

**CITY OF MENDOTA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2016**

CITY OF MENDOTA
FINANCIAL STATEMENTS
JUNE 30, 2016

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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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Clovis, CA 93612
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fax 559.299.2344

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 3-14 and 62-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016, 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
November 23, 2016

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016. 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 \$30,247,161 (net position). Of this amount, \$4,186,870 (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 \$1,116,366 from the prior fiscal year. Governmental activities decreased the City's total net position by \$880,772 and business-type activities decreased by \$235,594. The overall decrease in net position is due to several factors. The business-type activities of the City, although markedly improved over last year's decrease of \$458,807, were still negatively impacted by higher regulatory and environmental related consulting services for both water and sewer operations during the year, which was partially offset by a reduction in electrical utility costs to operate the City's water production wells and sewer processing plant from the prior year due to more efficient energy use plans developed in cooperation with Pacific Gas and Electric. 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 legal settlement against the City in the amount of \$650,000 was awarded in March of 2016, which accounted for approximately seventy-six percent of the overall decrease in the governmental net position. In addition to the legal settlement, higher employee related wages and benefits, along with lower one-time grant and miscellaneous income as compared to the prior fiscal year also contributed to the overall loss in governmental net position.

At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$3,778,334, a decrease of \$1,309,134 in comparison with the prior year. As discussed in the preceding paragraph, the legal settlement and employee related costs, coupled with an approximately \$1,600,000 increase in capital expenditures related to street projects over prior year spending levels, 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 a negative \$823,463. This represents an increase from the positive unassigned fund balance of \$100,261 reported at June 30, 2015. The increase from the prior year is primarily the result of a reclassification of \$1,300,000 from Emergency contingency committed fund balance to unassigned fund balance for compliance with GASB 54, additionally there significant offsetting decreases due to the aforementioned legal settlement, coupled with higher wages and related benefits, and increased capital outlays for infrastructure and equipment as compared to the prior fiscal year.

The City's total long-term debt of \$6,693,183 increased by \$220,343 compared to last year. The increase is the result of new debt obligations entered into during the current fiscal year, net of scheduled principal payments on the City's existing 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).

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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.

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 44 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, Local Transportation Fund Special Revenue Fund, Community Development Block Grant 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 non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22 through 28 of this report.

Proprietary funds. The City maintains 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 29 through 32 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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

The basic fiduciary fund financial statements can be found on pages 33 through 34 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to fully understand of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 36 through 59 of this report.

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

Required supplementary information can be found on pages 62 through 66 of this report.

The combining fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 68 through 77.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$30,247,161 at June 30, 2016.

**City of Mendota
Condensed Statement of Net Position
June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 6,064,454	\$ 7,334,769	\$ 3,189,605	\$ 3,047,893	\$ 9,254,059	\$ 10,382,662
Capital assets	12,300,781	11,482,469	16,145,748	16,520,559	28,446,529	28,003,028
Total assets	18,365,235	18,817,238	19,335,353	19,568,452	37,700,588	38,385,690
Long-term liabilities	819,038	459,185	5,874,145	6,013,655	6,693,183	6,472,840
Other liabilities	204,288	135,372	555,956	413,951	760,244	549,323
Total liabilities	1,023,326	594,557	6,430,101	6,427,606	7,453,427	7,022,163
Net position:						
Net investment in capital assets	11,548,900	11,076,030	10,345,222	10,616,274	21,894,122	21,692,304
Restricted	3,222,382	3,274,481	943,787	936,138	4,166,169	4,210,619
Unrestricted	2,570,627	3,872,170	1,616,243	1,588,434	4,186,870	5,460,604
Total net position	\$ 17,341,909	\$ 18,222,681	\$ 12,905,252	\$ 13,140,846	\$ 30,247,161	\$ 31,363,527

The largest portion of the City's net position, \$21,894,122 (72 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 \$4,186,870 (14 percent) represents unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors. The remaining balance of \$4,166,169 (14 percent) represents resources that are subject to external restrictions on their use.

Governmental activities decreased the City's net position by \$880,773 accounting for 79 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, 2016**

**City of Mendota
Condensed Statement of Activities
For the Years Ended June 30, 2016 and 2015**

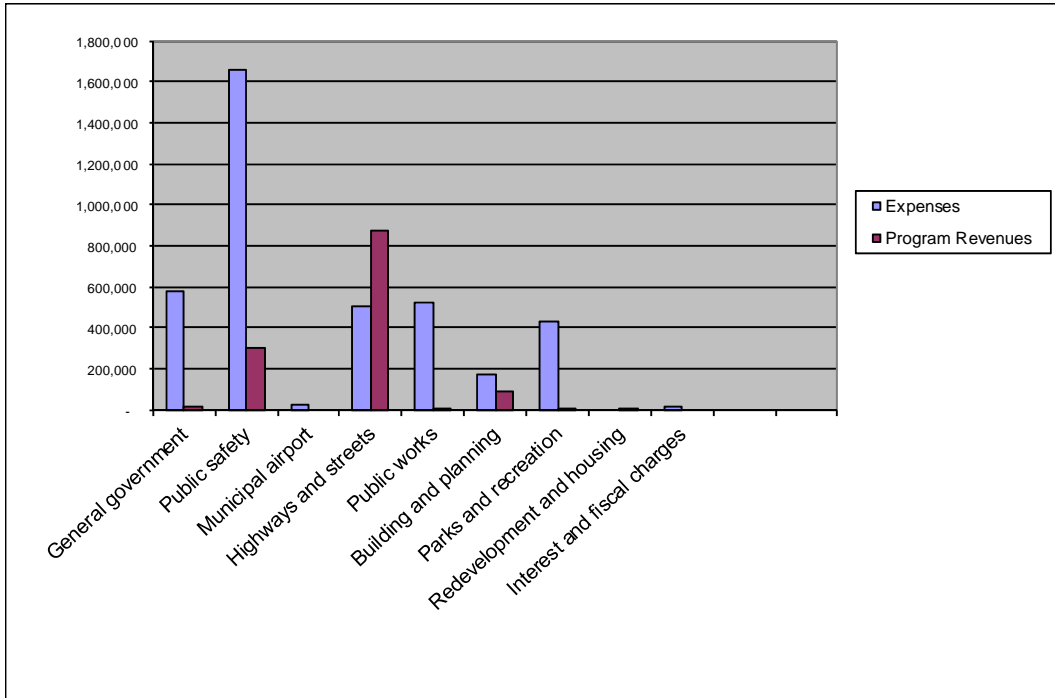
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 678,976	\$ 300,277	\$ 3,506,682	\$ 3,202,470	\$ 4,185,658	\$ 3,502,747
Operating grants and contributions	436,695	405,323	116,447	11,759	553,142	417,082
Capital grants and contributions	284,487	559,607	5,390	-	289,877	559,607
General revenues:						
Property taxes	1,026,176	1,030,111	-	-	1,026,176	1,030,111
Sales tax	447,086	460,966	-	-	447,086	460,966
Franchise taxes	115,100	106,534	-	-	115,100	106,534
Other taxes	756,207	777,069	-	-	756,207	777,069
Earnings on investments	4,775	3,655	21,312	24,577	26,087	28,232
Miscellaneous	155,458	250,311	1,150	2,566	156,608	252,877
Gain (loss) on sale of assets	-	5,821	-	740	-	6,561
Total revenues	3,904,960	3,899,674	3,650,981	3,242,112	7,555,941	7,141,786
Expenses:						
General government	587,810	580,318	-	-	587,810	580,318
Public safety	1,676,776	1,658,655	-	-	1,676,776	1,658,655
Municipal airport	26,748	26,553	-	-	26,748	26,553
Highways and streets	594,399	499,823	-	-	594,399	499,823
Public works	525,933	617,189	-	-	525,933	617,189
Building and planning	280,040	169,584	-	-	280,040	169,584
Parks and recreation	421,614	431,303	-	-	421,614	431,303
Redevelopment and housing	5,080	-	-	-	5,080	-
Sanitation	-	8,518	-	-	-	8,518
Legal settlement	650,000	-	-	-	650,000	-
Interest and fiscal charges	17,332	16,404	-	-	17,332	16,404
Water	-	-	1,717,634	1,683,189	1,717,634	1,683,189
Sewer	-	-	1,469,857	1,329,277	1,469,857	1,329,277
Refuse	-	-	686,070	672,727	686,070	672,727
Mendota Joint Powers Financing Authority	-	-	13,014	15,726	13,014	15,726
Total expenses	4,785,732	4,008,347	3,886,575	3,700,919	8,672,307	7,709,266
Increase (decrease) in net position	(880,772)	(108,673)	(235,594)	(458,807)	(1,116,366)	(567,480)
Net position - beginning	18,222,681	16,936,066	13,140,846	13,599,653	31,363,527	30,535,719
Prior period adjustments	-	1,395,288	-	-	-	1,395,288
Net position - ending	\$ 17,341,909	\$ 18,222,681	\$ 12,905,252	\$ 13,140,846	\$ 30,247,161	\$ 31,363,527

