,698,266</u>	<u>5,087,468</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,738,099</u>	<u>\$ 1,212,772</u>	<u>\$ 1,279,009</u>	<u>\$ 739,685</u>	<u>\$ 2,729,396</u>	<u>\$ 7,698,961</u>

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

CITY OF MENDOTA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015**

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

Total fund balances - governmental funds	\$	5,087,468
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$16,200,783 and the accumulated depreciation is \$4,718,314.		11,482,469
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,130,263
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.		(18,334)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Loan payable	(406,439)	
Compensated absences	<u>(52,746)</u>	<u>(459,185)</u>
Net position of governmental activities		<u>\$ 18,222,681</u>

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	Gas Tax Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 1,609,494	\$ 333,113	\$ -	\$ -	\$ 432,073	\$ 2,374,680
Licenses and permits	63,267	-	-	-	22,871	86,138
Intergovernmental	53,698	404,533	-	397,597	114,243	970,071
Charges for services	85,018	-	-	-	-	85,018
Fines	129,121	-	-	-	-	129,121
Revenue from the use of money and property	68,174	935	1	605	1,784	71,499
Miscellaneous	223,501	-	-	-	6,693	230,194
Total revenues	<u>2,232,273</u>	<u>738,581</u>	<u>1</u>	<u>398,202</u>	<u>577,664</u>	<u>3,946,721</u>
EXPENDITURES						
Current:						
General government	549,226	-	-	-	-	549,226
Public safety	1,337,151	-	-	-	275,493	1,612,644
Municipal airport	-	-	-	-	9,924	9,924
Highways and streets	-	207,446	-	124,280	220,152	551,878
Sanitation	-	-	-	-	8,518	8,518
Public works	130,965	-	-	-	-	130,965
Building and planning	169,584	-	-	-	-	169,584
Parks and recreation	270,099	-	-	-	-	270,099
Capital outlay	100,509	495,528	-	7,413	29,366	632,816
Debt service:						
Principal	49,179	-	-	-	-	49,179
Interest	16,573	-	-	-	750	17,323
Total expenditures	<u>2,623,286</u>	<u>702,974</u>	<u>-</u>	<u>131,693</u>	<u>544,203</u>	<u>4,002,156</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(391,013)</u>	<u>35,607</u>	<u>1</u>	<u>266,509</u>	<u>33,461</u>	<u>(55,435)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	5,821	-	-	-	-	5,821
Total other financing sources (uses)	<u>5,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,821</u>
Net change in fund balances	(385,192)	35,607	1	266,509	33,461	(49,614)
Fund balances - beginning	1,834,798	1,176,021	(8,710)	470,168	1,664,805	5,137,082
Fund balances - ending	<u>\$ 1,449,606</u>	<u>\$ 1,211,628</u>	<u>\$ (8,709)</u>	<u>\$ 736,677</u>	<u>\$ 1,698,266</u>	<u>\$ 5,087,468</u>

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

CITY OF MENDOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net change in fund balances - total governmental funds \$ (49,614)

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 (\$632,816) exceeds depreciation expense (\$683,521) in the current period. (50,705)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. (3,689)

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). (4,850)

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. 185

Change in net position of governmental activities \$ (108,673)

CITY OF MENDOTA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	Business-Type Activities -- Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 822,225	\$ 1,061,080	\$ -	\$ -	\$ 1,883,305
Accounts receivable, net	145,579	159,416	72,745	-	377,740
Interest receivable	83	109	-	-	192
Advances to other funds	-	-	22,400	290,050	312,450
Prepaid expenses	-	1,530	-	-	1,530
Total current assets	967,887	1,222,135	95,145	290,050	2,575,217
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	617,471	-	426,746	1,044,217
Capital assets:					
Non-depreciable	75,170	2,084,475	-	-	2,159,645
Depreciable (net)	6,202,736	8,158,178	-	-	14,360,914
Total noncurrent assets	6,277,906	10,860,124	-	426,746	17,564,776
Total assets	\$ 7,245,793	\$ 12,082,259	\$ 95,145	\$ 716,796	\$ 20,139,993
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 62,587	\$ 19,366	\$ 48,555	\$ -	\$ 130,508
Deposits	143,268	-	-	-	143,268
Due to other funds	-	-	254,820	191,671	446,491
Accrued interest	14,693	119,024	-	6,458	140,175
Compensated absences payable	3,559	3,559	1,796	-	8,914
Capital lease payable	-	5,034	-	-	5,034
Revenue bonds payable	-	139,000	-	35,000	174,000
Loans payable	38,000	-	-	-	38,000
Total current liabilities	262,107	285,983	305,171	233,129	1,086,390
Noncurrent liabilities:					
Advances from other funds	125,050	-	-	-	125,050
Compensated absences payable	12,687	12,687	132	-	25,506
Capital lease payable	-	8,817	-	-	8,817
Revenue bonds payable	-	4,973,384	-	165,000	5,138,384
Loans payable	615,000	-	-	-	615,000
Total noncurrent liabilities	752,737	4,994,888	132	165,000	5,912,757
Total liabilities	1,014,844	5,280,871	305,303	398,129	6,999,147
NET POSITION					
Net investment in capital assets	5,499,856	5,116,418	-	-	10,616,274
Restricted for:					
Debt service	-	617,471	-	318,667	936,138
Unrestricted	731,093	1,067,499	(210,158)	-	1,588,434
Total net position (deficit)	\$ 6,230,949	\$ 6,801,388	\$ (210,158)	\$ 318,667	\$ 13,140,846

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

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Operating revenues:					
Charges for services	\$ 1,345,231	\$ 1,191,520	\$ 665,719	\$ -	\$ 3,202,470
Miscellaneous	<u>2,438</u>	<u>128</u>	<u>-</u>	<u>-</u>	<u>2,566</u>
Total operating revenues	<u>1,347,669</u>	<u>1,191,648</u>	<u>665,719</u>	<u>-</u>	<u>3,205,036</u>
Operating expenses:					
Wages and benefits	443,563	397,605	77,390	-	918,558
Maintenance and supplies	928,634	422,967	595,179	-	1,946,780
Depreciation	273,090	264,580	-	-	537,670
Amortization	-	4,681	-	-	4,681
Bad debt	<u>1,617</u>	<u>180</u>	<u>158</u>	<u>-</u>	<u>1,955</u>
Total operating expenses	<u>1,646,904</u>	<u>1,090,013</u>	<u>672,727</u>	<u>-</u>	<u>3,409,644</u>
Operating income (loss)	<u>(299,235)</u>	<u>101,635</u>	<u>(7,008)</u>	<u>-</u>	<u>(204,608)</u>
Non-operating revenue (expenses):					
Developer fees	11,759	-	-	-	11,759
Interest income	685	976	2,285	20,631	24,577
Interest expense	(36,285)	(239,264)	-	(15,726)	(291,275)
Gain (loss) on sale of assets	<u>-</u>	<u>740</u>	<u>-</u>	<u>-</u>	<u>740</u>
Total non-operating revenues (expenses)	<u>(23,841)</u>	<u>(237,548)</u>	<u>2,285</u>	<u>4,905</u>	<u>(254,199)</u>
Change in net position	(323,076)	(135,913)	(4,723)	4,905	(458,807)
Net position (deficit) - beginning	<u>6,554,025</u>	<u>6,937,301</u>	<u>(205,435)</u>	<u>313,762</u>	<u>13,599,653</u>
Net position (deficit) - ending	<u>\$ 6,230,949</u>	<u>\$ 6,801,388</u>	<u>\$ (210,158)</u>	<u>\$ 318,667</u>	<u>\$ 13,140,846</u>

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

CITY OF MENDOTA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Cash flow from operating activities:					
Cash received from customers	\$ 1,365,184	\$ 1,166,971	\$ 671,930	\$ -	\$ 3,204,085
Cash payments to employees	(446,429)	(399,982)	(80,431)	-	(926,842)
Cash payments to suppliers	(976,268)	(439,021)	(641,677)	-	(2,056,966)
Other operating cash receipts	<u>2,612</u>	<u>128</u>	<u>-</u>	<u>-</u>	<u>2,740</u>
Net cash provided (used) by operating activities	<u>(54,901)</u>	<u>328,096</u>	<u>(50,178)</u>	<u>-</u>	<u>223,017</u>
Cash flow from noncapital financing activities:					
Loans from/(to) other accounts	<u>(16,400)</u>	<u>-</u>	<u>47,893</u>	<u>12,571</u>	<u>44,064</u>
Net cash provided (used) by noncapital financing activities	<u>(16,400)</u>	<u>-</u>	<u>47,893</u>	<u>12,571</u>	<u>44,064</u>
Cash flow from capital and related financing activities:					
Cash received from developers	11,759	-	-	-	11,759
Proceeds from sale of assets	-	740	-	-	740
Principal and interest paid	(73,095)	(361,226)	-	(51,858)	(486,179)
Acquisition or construction of capital assets	<u>(49,735)</u>	<u>(36,059)</u>	<u>-</u>	<u>-</u>	<u>(85,794)</u>
Net cash provided (used) by capital and related financing activities	<u>(111,071)</u>	<u>(396,545)</u>	<u>-</u>	<u>(51,858)</u>	<u>(559,474)</u>
Cash flow from investing activities:					
Interest and dividends on investments	<u>685</u>	<u>1,126</u>	<u>2,285</u>	<u>20,631</u>	<u>24,727</u>
Net cash provided (used) by investing activities	<u>685</u>	<u>1,126</u>	<u>2,285</u>	<u>20,631</u>	<u>24,727</u>
Net increase (decrease) in cash	(181,687)	(67,323)	-	(18,656)	(267,666)
Cash and cash equivalents, July 1, 2014	<u>1,003,912</u>	<u>1,745,874</u>	<u>-</u>	<u>445,402</u>	<u>3,195,188</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 822,225</u>	<u>\$ 1,678,551</u>	<u>\$ -</u>	<u>\$ 426,746</u>	<u>\$ 2,927,522</u>

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

CITY OF MENDOTA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

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

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Operating income (loss)	\$ (299,235)	\$ 101,635	\$ (7,008)	\$ -	\$ (204,608)
<i>Adjustments to reconcile operating income (loss) to net cash used by operating activities:</i>					
Depreciation and amortization	273,090	269,261	-	-	542,351
<i>Change in assets and liabilities:</i>					
Decrease (increase) in receivables	19,229	(24,369)	6,369	-	1,229
Decrease (increase) in prepaid	528	2,908	-	-	3,436
Increase (decrease) in accounts payable	(48,162)	(18,962)	(46,498)	-	(113,622)
Increase (decrease) in compensated absences	(2,866)	(2,377)	(3,041)	-	(8,284)
Increase (decrease) in deposits and liabilities	2,515	-	-	-	2,515
Net cash provided (used) by operating activities	<u>\$ (54,901)</u>	<u>\$ 328,096</u>	<u>\$ (50,178)</u>	<u>\$ -</u>	<u>\$ 223,017</u>

Schedule of Non-Cash Capital and Related Financing Activities

	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
Gain (loss) on disposal of capital assets	<u>\$ -</u>	<u>\$ 740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740</u>