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

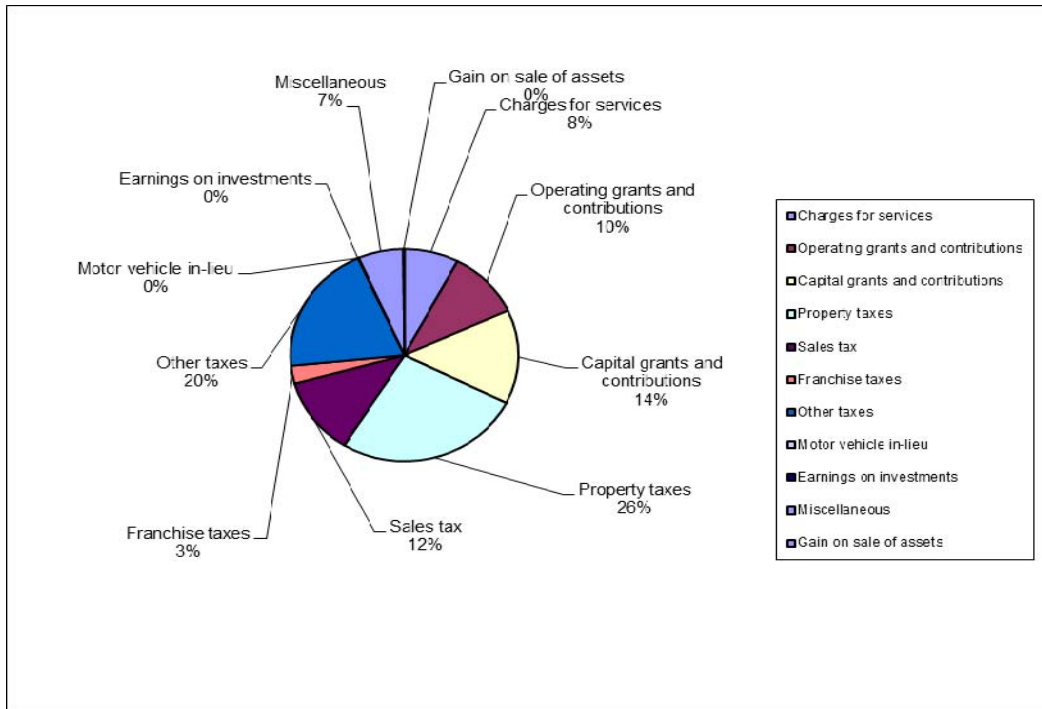
- Charges for services increased by \$378,699 to \$678,976 from the prior year. The increase is due primarily to a significant increase in planning and zoning services, along with a large increase in building permits issued to area developers for residential and commercial projects. In addition, the tax credit was extended in December 2015 and there was a substantial increase in solar panel permits issued during the fiscal year.
- Governmental operating grants increased by \$31,372 from the prior year to \$436,695. The increase is due to the receipt of a one-time San Joaquin Valley Pollution Control District grant of \$60,000 and offset by lower state gasoline tax revenues received in the current fiscal year.
- Governmental capital grants decreased \$275,120 to \$284,487 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 highway grants. Majority of current fiscal year street projects were funded with internal operating funds.
- 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 decreased by \$94,853 due to the receipt of one-time revenue during the prior fiscal year.
- All remaining revenue accounts displayed above are in-line with prior year revenues reported.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Expenses and Program Revenue – Governmental Activities



Revenues by Source – Governmental Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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

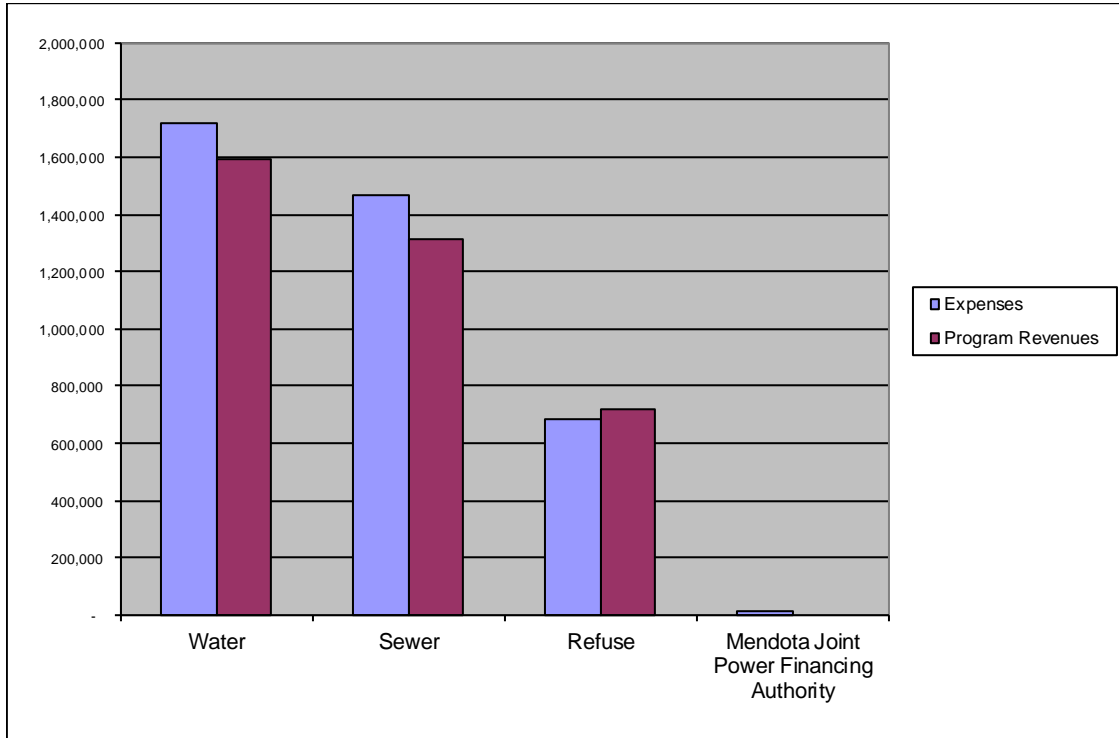
- General government expenses increased by \$7,492 to \$587,810 in 2016. The increase is due primarily to higher contract service expenses, offset by lower legal and administrative fees as compared to the prior year.
- Public safety expenses increased by \$18,121 or less than 2% from the prior year. Salaries and related employee benefits related to police personnel increase by approximately \$88,000 during the current fiscal year, which was due primarily to the addition of a full-time school resource officer to the payroll. Savings were realized in lower administrative expenses, along with a reduction in outside services costs as compared to the prior fiscal year.
- Highways and streets expenditures increased by \$94,576 or 19% to \$594,399. During the current fiscal year, the City devoted more internal labor resources to general street repair and maintenance than it has in prior years, resulting in higher wage and employee benefits paid as compared to the prior fiscal year.
- Public works expenses decreased by \$91,256 or 15% to \$525,933. The decrease is due almost exclusively to the write-off of an uncollectible assessment district debt assigned to Public Works in the amount of \$98,299 in the prior fiscal year. There were no similar transactions in the current fiscal year.
- Building and planning expenses increased by \$110,456 or 65% to \$280,040. As building activity has increased over the previous fiscal year, the need for outside services provided by engineering and legal firms to the City for permitting and zoning have increased as well, resulting in the overall increase in expenditures as compared to the prior fiscal year.
- Parks and recreation expenses decreased by \$9,689 or 3% to \$421,614. The decrease is almost exclusively attributable to employee wages and related benefits. As discussed above, the City shifted additional labor resources to general street repair and maintenance during the current fiscal year, resulting in overall lower costs to the parks as compared to the prior fiscal year.
- In the case of *Warkentine et al v. Soria et al*, in which the City was a defendant, a legal settlement in the amount of \$650,000 was agreed to by the parties on March 2, 2016. Terms of the agreement required the City to remit \$350,000 in March of 2016, followed by annual installments of \$60,000 to be paid by March 2nd of each year for the next five years, maturing on March 2, 2021.
- Interest and fiscal charges increased by \$928 to \$17,332. The increase is due to the addition of a new loan during the current fiscal year from Westamerica Bank in the original principal amount of \$80,000, bearing interest at 5.50%.