CITY OF MENDOTA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents:	
Held with fiscal agent	\$ 1,006,038
Loans receivable	<u>113,990</u>
Total assets	<u>1,120,028</u>
NET POSITION	
Held in trust for pension benefits	<u>1,120,028</u>
Total net position	<u>\$ 1,120,028</u>

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

CITY OF MENDOTA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 13,535
Employer contributions	39,912
Employee contributions	<u>50,911</u>
Total additions	<u>104,358</u>
DEDUCTIONS	
Plan fees	14,136
Withdrawals	<u>67,425</u>
Total deductions	<u>81,561</u>
Change in net position	22,797
Net position - beginning	<u>1,097,231</u>
Net position - ending	<u>\$ 1,120,028</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

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

Reporting Entity

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

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

Blended Component Unit

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

Basis of Presentation

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

Government-Wide Financial Statements:

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

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements:

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following fiduciary fund types:

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting

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

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

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

Cash and Cash Equivalents

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

Restricted Assets

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

Interfund Transactions

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Capital Assets

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

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

Capital Assets	Minimum Threshold
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:

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

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

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

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Interest Payable

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

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

Unearned Revenue

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

Unavailable Revenue

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

Compensated Absences

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

Net Position and Fund Balance

Net Position

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

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

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Net Position and Fund Balance (Continued)

Fund Balance Classification

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

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

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

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

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Net Position and Fund Equity (Continued)

Stabilization Arrangement

The City Council adopted the Emergency Fund Policy on March 27, 2012 through the adoption of Resolution No. 12-10. It formally set aside amounts for use in emergency situations. An emergency reserve fund was setup in the General Fund to account for unanticipated, emergency situations. As of June 30, 2015, the emergency contingency amount was \$1,300,000 of the committed fund balance.

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

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

Property Tax Calendar

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

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

Use of Estimates

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Pronouncements

New Accounting Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. This statement was adopted by the City during the current fiscal year.

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this statement were considered but had no effect on the City for the current fiscal year.

Governmental Accounting Standards Board Statement No. 71

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement was adopted by the City in the current fiscal year.

New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements for this provision are effective for the City's fiscal year ending June 30, 2015.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and accessing accountability. This statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

Governmental Accounting Standards Board Statement No. 74

On June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

Governmental Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the City's fiscal year ending June 30, 2019.

Governmental Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements for this statement are effective for the City's fiscal year ending June 30, 2017.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 6,642,322
Cash and cash equivalents - restricted	1,044,217
Fiduciary Funds Statement of Net Position	<u>1,006,038</u>
Total cash and investments	<u>\$ 8,692,577</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 700
Bank deposits	5,551,775
City of Mendota 401(k) Profit Sharing Plan	1,006,038
Investments	<u>2,134,064</u>
Total cash and investments	<u>\$ 8,692,577</u>

Deposits

The carrying amount of the City's cash deposit was \$5,551,775 at June 30, 2015. The bank balance at June 30, 2015 was \$5,656,502, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as described below.

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

Investments

Investments Authorized by the City's Investment Policy

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>		<u>Remaining Maturity Date</u>
State investment pool	\$ 1,089,845	12 months or less
Held by fiscal agents:		
Money market	<u>1,044,219</u>	12 months or less
Total	<u>\$ 2,134,064</u>	

Disclosure Relating to Credit Risk

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

<u>Investment Type</u>		<u>Ratings as of Year-End</u>	
		<u>AAA</u>	<u>Not Rated</u>
State investment pool	\$ 1,089,845	\$ -	\$ 1,089,845
Held by fiscal agents:			
Money market	<u>1,044,219</u>	<u>1,044,219</u>	<u>-</u>
Total	<u>\$ 2,134,064</u>	<u>\$ 1,044,219</u>	<u>\$ 1,089,845</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

Concentration of Credit Risk

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

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

\$617,471 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.

\$426,746 of cash and investments (including amounts held by bond trustee) reported in the Mendota Joint Powers Financing Authority Fund are held in the form of the above-described money market funds.

Custodial Credit Risk

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

Investment in State Investment Pool

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

Pension Trust Fund

The City is the plan administrator for the City's 401(K) Profit Sharing Plan. The market value of plan assets at June 30, 2015, is \$1,006,038.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – RECEIVABLES

Accounts receivable as of June 30, 2015, consist of the following:

Governmental Activities

	<u>General Fund</u>	<u>Measure C Special Revenue Fund</u>	<u>HOME Investment Partnership Program</u>	<u>Gas Tax Special Revenue Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:						
Intergovernmental	\$ 121,938	\$ 24,204	\$ -	\$ -	\$ 38,178	\$ 184,320
Interest	186	123	-	69	200	578
Loans	<u>-</u>	<u>-</u>	<u>1,279,009</u>	<u>-</u>	<u>851,254</u>	<u>2,130,263</u>
Receivables, net	<u>\$ 122,124</u>	<u>\$ 24,327</u>	<u>\$ 1,279,009</u>	<u>\$ 69</u>	<u>\$ 889,632</u>	<u>\$ 2,315,161</u>

Business-Type Activities

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Mendota Joint Powers Financing Authority</u>	<u>Total</u>
Receivables:					
Accounts	\$ 181,051	\$ 171,725	\$ 83,112	\$ -	\$ 435,888
Interest	83	109	-	-	192
Allowance for uncollectible	<u>(35,472)</u>	<u>(12,309)</u>	<u>(10,367)</u>	<u>-</u>	<u>(58,148)</u>
Receivables, net	<u>\$ 145,662</u>	<u>\$ 159,525</u>	<u>\$ 72,745</u>	<u>\$ -</u>	<u>\$ 377,932</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – INTERFUND ACTIVITY

Interfund Receivables and Payables

The City had the following interfund receivables and payables as of June 30, 2015:

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, 2015 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 623,283	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,709
Sanitation Fund	-	254,820
Mendota Joint Powers Financing Authority	-	191,671
Non-Major Funds:		
Aviation Assistance Special Revenue Fund	-	23,240
General Bond Debt Service Fund	-	144,843
	<u> </u>	<u> </u>
Total	<u>\$ 623,283</u>	<u>\$ 623,283</u>

Advances to/Advances from Other Funds

Advances receivable constitute long-term borrowing between funds. Advances typically carry a stated interest rate and have scheduled debt service payments. At June 30, 2015, 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	\$ -	\$ 177,400
Water Fund	-	125,050
Sanitation Fund	22,400	-
Mendota Joint Powers Financing Authority	290,050	-
Non-Major Funds:		
General Bond Debt Service Fund	-	10,000
	<u> </u>	<u> </u>
Total	<u>\$ 312,450</u>	<u>\$ 312,450</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity for the year ended June 30, 2015 is as follows:

	<u>Balance July 1, 2014</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance June 30, 2015</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 271,317	\$ -	\$ -	\$ 271,317
Construction in progress	<u>86,066</u>	<u>67,509</u>	<u>(38,539)</u>	<u>115,036</u>
Total capital assets, not being depreciated	<u>357,383</u>	<u>67,509</u>	<u>(38,539)</u>	<u>386,353</u>
Capital assets, being depreciated:				
Infrastructure	7,897,888	215,452	-	8,113,340
Land improvements	4,573,611	11,536	-	4,585,147
Buildings and improvements	1,376,815	37,641	-	1,414,456
Equipment	<u>1,518,825</u>	<u>339,219</u>	<u>(156,557)</u>	<u>1,701,487</u>
Total capital assets, being depreciated	<u>15,367,139</u>	<u>603,848</u>	<u>(156,557)</u>	<u>15,814,430</u>
Less: accumulated depreciation	<u>4,191,350</u>	<u>683,521</u>	<u>(156,557)</u>	<u>4,718,314</u>
Total capital assets, being depreciated, net	<u>11,175,789</u>	<u>(79,673)</u>	<u>-</u>	<u>11,096,116</u>
Governmental activities capital assets, net	<u>\$ 11,533,172</u>	<u>\$ (12,164)</u>	<u>\$ (38,539)</u>	<u>\$ 11,482,469</u>
	<u>Balance July 1, 2014</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance June 30, 2015</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,098,220	\$ -	\$ -	\$ 2,098,220
Infrastructure	<u>61,425</u>	<u>-</u>	<u>-</u>	<u>61,425</u>
Total capital assets, not being depreciated	<u>2,159,645</u>	<u>-</u>	<u>-</u>	<u>2,159,645</u>
Capital assets, being depreciated:				
Infrastructure	9,391,201	-	-	9,391,201
Buildings and improvements	10,268,022	-	-	10,268,022
Equipment	<u>2,497,366</u>	<u>85,793</u>	<u>(32,359)</u>	<u>2,550,800</u>
Total capital assets, being depreciated	<u>22,156,589</u>	<u>85,793</u>	<u>(32,359)</u>	<u>22,210,023</u>
Less: accumulated depreciation	<u>7,343,798</u>	<u>537,670</u>	<u>(32,359)</u>	<u>7,849,109</u>
Total capital asset, being depreciated, net	<u>14,812,791</u>	<u>(451,877)</u>	<u>-</u>	<u>14,360,914</u>
Business-type activities capital assets, net	<u>\$ 16,972,436</u>	<u>\$ (451,877)</u>	<u>\$ -</u>	<u>\$ 16,520,559</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Activities:

General government	\$	26,240
Public safety		45,279
Municipal airport		16,629
Highways and streets		401,598
Public works		32,571
Parks and recreation		<u>161,204</u>
Total depreciation expense - governmental activities	\$	<u>683,521</u>

Business-Type Activities:

Water	\$	273,090
Sewer		<u>264,580</u>
Total depreciation expense - business-type activities	\$	<u>537,670</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2015 is as follows:

	<u>Balance July 1, 2014</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities:					
Westamerica Bank Loan, payable in monthly installments of \$3,050, including interest at 5.083%. Instrument matures on March 15, 2015 and is secured by a first trust deed on real property. Loan was paid off during the fiscal year.	\$ 26,876	\$ -	\$ (26,876)	\$ -	\$ -
Central San Joaquin Valley Risk Management Authority Loan, payable in annual principal reductions from \$20,000 to \$11,103, non-interest bearing. Instrument matures on February 12, 2018.	71,585	-	(20,000)	51,585	20,000
Loan due to the Successor Agency of the Mendota Redevelopment Agency. Interest is calculated and accrued quarterly based on the current rate of interest earned with the California Local Agency Investment Fund. Principal reduction on the obligation has been deferred until August 2015, at which time a lump-sum principal payment of \$71,000, including accumulated interest, is due and payable. Annual principal reductions of \$10,143, including interest (as determined), will commence thereafter. Instrument matures in August 2039.	304,290	-	-	304,290	71,000
Westamerica Bank Loan, payable in monthly installments of \$1,012, including interest at 5.50%. Instrument matures on March 31, 2020 and is secured by police vehicles acquired.	-	52,868	(2,304)	50,564	9,558
Compensated absences	<u>47,894</u>	<u>135,148</u>	<u>(130,296)</u>	<u>52,746</u>	<u>10,176</u>
Governmental activities long-term liabilities	<u>\$ 450,645</u>	<u>\$ 188,016</u>	<u>\$ (179,476)</u>	<u>\$ 459,185</u>	<u>\$ 110,734</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