Business-type activities. Business-type activities decreased the City's net position by \$235,594 over the prior fiscal year. Key elements of this decrease are as follows:

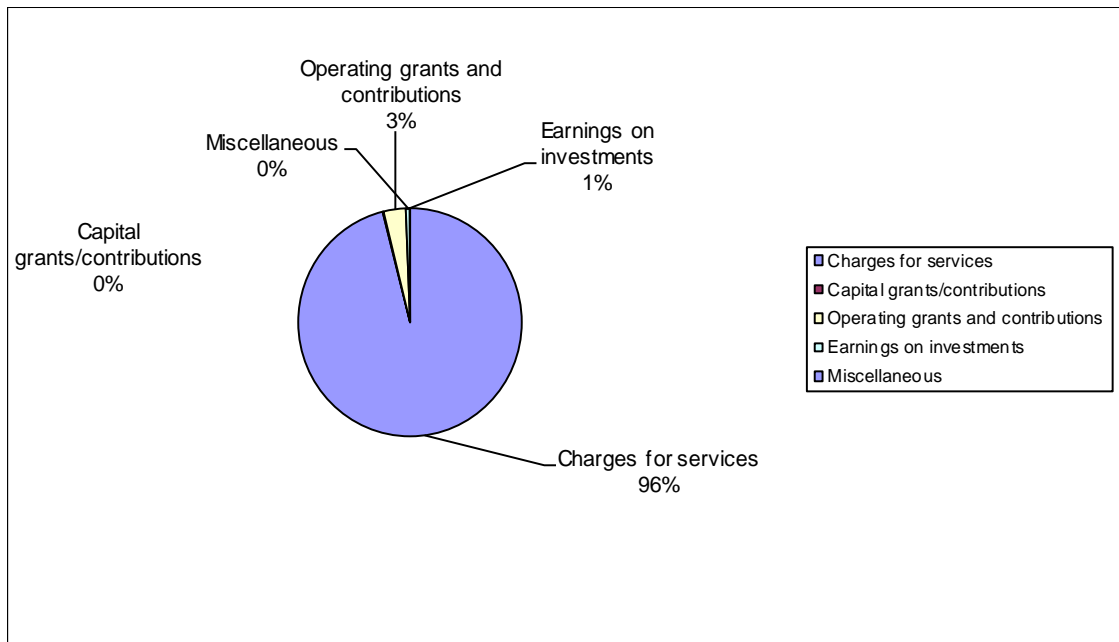
- Service revenue for the business-type activities increased by \$304,212 or 9% over the previous year. The increase is due primarily to an across the board increase in its customer base for water, sewer and sanitation during the current fiscal year. In addition, an easing in state water restrictions due to the California drought during the current fiscal year resulted in improved water sales by the City, as well.
- Operating grants and developer contributions for the business-type activities increased by \$104,688 or 890% over the previous year. The substantial increase is directly related to the large increase in building permits issued by the City during the current fiscal year. Assessments for water and sewer impact fees are calculated and paid at the time the permit is issued.
- Expenses of the Water Enterprise Fund increased by \$34,445 or 2% to \$1,717,634 during the year. The increase is due primarily to higher employee wage and benefit costs. The increase in labor related costs was partially offset by lower utility costs and lower facility maintenance costs as compared to the prior fiscal year.
- Expenses of the Sewer Enterprise Fund increased by \$140,580 or 11% from the prior fiscal year. As with the Water Enterprise Fund, the increase can be attributable to higher employee wage and benefit costs, coupled with higher regulatory and environmental compliance service costs provided by outside consultants, offset by lower utility costs as compared to the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Expenses and Program Revenue – Business-Type Activities



Revenue by Source – Business-Type Activities



**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 \$3,778,334, a decrease of \$1,309,134 in comparison with the prior year. Of this total amount, \$3,394,723 is either nonspendable, restricted, committed or assigned to various projects and activities of the City, leaving an overall unassigned fund balance of \$457,608 at June 30, 2016. This represents an increase of \$724,245 over the prior year unassigned negative fund balance of \$340,634 at June 30, 2015.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Current year expenditures for the General Fund total \$2,918,733 at June 30, 2016, the unassigned General Fund balance is currently showing a balance of \$823,463 at June 30, 2016.

The fund balance of the City's General Fund decreased by \$560,210 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 2016		FY 2015		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes	\$ 1,539,674	67.32%	\$ 1,609,494	71.93%	\$ (69,820)	-142.46%
Licenses and permits	128,325	5.61%	63,267	2.83%	65,058	132.74%
Intergovernmental	80,232	3.51%	53,698	2.40%	26,534	54.14%
Charges for services	284,922	12.46%	85,018	3.80%	199,904	407.88%
Fines	136,752	5.98%	129,121	5.77%	7,631	15.57%
Revenue from the use of money and property	73,999	3.24%	68,174	3.05%	5,825	11.89%
Proceeds from sale of capital assets	117	0.01%	5,821	0.26%	(5,704)	-11.64%
Miscellaneous	43,083	1.88%	223,501	9.99%	(180,418)	-368.12%
Total	\$ 2,287,104	100.00%	\$ 2,238,094	100.00%	\$ 49,010	100.00%

- Taxes decreased by \$69,820 or 4% as compared to the prior fiscal year. Both property tax revenue and sales tax revenue each come in slightly lower than those amounts received in the prior fiscal year.
- Licenses and permits revenue increased by \$65,058 or 103% from the prior year. As with the increase in charges for planning and zoning services fees, there was a significantly increase in building permits issued during the current fiscal year, resulting in the significant increase in reported revenue.
- The \$199,904 increase in service charges is due entirely to a substantial increase in zoning and planning services performed in conjunction with the significant increase in building permits issued during the fiscal year.
- Intergovernmental revenue increased \$26,534 due to increased intergovernmental grant activity.
- Revenue from fines increased \$7,631 or 6% from the prior fiscal year. The City hired a full-time code enforcement officer during the year, which resulted in more building compliance related fines. In addition, the police department was more diligent in enforcing vehicle code violations during the current fiscal year, resulting in higher revenue from the related fines.
- The \$5,825 increase in revenue from the use of money and property is attributable to a higher rate of interest earned during the year with the California Local Agency Investment Fund, which maintains a large portion of the City's available cash. The average interest rate paid during the fiscal year was .43%, which was substantial higher than the .26% average rate paid during the prior fiscal year.
- Miscellaneous revenue decreased by \$180,418 due to receipt of one-time revenue during the prior fiscal year.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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

**Expenditures by Function
GENERAL FUND**

	FY 2016		FY 2015		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	\$ 548,965	21.37%	\$ 549,226	20.94%	\$ (261)	0.48%
Public safety	1,282,703	49.94%	1,337,151	50.97%	(54,448)	99.81%
Public works	89,013	3.47%	130,965	4.99%	(41,952)	76.90%
Building and planning	218,741	8.52%	169,584	6.46%	49,157	-90.11%
Parks and recreation	258,632	10.07%	270,099	10.30%	(11,467)	21.02%
Capital outlay	112,025	4.36%	100,509	3.83%	11,516	-21.11%
Debt Service	58,654	2.28%	65,752	2.51%	(7,098)	13.01%
Total	\$ 2,568,733	100.00%	\$ 2,623,286	100.00%	\$ (54,553)	100.00%

- General government expenditures decreased by \$261 to \$548,965 as compared to last year. Expenditures were consistent with prior year.
- Public safety expenditures decreased by \$54,448 over the previous fiscal year due primarily to reductions in outside service costs, fuel costs and lower administrative expenses. These savings were offset by higher wages due primarily to the addition of a uniformed school resource officer during the fiscal year.
- Public works expenditures decreased by \$41,952 or 32% from the prior fiscal year. The decrease is due primarily the write-off of an uncollectible assessment district receivable in the prior fiscal year and the reallocating of labor resources from public works to general street repair and maintenance handled by several of the City's special revenue funds during the current fiscal year.
- Building and planning expenditures increased by \$49,157 over the previous fiscal year due to a substantial increase in contracted engineering and zoning service fees incurred by the City due to an increase in building and permit activity during the year.
- As with the decrease in Public works expenditures, the \$11,467 decline in Parks expenditures is primarily attributable to the shifting of labor resources to street and read maintenance during the fiscal year.
- Capital outlay expenditures for the current fiscal year consisted of the purchase of a vacant lot for approximately \$85,000 and the purchase of a work truck for approximately \$27,000.

The Home Investment Partnership Program Special Revenue Fund has a total fund deficit of \$8,707. The net increase in fund balance during the current year was \$2, representing interest earnings. The fund had no activity during the current fiscal year due to lack of new funding.

The Measure C Special Revenue Fund has a total fund balance of \$952,306, all of which is restricted to street maintenance and road improvement projects. The net decrease in fund balance during the current fiscal year was \$259,322. Several of the City's road projects during the fiscal year did not receive federal or state grant funding to offset the project cost. Consequently, in addition to current year Measure C revenue, the City utilized prior year available fund balances to fund these projects during the current fiscal year. Of the \$346,036 in apportioned sales tax revenue received through Measure C, the City utilized \$251,859 in general road maintenance during the current fiscal year, with the remaining revenue utilized on the above mentioned capital improvement projects.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The Gas Tax Special Revenue Fund has a total fund balance of \$511,838, which is a decrease of \$224,839 from the prior year balance of \$736,677, and which all is restricted to street maintenance and road improvement. As with the Measure C fund discussed above, the decrease is due the commencement or completion of several road projects during the current fiscal year that did not receive federal or state grant funding. As a result, the City not only utilized all state gas tax revenues received during the fiscal year for street maintenance and road projects, but also drew upon prior year unexpended fund balances to finance several road projects during the year.

The LTF Special Revenue Fund has a total fund balance of \$323,833, all of which is restricted to street maintenance and road improvement projects. The net decrease in fund balance during the current fiscal year was \$295,710. As with the City's two other major street and road special revenue funds discussed above, the decrease of the LTF fund balance is attributed to commencement or completion of several road projects during the current fiscal year that did not receive federal or state grant funding to offset the project cost. Consequently, the City utilized not only all federal gas tax monies received by the LTF Fund during the year, but invaded prior year available fund balances to fully fund the projects, resulting in a decrease in the year-end fund balance.

The CDBG Program Special Revenue Fund has a total fund balance of \$340,156, all of which is restricted to housing and development. The net fund balance increased by \$1,102 during the current fiscal year due to interest earnings and a miscellaneous receipt. The fund did not commence or enter into any new housing projects with local developers during the current fiscal year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, actual expenditures were \$821,322 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 development last year, higher outside engineering fees related to issuance of numerous building permit not foreseen at adoption of the original budget, and the purchase of a vacant lot within the City that was not budgeted for during the current fiscal year. In addition, debt service expenditures were not budgeted for interest and principal on General Fund debt was inadvertently not budgeted for.

During the year, actual revenues were \$263,448 higher than the final budgetary estimates. The revenue variance is due primarily to higher than projected building permits and related services, intergovernmental, and police related fines and services received during the course of the year, offset by lower than projected income for miscellaneous 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, 2016, amounts to \$28,446,529 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, building and improvements, and equipment. The total increase in the City's investments in capital assets for the current year is approximately two percent.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

City of Mendota's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 357,322	\$ 271,317	\$ 2,098,220	\$ 2,098,220	\$ 2,455,542	\$ 2,369,537
Construction in progress	284,845	115,036	56,400	-	341,245	115,036
Infrastructure - non depreciable	-	-	61,425	61,425	61,425	61,425
Infrastructure - depreciable	9,247,174	8,113,340	9,391,201	9,391,201	18,638,375	17,504,541
Land improvements	4,585,147	4,585,147	-	-	4,585,147	4,585,147
Buildings and improvements	1,414,456	1,414,456	10,268,022	10,268,022	11,682,478	11,682,478
Equipment	1,887,349	1,701,487	2,683,682	2,550,800	4,571,031	4,252,287
Less: accumulated depreciation	(5,475,512)	(4,718,314)	(8,413,202)	(7,849,109)	(13,888,714)	(12,567,423)
Total capital assets	<u>\$ 12,300,781</u>	<u>\$ 11,482,469</u>	<u>\$ 16,145,748</u>	<u>\$ 16,520,559</u>	<u>\$ 28,446,529</u>	<u>\$ 28,003,028</u>

This year's additions included:

▪ Completion of the 6 th Street resurfacing project	\$ 795,302
▪ Completion of the 6 th and Perez Street resurfacing project	320,703
▪ Continued work on school pedestrian improvements project	185,511
▪ Purchase on vacant land for future park site	85,005
▪ Acquisition of work trucks	81,060
▪ Acquisition of police vehicles and related equipment	155,392
▪ Acquisition of new excavator, trailer and mowing attachment	61,910
▪ Various other enterprise fund equipment purchases	31,925
▪ Upgrade telemetry systems at sewer plant	7,286
▪ Commencement of water building improvements	27,000
▪ Commencement of sewer lift station improvements	25,289
▪ B&B Bridge Repair (bridge to water wells)	4,111
▪ Derrick and 7th Street (street reconstruction)	3,129
	<u>\$ 1,783,623</u>

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

Long-term debt. At the end of the current fiscal year, the City of Mendota has total debt outstanding of \$6,693,183. Of this amount, \$819,038 is the liability of governmental activities and \$5,874,145 is the liability of business-type activities.