	<u>Balance July 1, 2014</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Business-Type Activities:					
1989 Finance Authority Revenue Bonds, payable in annual principal reductions from \$30,000 to \$160,000, interest payable semi-annually at 7.75% per annum.	\$ 235,000	\$ -	\$ (35,000)	\$ 200,000	\$ 35,000
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum.	689,000	-	(36,000)	653,000	38,000
Mendota Joint Powers Financing Authority Wastewater Certificates of Participation, Series 2010-1, payable in annual principal reductions from \$18,000 to \$110,000 beginning on July 1, 2010 through July 1, 2049, interest payable semi-annually on January 1 and July 1 at the stated interest rate of 4.00%.	2,154,000	-	(28,000)	2,126,000	29,000
Mendota Joint Powers Financing Authority Wastewater Revenue Bonds, Series 2005, payable in annual principal reductions from \$30,000 to \$200,000, interest payable on January 1 and July 1; serial bonds with annual maturities on July 1 beginning in 2006, in amounts from \$30,000 to \$135,000, with interest rates from 3.00% to 4.75%; term bonds in the amount of \$620,000 at 5.10% maturing July 1, 2024, and in the amount of \$1,725,000 at 5.25% maturing July 1, 2035, with annual payments ranging from \$135,000 to \$200,000 beginning 2024.	3,185,000	-	(105,000)	3,080,000	110,000
Less: unamortized bond discount	<u>(98,296)</u>	<u>-</u>	<u>4,680</u>	<u>(93,616)</u>	<u>-</u>
Subtotal	3,086,704	-	(100,320)	2,986,384	110,000
Westamerica capital lease for Pitney Bowes Invoice Folding Machine, payable in monthly installments of \$511.74, including interest at 5.5%. Instrument matures on December 15, 2017.	-	16,917	(3,066)	13,851	5,034
Compensated absences	<u>42,702</u>	<u>70,429</u>	<u>(78,711)</u>	<u>34,420</u>	<u>8,914</u>
Business-type activities long-term liabilities	<u>\$ 6,207,406</u>	<u>\$ 87,346</u>	<u>\$ (281,097)</u>	<u>\$ 6,013,655</u>	<u>\$ 225,948</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2015, annual debt service requirements for governmental activities are as follows:

Central San Joaquin Valley Risk Management Authority

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 20,000	\$ -	\$ 20,000
2017	20,000	-	20,000
2018	<u>11,585</u>	<u>-</u>	<u>11,585</u>
Total	<u>\$ 51,585</u>	<u>\$ -</u>	<u>\$ 51,585</u>

Successor Agency of the Mendota Redevelopment Agency Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 71,001	\$ 12,328	\$ 83,329
2017	10,143	-	10,143
2018	10,143	-	10,143
2019	10,143	-	10,143
2020	10,143	-	10,143
2021-2025	50,715	-	50,715
2026-2030	50,715	-	50,715
2031-2035	50,715	-	50,715
2036-2039	<u>40,572</u>	<u>-</u>	<u>40,572</u>
Total	<u>\$ 304,290</u>	<u>\$ 12,328</u>	<u>\$ 306,475</u>

Westamerica Bank Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 9,558	\$ 2,587	\$ 12,145
2017	10,112	2,032	12,144
2018	10,691	1,453	12,144
2019	11,304	841	12,145
2020	<u>8,899</u>	<u>209</u>	<u>9,108</u>
	<u>\$ 50,564</u>	<u>\$ 7,122</u>	<u>\$ 57,686</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2015, annual debt service requirements for business-type activities are as follows:

1989 Finance Authority Revenue Bonds

Year Ended June 30	Principal	Interest	Totals
2016	\$ 35,000	\$ 14,144	\$ 49,144
2017	40,000	11,238	51,238
2018	40,000	8,138	48,138
2019	40,000	5,039	45,039
2020	<u>45,000</u>	<u>1,744</u>	<u>46,744</u>
Total	<u>\$ 200,000</u>	<u>\$ 40,303</u>	<u>\$ 240,303</u>

USDA Water Improvement Loan

Year Ended June 30	Principal	Interest	Totals
2016	\$ 38,000	\$ 30,195	\$ 68,195
2017	40,000	28,530	68,530
2018	42,000	24,930	66,930
2019	44,000	26,775	70,775
2020	46,000	24,930	70,930
2021-2025	261,000	22,995	283,995
2026-2028	<u>182,000</u>	<u>21,758</u>	<u>203,758</u>
Total	<u>\$ 653,000</u>	<u>\$ 180,113</u>	<u>\$ 833,113</u>

Westamerica Bank Loan

Year Ended June 30	Principal	Interest	Totals
2016	\$ 5,034	\$ 595	\$ 5,629
2017	5,796	345	6,141
2018	<u>3,021</u>	<u>49</u>	<u>3,070</u>
Total	<u>\$ 13,851</u>	<u>\$ 989</u>	<u>\$ 14,840</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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

Year Ended June 30	Principal	Interest	Totals
2016	\$ 29,000	\$ 84,455	\$ 113,455
2017	30,000	83,505	113,505
2018	31,000	82,055	113,055
2019	32,000	80,795	112,795
2020-2024	184,000	383,186	567,186
2025-2029	222,000	342,823	564,823
2030-2034	271,000	293,493	564,493
2035-2039	329,000	233,578	562,578
2040-2044	401,000	160,815	561,815
2045-2049	487,000	72,189	559,189
2050	<u>110,000</u>	<u>2,182</u>	<u>112,182</u>
Total	<u>\$ 2,126,000</u>	<u>\$ 1,819,076</u>	<u>\$ 3,945,076</u>

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

Year Ended June 30	Principal	Interest	Totals
2016	\$ 110,000	\$ 151,288	\$ 261,288
2017	115,000	146,280	261,280
2018	120,000	140,933	260,933
2019	125,000	135,266	260,266
2019-2023	720,000	578,486	1,298,486
2024-2028	685,000	396,555	1,081,555
2029-2033	815,000	209,734	1,024,734
2034-2037	<u>390,000</u>	<u>20,343</u>	<u>410,343</u>
Subtotal	3,080,000	1,778,885	4,858,885
Less: unamortized discount	<u>(93,616)</u>	<u>-</u>	<u>(93,616)</u>
Total	<u>\$ 2,986,384</u>	<u>\$ 1,778,885</u>	<u>\$ 4,765,269</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – RISK MANAGEMENT

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

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

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualifies for reporting in this category.