City of Mendota's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds payable	\$ -	\$ -	\$ 5,143,065	\$ 5,312,384	\$ 5,143,065	\$ 5,312,384
Loans payable	751,881	406,439	691,195	666,851	1,443,076	1,073,290
Compensated absences	67,157	52,746	39,885	34,420	107,042	87,166
Total long-term liabilities	<u>\$ 819,038</u>	<u>\$ 459,185</u>	<u>\$ 5,874,145</u>	<u>\$ 6,013,655</u>	<u>\$ 6,693,183</u>	<u>\$ 6,472,840</u>

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 50 through 55 of this report.

**CITY OF MENDOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 and sales tax increase due to additions of new retailers in the City and an easing of the effects of drought on the local economy in and around the City of Mendota.

REQUESTS FOR INFORMATION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF MENDOTA

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,460,806	\$ 1,870,095	\$ 5,330,901
Receivables	2,418,543	438,796	2,857,339
Prepaid expenses	33,193	858	34,051
Internal balances	151,912	(151,912)	-
Restricted assets:			
Cash and cash equivalents	-	1,031,768	1,031,768
Capital assets:			
Non-depreciable	642,167	2,216,045	2,858,212
Depreciable (net)	<u>11,658,614</u>	<u>13,929,703</u>	<u>25,588,317</u>
Total assets	<u>18,365,235</u>	<u>19,335,353</u>	<u>37,700,588</u>
LIABILITIES			
Accounts payable	185,631	272,288	457,919
Deposits	-	148,243	148,243
Accrued interest	18,657	135,425	154,082
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences payable	13,286	6,297	19,583
Capital lease payable	-	5,324	5,324
Revenue bonds payable	-	185,000	185,000
Loans payable	186,981	55,220	242,201
Portion due or payable after one year:			
Compensated absences payable	53,871	33,588	87,459
Capital lease payable	-	3,021	3,021
Revenue bonds payable	-	4,958,065	4,958,065
Loans payable	<u>564,900</u>	<u>627,630</u>	<u>1,192,530</u>
Total liabilities	<u>1,023,326</u>	<u>6,430,101</u>	<u>7,453,427</u>
NET POSITION			
Net investment in capital assets	11,548,900	10,345,222	21,894,122
Restricted for:			
Redevelopment and housing	638,904	-	638,904
Public safety	453,884	-	453,884
Highways and streets	2,049,227	-	2,049,227
Parks and recreation	80,367	-	80,367
Debt service reserve	-	943,787	943,787
Unrestricted	<u>2,570,627</u>	<u>1,616,243</u>	<u>4,186,870</u>
Total net position	<u>\$ 17,341,909</u>	<u>\$ 12,905,252</u>	<u>\$ 30,247,161</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, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 587,810	\$ 15,921	\$ -	\$ -
Public safety	1,676,776	286,565	174,618	-
Municipal airport	26,748	-	20,000	-
Highways and streets	594,399	14,553	242,077	209,255
Public works	525,933	37,821	-	75,232
Building and planning	280,040	300,919	-	-
Parks and recreation	421,614	23,197	-	-
Redevelopment and housing	5,080	-	-	-
Legal settlement	650,000	-	-	-
Interest and fiscal charges	17,332	-	-	-
Total governmental activities	<u>4,785,732</u>	<u>678,976</u>	<u>436,695</u>	<u>284,487</u>
Business-Type Activities:				
Water	1,717,634	1,509,758	86,129	-
Sewer	1,469,857	1,283,714	25,318	5,390
Refuse	686,070	713,210	5,000	-
Mendota Joint Powers Financing Authority	13,014	-	-	-
Total business-type activities	<u>3,886,575</u>	<u>3,506,682</u>	<u>116,447</u>	<u>5,390</u>
Total City of Mendota	<u>\$ 8,672,307</u>	<u>\$ 4,185,658</u>	<u>\$ 553,142</u>	<u>\$ 289,877</u>

General revenues:

Taxes:

 Property taxes

 Sales tax

 Franchise taxes

 Other taxes

Earnings on investments

Miscellaneous

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (571,889)	\$ -	\$ (571,889)
(1,215,593)	-	(1,215,593)
(6,748)	-	(6,748)
(128,514)	-	(128,514)
(412,880)	-	(412,880)
20,879	-	20,879
(398,417)	-	(398,417)
(5,080)	-	(5,080)
(650,000)	-	(650,000)
(17,332)	-	(17,332)
<u>(3,385,574)</u>	<u>-</u>	<u>(3,385,574)</u>
-	(121,747)	(121,747)
-	(155,435)	(155,435)
-	32,140	32,140
-	(13,014)	(13,014)
<u>-</u>	<u>(258,056)</u>	<u>(258,056)</u>
<u>(3,385,574)</u>	<u>(258,056)</u>	<u>(3,643,630)</u>
1,026,176	-	1,026,176
447,086	-	447,086
115,100	-	115,100
756,207	-	756,207
4,775	21,312	26,087
<u>155,458</u>	<u>1,150</u>	<u>156,608</u>
<u>2,504,802</u>	<u>22,462</u>	<u>2,527,264</u>
<u>(880,772)</u>	<u>(235,594)</u>	<u>(1,116,366)</u>
18,222,681	13,140,846	31,363,527
<u>\$ 17,341,909</u>	<u>\$ 12,905,252</u>	<u>\$ 30,247,161</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, 2016**

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	Gas Tax Special Revenue Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 434,805	\$ 933,795	\$ -	\$ 520,586
Receivables	233,993	27,450	1,254,009	117
Due from other funds	501,883	-	-	-
Prepaid expenses	32,883	310	-	-
Total assets	<u>\$ 1,203,564</u>	<u>\$ 961,555</u>	<u>\$ 1,254,009</u>	<u>\$ 520,703</u>
LIABILITIES				
Accounts payable	\$ 161,552	\$ 9,249	\$ -	\$ 8,865
Due to other funds	-	-	8,707	-
Advances from other funds	<u>152,616</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>314,168</u>	<u>9,249</u>	<u>8,707</u>	<u>8,865</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred loans	<u>-</u>	<u>-</u>	<u>1,254,009</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,254,009</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Prepays	32,883	310	-	-
Restricted for:				
Redevelopment and housing	-	-	900	-
Public safety	-	-	-	-
Highways and streets	-	951,996	-	511,838
Parks and recreation	-	-	-	-
Committed to:				
Public safety	-	-	-	-
Assigned to:				
Streets and roads	33,050	-	-	-
Unassigned	<u>823,463</u>	<u>-</u>	<u>(9,607)</u>	<u>-</u>
Total fund balances	<u>889,396</u>	<u>952,306</u>	<u>(8,707)</u>	<u>511,838</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,203,564</u>	<u>\$ 961,555</u>	<u>\$ 1,254,009</u>	<u>\$ 520,703</u>

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

LTF Special Revenue Fund	CDBG Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ 293,522	\$ 340,078	\$ 938,020	\$ 3,460,806
35,155	846,558	21,260	2,418,542
-	-	-	501,883
-	-	-	33,193
<u>\$ 328,677</u>	<u>\$ 1,186,636</u>	<u>\$ 959,280</u>	<u>\$ 6,414,424</u>
\$ 4,844	\$ -	\$ 1,120	\$ 185,630
-	-	183,648	192,355
-	-	5,000	157,616
<u>4,844</u>	<u>-</u>	<u>189,768</u>	<u>535,601</u>
-	846,480	-	2,100,489
-	846,480	-	2,100,489
-	-	-	33,193
-	340,156	297,848	638,904
-	-	453,884	453,884
323,833	-	261,560	2,049,227
-	-	80,367	80,367
-	-	32,101	32,101
-	-	-	33,050
-	-	(356,248)	457,608
<u>323,833</u>	<u>340,156</u>	<u>769,512</u>	<u>3,778,334</u>
<u>\$ 328,677</u>	<u>\$ 1,186,636</u>	<u>\$ 959,280</u>	<u>\$ 6,414,424</u>

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

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CITY OF MENDOTA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2016**

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

Total fund balances - governmental funds	\$	3,778,334
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 \$17,776,293 and the accumulated depreciation is \$5,475,512.		12,300,781
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,100,489
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.		(18,657)
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	(751,881)	
Compensated absences	<u>(67,157)</u>	<u>(819,038)</u>
Net position of governmental activities		<u>\$ 17,341,909</u>

CITY OF MENDOTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Measure C Special Revenue Fund</u>	<u>HOME Investment Partnership Program Special Revenue Fund</u>	<u>Gas Tax Special Revenue Fund</u>
REVENUES				
Taxes	\$ 1,539,674	\$ 346,036	\$ -	\$ -
Licenses and permits	128,325	-	-	-
Intergovernmental	80,232	78,929	-	372,403
Charges for services	284,922	-	-	-
Fines	136,752	-	-	-
Revenue from the use of money and property	73,999	1,008	2	558
Miscellaneous	43,083	-	-	-
	<u>2,286,987</u>	<u>425,973</u>	<u>2</u>	<u>372,961</u>
Total revenues				
EXPENDITURES				
Current:				
General government	548,965	-	-	-
Public safety	1,282,703	-	-	-
Municipal airport	-	-	-	-
Highways and streets	-	251,859	-	161,333
Public works	89,013	-	-	-
Building and planning	218,741	-	-	-
Parks and recreation	258,632	-	-	-
Redevelopment and housing	-	-	-	-
Legal Settlement	350,000	-	-	-
Capital outlay	112,025	433,436	-	436,467
Debt service:				
Principal	39,558	-	-	-
Interest	19,096	-	-	-
	<u>2,918,733</u>	<u>685,295</u>	<u>-</u>	<u>597,800</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(631,746)</u>	<u>(259,322)</u>	<u>2</u>	<u>(224,839)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term capital-related debt	85,000			
Proceeds from sale of capital assets	117	-	-	-
Transfers in	-	-	-	-
Transfers out	(13,581)	-	-	-
	<u>71,536</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	(560,210)	(259,322)	2	(224,839)
Fund balances - beginning	<u>1,449,606</u>	<u>1,211,628</u>	<u>(8,709)</u>	<u>736,677</u>
Fund balances - ending	<u>\$ 889,396</u>	<u>\$ 952,306</u>	<u>\$ (8,707)</u>	<u>\$ 511,838</u>

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

LTF Special Revenue Fund	CDBG Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ 292,355	\$ -	\$ 166,505	\$ 2,344,570
-	-	105,309	233,634
-	-	194,618	726,182
-	-	-	284,922
-	-	23,669	160,421
333	352	1,242	77,494
<u>31,000</u>	<u>750</u>	<u>48,445</u>	<u>123,278</u>
<u>323,688</u>	<u>1,102</u>	<u>539,788</u>	<u>3,950,501</u>
-	-	-	548,965
-	-	347,228	1,629,931
-	-	10,119	10,119
181,207	-	2,179	596,578
-	-	-	89,013
-	-	-	218,741
-	-	3,024	261,656
-	-	5,083	5,083
-	-	-	350,000
438,191	-	155,392	1,575,511
-	-	-	39,558
-	-	501	19,597
<u>619,398</u>	<u>-</u>	<u>523,526</u>	<u>5,344,752</u>
<u>(295,710)</u>	<u>1,102</u>	<u>16,262</u>	<u>(1,394,251)</u>
-	-	-	85,000
-	-	-	117
-	-	13,581	13,581
-	-	-	(13,581)
-	-	13,581	85,117
(295,710)	1,102	29,843	(1,309,134)
<u>619,543</u>	<u>339,054</u>	<u>739,669</u>	<u>5,087,468</u>
<u>\$ 323,833</u>	<u>\$ 340,156</u>	<u>\$ 769,512</u>	<u>\$ 3,778,334</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, 2016**

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

Net change in fund balances - total governmental funds \$ (1,309,134)

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 \$1,575,512 exceeds depreciation expense \$757,198 in the current period. 818,314

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. (345,442)

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). (14,411)

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (29,776)

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. (323)

Change in net position of governmental activities \$ (880,772)

CITY OF MENDOTA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

	Business-Type Activities -- Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 839,189	\$ 1,030,906	\$ -	\$ -	\$ 1,870,095
Accounts receivable, net	208,035	151,270	79,003	-	438,308
Interest receivable	206	282	-	-	488
Advances to other funds	-	45,232	-	243,650	288,882
Prepaid expenses	550	308	-	-	858
Total current assets	1,047,980	1,227,998	79,003	243,650	2,598,631
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	620,490	-	411,278	1,031,768
Capital assets:					
Non-depreciable	106,281	2,109,764	-	-	2,216,045
Depreciable (net)	5,981,907	7,947,796	-	-	13,929,703
Total noncurrent assets	6,088,188	10,678,050	-	411,278	17,177,516
Total assets	\$ 7,136,168	\$ 11,906,048	\$ 79,003	\$ 654,928	\$ 19,776,147
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 92,706	\$ 73,644	\$ 105,938	\$ -	\$ 272,288
Deposits	148,243	-	-	-	148,243
Due to other funds	-	-	148,225	161,303	309,528
Accrued interest	13,838	116,259	-	5,328	135,425
Compensated absences payable	2,710	2,725	862	-	6,297
Capital lease payable	-	5,324	-	-	5,324
Revenue bonds payable	-	145,000	-	40,000	185,000
Loans payable	40,000	15,220	-	-	55,220
Total current liabilities	297,497	358,172	255,025	206,631	1,117,325
Noncurrent liabilities:					
Advances from other funds	131,266	-	-	-	131,266
Compensated absences payable	16,375	16,390	823	-	33,588
Capital lease payable	-	3,021	-	-	3,021
Revenue bonds payable	-	4,833,065	-	125,000	4,958,065
Loans payable	575,000	52,630	-	-	627,630
Total noncurrent liabilities	722,641	4,905,106	823	125,000	5,753,570
Total liabilities	1,020,138	5,263,278	255,848	331,631	6,870,895
NET POSITION					
Net investment in capital assets	5,341,922	5,003,300	-	-	10,345,222
Restricted for:					
Debt service	-	620,490	-	323,297	943,787
Unrestricted	774,108	1,018,980	(176,845)	-	1,616,243
Total net position (deficit)	\$ 6,116,030	\$ 6,642,770	\$ (176,845)	\$ 323,297	\$ 12,905,252