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

	General Fund	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	Gas Tax Special Revenue Fund	Other Governmental Funds	Total
Deferred Loans	\$ -	\$ -	\$ 1,279,009	\$ -	\$ 851,254	\$ 2,130,263
Total deferred inflows of resources	\$ -	\$ -	\$ 1,279,009	\$ -	\$ 851,254	\$ 2,130,263

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – PENSION PLAN

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

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City Council. For each employee in the Plan, the City is required to contribute 5 percent of annual salary and may contribute additional matching contributions to an individual employee account. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code Limits. For the year ended June 30, 2015, employee contributions totaled \$50,911 and the City recognized pension expense of \$39,912.

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, 2015, there were no forfeitures reported.

NOTE 10 – DEFICIT EQUITY BALANCES

The following funds had deficit fund equity at June 30, 2015:

Major Funds:		
HOME Investment Partnership Program Special Revenue Fund	\$	8,709
Sanitation Enterprise Fund		210,158
Non-major Governmental Funds:		
General Bond Debt Service Fund		154,843
Aviation Assistance Special Revenue Fund		23,313

NOTE 11 – CONTINGENCIES

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

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The beginning net position of the Governmental Activities in the Government-Wide Statement of Net Position has been restated to record prior period adjustments to correct the following error in the prior year. A reconciliation of the prior year ending net position to the current year beginning net position for the Governmental Activities is as follows:

Beginning net position	\$ 16,936,066
Prior period adjustment:	
Understatement of HOME and CDBG housing loans receivable	<u>1,395,288</u>
Beginning net position, as restated	<u>\$ 18,331,354</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 1,463,277	\$ 1,463,277	\$ 1,609,494	\$ 146,217
Licenses and permits	72,000	72,000	63,267	(8,733)
Intergovernmental	6,000	6,000	53,698	47,698
Charges for services	159,553	159,553	85,018	(74,535)
Fines	152,050	152,050	129,121	(22,929)
Revenue from the use of money and property	71,479	71,479	68,174	(3,305)
Miscellaneous	<u>50,000</u>	<u>50,000</u>	<u>223,501</u>	<u>173,501</u>
Total revenues	<u>1,974,359</u>	<u>1,974,359</u>	<u>2,232,273</u>	<u>257,914</u>
EXPENDITURES				
Current:				
General government	496,857	496,857	549,226	(52,369)
Public safety	1,168,519	1,168,519	1,337,151	(168,632)
Public works	57,368	57,368	130,965	(73,597)
Building and planning	172,358	172,358	169,584	2,774
Parks	173,559	173,559	270,099	(96,540)
Capital outlay	41,079	41,079	100,509	(59,430)
Debt service:				
Principal	36,599	36,599	49,179	(12,580)
Interest	<u>-</u>	<u>-</u>	<u>16,573</u>	<u>(16,573)</u>
Total expenditures	<u>2,146,339</u>	<u>2,146,339</u>	<u>2,623,286</u>	<u>(476,947)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(171,980)</u>	<u>(171,980)</u>	<u>(391,013)</u>	<u>(219,033)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	<u>2,500</u>	<u>2,500</u>	<u>5,821</u>	<u>3,321</u>
Total other financing sources (uses)	<u>2,500</u>	<u>2,500</u>	<u>5,821</u>	<u>3,321</u>
Net change in fund balance	(169,480)	(169,480)	(385,192)	(215,712)
Fund balance - beginning	<u>1,834,798</u>	<u>1,834,798</u>	<u>1,834,798</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,665,318</u>	<u>\$ 1,665,318</u>	<u>\$ 1,449,606</u>	<u>\$ (215,712)</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
MEASURE C SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 292,520	\$ 292,520	\$ 333,113	\$ 40,593
Intergovernmental	-	-	404,533	404,533
Revenue from the use of money and property	<u>500</u>	<u>500</u>	<u>935</u>	<u>435</u>
Total revenues	<u>293,020</u>	<u>293,020</u>	<u>738,581</u>	<u>445,561</u>
EXPENDITURES				
Current:				
Highways and streets	254,432	254,432	207,446	46,986
Capital outlay	<u>76,910</u>	<u>76,910</u>	<u>495,528</u>	<u>(418,618)</u>
Total expenditures	<u>331,342</u>	<u>331,342</u>	<u>702,974</u>	<u>(371,632)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,322)</u>	<u>(38,322)</u>	<u>35,607</u>	<u>73,929</u>
Net change in fund balance	(38,322)	(38,322)	35,607	73,929
Fund balance - beginning	<u>1,176,021</u>	<u>1,176,021</u>	<u>1,176,021</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,137,699</u>	<u>\$ 1,137,699</u>	<u>\$ 1,211,628</u>	<u>\$ 73,929</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GAS TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 284,853	\$ 284,853	\$ 397,597	\$ 112,744
Revenue from the use of money and property	<u>500</u>	<u>500</u>	<u>605</u>	<u>105</u>
Total revenues	<u>285,353</u>	<u>285,353</u>	<u>398,202</u>	<u>112,849</u>
EXPENDITURES				
Current:				
Highways and streets	139,216	139,216	124,280	14,936
Capital outlay	<u>140,000</u>	<u>140,000</u>	<u>7,413</u>	<u>132,587</u>
Total expenditures	<u>279,216</u>	<u>279,216</u>	<u>131,693</u>	<u>147,523</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,137</u>	<u>6,137</u>	<u>266,509</u>	<u>260,372</u>
Net change in fund balance	6,137	6,137	266,509	260,372
Fund balances - beginning	<u>470,168</u>	<u>470,168</u>	<u>470,168</u>	<u>-</u>
Fund balances - ending	<u>\$ 476,305</u>	<u>\$ 476,305</u>	<u>\$ 736,677</u>	<u>\$ 260,372</u>