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, 2016**

	Business-Type Activities -- Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	
Operating revenues:					
Charges for services	\$ 1,509,758	\$ 1,283,714	\$ 713,210	\$ -	\$ 3,506,682
Miscellaneous	<u>5,930</u>	<u>(4,778)</u>	<u>5,001</u>	<u>-</u>	<u>6,153</u>
Total operating revenues	<u>1,515,688</u>	<u>1,278,936</u>	<u>718,211</u>	<u>-</u>	<u>3,512,835</u>
Operating expenses:					
Wages and benefits	509,742	468,835	54,927	-	1,033,504
Maintenance and supplies	877,150	486,575	631,498	-	1,995,223
Depreciation	288,450	275,643	-	-	564,093
Amortization	-	4,681	-	-	4,681
Bad debt	<u>7,237</u>	<u>(778)</u>	<u>(355)</u>	<u>-</u>	<u>6,104</u>
Total operating expenses	<u>1,682,579</u>	<u>1,234,956</u>	<u>686,070</u>	<u>-</u>	<u>3,603,605</u>
Operating income (loss)	<u>(166,891)</u>	<u>43,980</u>	<u>32,141</u>	<u>-</u>	<u>(90,770)</u>
Non-operating revenue (expenses):					
Developer fees	70,509	25,318	-	-	95,827
Interest income	904	1,592	1,172	17,644	21,312
Interest expense	<u>(35,061)</u>	<u>(234,898)</u>	<u>-</u>	<u>(13,014)</u>	<u>(282,973)</u>
Total non-operating revenues (expenses)	<u>36,352</u>	<u>(207,988)</u>	<u>1,172</u>	<u>4,630</u>	<u>(165,834)</u>
Income before contributions	(130,539)	(164,008)	33,313	4,630	(256,604)
Capital contributions	<u>15,620</u>	<u>5,390</u>	<u>-</u>	<u>-</u>	<u>21,010</u>
Change in net position	(114,919)	(158,618)	33,313	4,630	(235,594)
Net position (deficit) - beginning	<u>6,230,949</u>	<u>6,801,388</u>	<u>(210,158)</u>	<u>318,667</u>	<u>13,140,846</u>
Net position (deficit) - ending	<u>\$ 6,116,030</u>	<u>\$ 6,642,770</u>	<u>\$ (176,845)</u>	<u>\$ 323,297</u>	<u>\$ 12,905,252</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, 2016**

	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	\$ 1,445,040	\$ 1,292,638	\$ 707,309	\$ -	\$ 3,444,987
Cash payments to employees	(506,903)	(465,966)	(55,170)	-	(1,028,039)
Cash payments to suppliers	(847,575)	(436,026)	(574,116)	-	(1,857,717)
Other operating cash receipts	5,801	-	5,000	-	10,801
Net cash provided (used) by operating activities	<u>96,363</u>	<u>390,646</u>	<u>83,023</u>	<u>-</u>	<u>570,032</u>
Cash flow from noncapital financing activities:					
Loans from/(to) other funds	6,216	(45,232)	(84,195)	16,033	(107,178)
Net cash provided (used) by noncapital financing activities	<u>6,216</u>	<u>(45,232)</u>	<u>(84,195)</u>	<u>16,033</u>	<u>(107,178)</u>
Cash flow from capital and related financing activities:					
Cash received from capital grants	15,620	5,390	-	-	21,010
Cash received from developers	70,509	25,318	-	-	95,827
Principal and interest paid	(73,916)	(314,319)	-	(49,145)	(437,380)
Acquisition or construction of capital assets	(98,732)	(90,550)	-	-	(189,282)
Net cash provided (used) by capital and related financing activities	<u>(86,519)</u>	<u>(374,161)</u>	<u>-</u>	<u>(49,145)</u>	<u>(509,825)</u>
Cash flow from investing activities:					
Interest and dividends on investments	904	1,592	1,172	17,642	21,310
Net cash provided (used) by investing activities	<u>904</u>	<u>1,592</u>	<u>1,172</u>	<u>17,642</u>	<u>21,310</u>
Net increase (decrease) in cash	16,964	(27,155)	-	(15,470)	(25,661)
Cash and cash equivalents, July 1, 2015	822,225	1,678,551	-	426,748	2,927,524
Cash and cash equivalents, June 30, 2016	<u>\$ 839,189</u>	<u>\$ 1,651,396</u>	<u>\$ -</u>	<u>\$ 411,278</u>	<u>\$ 2,901,863</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, 2016
 (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)	\$ (166,891)	\$ 43,980	\$ 32,141	\$ -	\$ (90,770)
<i>Adjustments to reconcile operating income (loss) to net cash used by operating activities:</i>					
Depreciation and amortization	288,450	280,324	-	-	568,774
<i>Change in assets and liabilities:</i>					
Decrease (increase) in receivables	(62,579)	7,973	(6,256)	-	(60,862)
Decrease (increase) in prepaid	(550)	1,222	-	-	672
Increase (decrease) in accounts payable	30,119	54,278	57,381	-	141,778
Increase (decrease) in compensated absences	2,839	2,869	(243)	-	5,465
Increase (decrease) in deposits and liabilities	4,975	-	-	-	4,975
Net cash provided (used) by operating activities	<u>\$ 96,363</u>	<u>\$ 390,646</u>	<u>\$ 83,023</u>	<u>\$ -</u>	<u>\$ 570,032</u>

CITY OF MENDOTA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents:	
Held with fiscal agent	\$ 1,129,036
Loans receivable	<u>85,557</u>
 Total assets	 <u>1,214,593</u>
NET POSITION	
Held in trust for pension benefits	<u>1,214,593</u>
 Total net position	 <u>\$ 1,214,593</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, 2016**

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 13,889
Employer contributions	52,666
Employee contributions	<u>46,253</u>
Total additions	<u>112,808</u>
DEDUCTIONS	
Current:	
Plan fees	11,561
Withdrawals	<u>6,682</u>
Total deductions	<u>18,243</u>
Change in net position	94,565
Net position - beginning	<u>1,120,028</u>
Net position - ending	<u>\$ 1,214,593</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MENDOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

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

Reporting Entity

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

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

Blended Component Unit

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

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

Basis of Presentation

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

Government-Wide Financial Statements:

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

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements:

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

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

The City reports the following major governmental funds:

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

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

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

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.

Local Transportation Funds (LTF) Special Revenue Fund: This fund is used to account for the City's apportioned share of assessed federal gas tax revenue as determined and passed through the Fresno Council of Governments. The funds are to be used exclusively for maintenance and improvement of the City's street and roads.

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

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, 2016

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.

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, 2016**

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, 2016**

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, 2016

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, 2016**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Net Position and Fund Balance (Continued)

Stabilization Arrangement

The City Council adopted the Emergency Fund Policy on March 27, 2012 through the adoption of Resolution No. 12-10. An emergency reserve fund was setup in the General Fund to account for unanticipated, emergency situations. It formally set aside \$1,300,000 for this purpose. During the year ended June 30, 2016 the City authorized expenditures of \$350,000 from the emergency reserve fund, leaving a balance of \$950,000 as of June 30, 2016. The agreement does not meet the criteria to be classified as restricted or committed, therefore it is classified as part of the General Fund unassigned fund balance.

Conditions of the Emergency Fund: 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.

Maintenance of the Emergency Fund: The Emergency fund is to remain healthy, with ample funding to address needs during emergency situations and fund balance shortfalls, ensuring the sustainability of the City. As such, the following requirements are in place to ensure the Emergency Fund remains in a healthy fiscal state.

- The Emergency Fund shall have a minimum maintenance level. Said level of funds shall be the greater of:
 - 50% of the average of the last three years' General Fund expenditures; or
 - The highest fund balance attained in the Emergency Fund to date.
- The total use of funds from the Emergency Fund in a fiscal year shall be reconstituted within 5 years from the last emergency funds used for a particular incident.
- Reconstitution shall be on a pro rata share from the department budgets that utilized emergency funds. These shall be handled as a line item in each fiscal budget, and may be amortized, at a minimum, over the 5 year restitution period. Such "payments" shall be transfers initiated immediately upon the adoption of the annual budget.