CITY OF MENDOTA

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

BUDGETARY BASIS OF ACCOUNTING

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

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

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

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
General government	\$ 52,369
Public safety	168,632
Public works	73,597
Parks	96,540
Capital outlay	59,430
Principal	12,580
Interest	16,573
Measure C Special Revenue Fund:	
Capital outlay	418,618

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SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 1,684,554	\$ -	\$ 155,210	\$ 1,839,764
Receivables	<u>889,613</u>	<u>-</u>	<u>19</u>	<u>889,632</u>
 Total assets	 <u>\$ 2,574,167</u>	 <u>\$ -</u>	 <u>\$ 155,229</u>	 <u>\$ 2,729,396</u>
LIABILITIES				
Accounts payable	\$ 1,793	\$ -	\$ -	\$ 1,793
Due to other funds	23,240	144,843	-	168,083
Advances from other funds	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
 Total liabilities	 <u>25,033</u>	 <u>154,843</u>	 <u>-</u>	 <u>179,876</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred loans	<u>851,254</u>	<u>-</u>	<u>-</u>	<u>851,254</u>
 Total deferred inflows of resources	 <u>851,254</u>	 <u>-</u>	 <u>-</u>	 <u>851,254</u>
FUND BALANCES				
Restricted for:				
Redevelopment and housing	613,316	-	-	613,316
Public safety	561,084	-	-	561,084
Highways and streets	723,144	-	122,092	845,236
Parks and recreation	42,317	-	-	42,317
Committed to:				
Public safety	8,397	-	-	8,397
Highways and streets	-	-	59,202	59,202
Unassigned	<u>(250,378)</u>	<u>(154,843)</u>	<u>(26,065)</u>	<u>(431,286)</u>
 Total fund balances	 <u>1,697,880</u>	 <u>(154,843)</u>	 <u>155,229</u>	 <u>1,698,266</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 2,574,167</u>	 <u>\$ -</u>	 <u>\$ 155,229</u>	 <u>\$ 2,729,396</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Taxes	\$ 432,073	\$ -	\$ -	\$ 432,073
Licenses and permits	22,871	-	-	22,871
Intergovernmental	114,243	-	-	114,243
Revenue from the use of money and property	1,621	-	163	1,784
Miscellaneous	6,693	-	-	6,693
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>577,501</u>	<u>-</u>	<u>163</u>	<u>577,664</u>
EXPENDITURES				
Current:				
Public safety	275,493	-	-	275,493
Municipal airport	9,924	-	-	9,924
Highways and streets	168,097	-	52,055	220,152
Sanitation	8,518	-	-	8,518
Capital outlay	29,366	-	-	29,366
Debt service:				
Interest	-	750	-	750
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>491,398</u>	<u>750</u>	<u>52,055</u>	<u>544,203</u>
Net change in fund balances	86,103	(750)	(51,892)	33,461
Fund balances - beginning	<u>1,611,777</u>	<u>(154,093)</u>	<u>207,121</u>	<u>1,664,805</u>
Fund balances - ending	<u>\$ 1,697,880</u>	<u>\$ (154,843)</u>	<u>\$ 155,229</u>	<u>\$ 1,698,266</u>

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2015

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>	<u>Police Grants</u>
ASSETS					
Cash and cash equivalents	\$ 254,044	\$ -	\$ 263,384	\$ 592,042	\$ 60,764
Receivables	<u>28</u>	<u>-</u>	<u>46</u>	<u>28,240</u>	<u>10,007</u>
Total assets	<u>\$ 254,072</u>	<u>\$ -</u>	<u>\$ 263,430</u>	<u>\$ 620,282</u>	<u>\$ 70,771</u>
LIABILITIES					
Accounts payable	\$ 1	\$ 73	\$ -	\$ 739	\$ -
Due to other funds	<u>-</u>	<u>23,240</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1</u>	<u>23,313</u>	<u>-</u>	<u>739</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Redevelopment and housing	274,262	-	-	-	-
Public safety	-	-	328,974	-	62,374
Highways and streets	-	-	99,013	619,543	-
Parks and recreations	-	-	42,317	-	-
Committed to					
Public safety	-	-	-	-	8,397
Unassigned	<u>(20,191)</u>	<u>(23,313)</u>	<u>(206,874)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>254,071</u>	<u>(23,313)</u>	<u>263,430</u>	<u>619,543</u>	<u>70,771</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 254,072</u>	<u>\$ -</u>	<u>\$ 263,430</u>	<u>\$ 620,282</u>	<u>\$ 70,771</u>

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2015

	<u>Community Development Block Grant</u>	<u>Alley Assessment Improvements</u>	<u>Mendota CFD</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 339,019	\$ 4,588	\$ 170,713	\$ 1,684,554
Receivables	<u>851,289</u>	<u>-</u>	<u>3</u>	<u>889,613</u>
Total assets	<u>\$ 1,190,308</u>	<u>\$ 4,588</u>	<u>\$ 170,716</u>	<u>\$ 2,574,167</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 980	\$ 1,793
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,240</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>980</u>	<u>25,033</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred loans	<u>851,254</u>	<u>-</u>	<u>-</u>	<u>851,254</u>
Total deferred inflows of resources	<u>851,254</u>	<u>-</u>	<u>-</u>	<u>851,254</u>
FUND BALANCES				
Restricted for:				
Redevelopment and housing	339,054	-	-	613,316
Public safety	-	-	169,736	561,084
Highways and streets	-	4,588	-	723,144
Parks and recreations	-	-	-	42,317
Committed to				
Public safety	-	-	-	8,397
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,378)</u>
Total fund balances	<u>339,054</u>	<u>4,588</u>	<u>169,736</u>	<u>1,697,880</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,190,308</u>	<u>\$ 4,588</u>	<u>\$ 170,716</u>	<u>\$ 2,574,167</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>LTF</u>	<u>Police Grants</u>
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 278,062	\$ -
Licenses and permits	-	-	22,871	-	-
Intergovernmental	-	-	-	-	114,243
Revenue from the use of money and property	245	-	381	518	48
Miscellaneous	<u>6,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>6,938</u>	<u>-</u>	<u>23,252</u>	<u>278,580</u>	<u>114,291</u>
EXPENDITURES					
Current:					
Public safety	-	-	-	-	130,161
Municipal airport	-	9,924	-	-	-
Highways and streets	-	-	-	168,097	-
Sanitation	-	-	8,518	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>11,536</u>	<u>17,830</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>9,924</u>	<u>20,054</u>	<u>185,927</u>	<u>130,161</u>
Net change in fund balances	6,938	(9,924)	3,198	92,653	(15,870)
Fund balances - beginning	<u>247,133</u>	<u>(13,389)</u>	<u>260,232</u>	<u>526,890</u>	<u>86,641</u>
Fund balances - ending	<u>\$ 254,071</u>	<u>\$ (23,313)</u>	<u>\$ 263,430</u>	<u>\$ 619,543</u>	<u>\$ 70,771</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Community Development Block Grant	Alley Assessment Improvements	Mendota CFD	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 154,011	\$ 432,073
Licenses and permits	-	-	-	22,871
Intergovernmental	-	-	-	114,243
Revenue from the use of money and property	299	4	126	1,621
Miscellaneous	-	-	-	6,693
Total revenues	<u>299</u>	<u>4</u>	<u>154,137</u>	<u>577,501</u>
EXPENDITURES				
Current:				
Public safety	-	-	145,332	275,493
Municipal airport	-	-	-	9,924
Highways and streets	-	-	-	168,097
Sanitation	-	-	-	8,518
Capital outlay	-	-	-	29,366
Total expenditures	<u>-</u>	<u>-</u>	<u>145,332</u>	<u>491,398</u>
Net change in fund balances	299	4	8,805	86,103
Fund balances - beginning	<u>338,755</u>	<u>4,584</u>	<u>160,931</u>	<u>1,611,777</u>
Fund balances - ending	<u>\$ 339,054</u>	<u>\$ 4,588</u>	<u>\$ 169,736</u>	<u>\$ 1,697,880</u>

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
JUNE 30, 2015

	<u>General Bond</u>
ASSETS	
Cash and cash equivalents	\$ _____ -
Total assets	<u>\$ _____ -</u>
LIABILITIES	
Due to other funds	\$ 144,843
Advances from other funds	<u>10,000</u>
Total liabilities	<u>154,843</u>
FUND BALANCES	
Unassigned	<u>(154,843)</u>
Total fund balances	<u>(154,843)</u>
Total liabilities and fund balances	<u>\$ _____ -</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
FOR THE YEAR ENDED 30, 2015**

	<u>General Bond</u>
REVENUES	
Revenue from the use of money and property	\$ <u> -</u>
Total revenues	<u> -</u>
EXPENDITURES	
Debt service:	
Interest	<u> 750</u>
Total expenditures	<u> 750</u>
Net change in fund balance	(750)
Fund balances - beginning	<u> (154,093)</u>
Fund balances - ending	<u><u> (154,843)</u></u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
JUNE 30, 2015**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 85,415	\$ 69,795	\$ 155,210
Receivables	<u>9</u>	<u>10</u>	<u>19</u>
Total assets	<u>\$ 85,424</u>	<u>\$ 69,805</u>	<u>\$ 155,229</u>
FUND BALANCES			
Restricted to:			
Highways and streets	\$ 85,424	\$ 36,668	\$ 122,092
Committed to:			
Highways and streets	-	59,202	59,202
Unassigned	<u>-</u>	<u>(26,065)</u>	<u>(26,065)</u>
Total fund balances	<u>85,424</u>	<u>69,805</u>	<u>155,229</u>
Total fund balances	<u>\$ 85,424</u>	<u>\$ 69,805</u>	<u>\$ 155,229</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
REVENUES			
Revenue from the use of money and property	<u>\$ 75</u>	<u>\$ 88</u>	<u>\$ 163</u>
Total revenues	<u>75</u>	<u>88</u>	<u>163</u>
EXPENDITURES			
Current:			
Highways and streets	<u>-</u>	<u>52,055</u>	<u>52,055</u>
Total expenditures	<u>-</u>	<u>52,055</u>	<u>52,055</u>
Net change in fund balances	75	(51,967)	(51,892)
Fund balances - beginning	<u>85,349</u>	<u>121,772</u>	<u>207,121</u>
Fund balances - ending	<u>\$ 85,424</u>	<u>\$ 69,805</u>	<u>\$ 155,229</u>

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OTHER AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Mendota, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mendota, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 16, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Price Pange & Company

Clovis, California
December 16, 2015

FINDINGS AND QUESTIONED COSTS

**CITY OF MENDOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

**CITY OF MENDOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS

None reported.