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.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

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

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 5,330,901
Cash and cash equivalents - restricted	1,031,768
Fiduciary Funds Statement of Net Position	<u>1,129,036</u>
Total cash and investments	<u>\$ 7,491,705</u>

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 700
Bank deposits	4,236,434
City of Mendota 401(k) Profit Sharing Plan	
Money market	145,859
Equities	983,177
LAIF	1,093,765
Investments	<u>1,031,770</u>
Total cash and investments	<u>\$ 7,491,705</u>

Deposits

The carrying amount of the City's cash deposit was \$4,236,434 at June 30, 2016. The bank balance at June 30, 2016 was \$4,225,323, 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.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments

Investments Authorized by the City’s Investment Policy

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

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>		<u>Remaining Maturity Date</u>
State investment pool	\$ 1,093,765	12 months or less
Held by fiscal agents:		
Money market	<u>1,031,770</u>	12 months or less
Total	<u>\$ 2,125,535</u>	

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

Disclosure Relating to Credit Risk

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

Investment Type	Ratings as of Year-End		
		AAA	Not Rated
State investment pool	\$ 1,093,765	\$ -	\$ 1,093,765
Held by fiscal agents:			
Money market	1,031,770	1,031,770	-
Total	<u>\$ 2,125,535</u>	<u>\$ 1,031,770</u>	<u>\$ 1,093,765</u>

Concentration of Credit Risk

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

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

\$620,490 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.

\$411,280 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, 2016, is \$1,214,593.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

Investments valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs. Fair value measurements of the City's investments are as follows at June 30, 2016:

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

NOTE 3 – RECEIVABLES

Accounts receivable as of June 30, 2016, consist of the following:

Governmental Activities

	General	Measure C Special Revenue Fund	HOME Investment Partnership Program Special Revenue Fund	Gas Tax Special Revenue Fund	LTF Special Revenue Fund	CDBG Program Special Revenue Fund	Nonmajor Governmental	Total
Receivables:								
Intergovernmental	\$ 233,758	\$ 27,231	\$ -	\$ -	\$ 35,085	-	\$ 20,982	\$ 317,056
Interest	235	219	-	117	70	78	278	997
Loans	-	-	1,254,009	-	-	846,480	-	2,100,489
Receivables, net	<u>\$ 233,993</u>	<u>\$ 27,450</u>	<u>\$ 1,254,009</u>	<u>\$ 117</u>	<u>\$ 35,155</u>	<u>\$ 846,558</u>	<u>\$ 21,260</u>	<u>\$ 2,418,542</u>

Business-Type Activities

	Water Fund	Sewer Fund	Sanitation Fund	Mendota Joint Powers Financing Authority	Total
Receivables:					
Accounts	\$ 250,787	\$ 162,876	\$ 89,015	\$ -	\$ 502,678
Interest	206	282	-	-	488
Allowance for uncollectible	(42,752)	(11,606)	(10,012)	-	(64,370)
Receivables, net	<u>\$ 208,241</u>	<u>\$ 151,552</u>	<u>\$ 79,003</u>	<u>\$ -</u>	<u>\$ 438,796</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – INTERFUND ACTIVITY

Interfund Receivables and Payables

The City had the following interfund receivables and payables as of June 30, 2016:

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, 2016 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 501,883	\$ -
HOME Investment Partnership Program Special Revenue Fund	-	8,707
Sanitation Fund	-	148,225
Mendota Joint Powers Financing Authority	-	161,303
Non-Major Funds:		
Aviation Assistance Special Revenue Fund	-	33,304
General Bond Debt Service Fund	-	150,344
	<u> </u>	<u> </u>
Total	<u>\$ 501,883</u>	<u>\$ 501,883</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, 2016, 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	\$ -	\$ 152,616
Water Fund	-	131,266
Sewer Fund	45,232	-
Mendota Joint Powers Financing Authority	243,650	-
Non-Major Funds:		
General Bond Debt Service Fund	-	5,000
	<u> </u>	<u> </u>
Total	<u>\$ 288,882</u>	<u>\$ 288,882</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity for the year ended June 30, 2016 is as follows:

	<u>Balance July 1, 2015</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance June 30, 2016</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 271,317	\$ 86,005	\$ -	\$ 357,322
Construction in progress	<u>115,036</u>	<u>188,640</u>	<u>(18,831)</u>	<u>284,845</u>
Total capital assets, not being depreciated	<u>386,353</u>	<u>274,645</u>	<u>(18,831)</u>	<u>642,167</u>
Capital assets, being depreciated:				
Infrastructure	8,113,340	1,133,834	-	9,247,174
Land improvements	4,585,147	-	-	4,585,147
Buildings and improvements	1,414,456	-	-	1,414,456
Equipment	<u>1,701,487</u>	<u>185,862</u>	<u>-</u>	<u>1,887,349</u>
Total capital assets, being depreciated	<u>15,814,430</u>	<u>1,319,696</u>	<u>-</u>	<u>17,134,126</u>
Less: accumulated depreciation	<u>4,718,314</u>	<u>757,198</u>	<u>-</u>	<u>5,475,512</u>
Total capital assets, being depreciated, net	<u>11,096,116</u>	<u>562,498</u>	<u>-</u>	<u>11,658,614</u>
Governmental activities capital assets, net	<u>\$ 11,482,469</u>	<u>\$ 837,143</u>	<u>\$ (18,831)</u>	<u>\$ 12,300,781</u>
	<u>Balance July 1, 2015</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance June 30, 2016</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,098,220	\$ -	\$ -	\$ 2,098,220
Construction in progress	-	56,400	-	56,400
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>56,400</u>	<u>-</u>	<u>2,216,045</u>
Capital assets, being depreciated:				
Infrastructure	9,391,201	-	-	9,391,201
Buildings and improvements	10,268,022	-	-	10,268,022
Equipment	<u>2,550,800</u>	<u>132,882</u>	<u>-</u>	<u>2,683,682</u>
Total capital assets, being depreciated	<u>22,210,023</u>	<u>132,882</u>	<u>-</u>	<u>22,342,905</u>
Less: accumulated depreciation	<u>7,849,109</u>	<u>564,093</u>	<u>-</u>	<u>8,413,202</u>
Total capital asset, being depreciated, net	<u>14,360,914</u>	<u>(431,211)</u>	<u>-</u>	<u>13,929,703</u>
Business-type activities capital assets, net	<u>\$ 16,520,559</u>	<u>\$ (374,811)</u>	<u>\$ -</u>	<u>\$ 16,145,748</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Activities:

General government	\$	21,443
Public safety		60,136
Municipal airport		16,629
Highways and streets		458,444
Public works		39,775
Parks and recreation		<u>160,771</u>

Total depreciation expense - governmental activities \$ 757,198

Business-Type Activities:

Water	\$	288,450
Sewer		<u>275,643</u>

Total depreciation expense - business-type activities \$ 564,093

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions for the City for the year ended June 30, 2016 is as follows:

	<u>Balance July 1, 2015</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Governmental Activities:					
Central San Joaquin Valley Risk Management Authority Loan, payable in annual principal reductions from \$20,000 to \$11,103, non-interest bearing. Instrument matures on February 12, 2018.	\$ 51,585	-	\$ (20,000)	\$ 31,585	\$ 20,000
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.	50,564	-	(9,558)	41,006	10,112
Westamerica Bank Loan, payable in monthly installments of \$1,626, including interest at 5.50%. Instrument matures on October 1, 2020 and is secured by first trust deed on real property acquired.	-	85,000	(10,000)	75,000	15,725
Contractual legal settlement in the case of <i>Warkentine et al. v. Soria et al.</i> , in which the City of Mendota was a party. Initial principal reduction of \$350,000 paid on March 11, 2016, to be followed by five equal, non-interest bearing, annual installments of \$60,000 beginning March 2, 2017. Maturing on March 2, 2021.	-	650,000	(350,000)	300,000	60,000
Loan due to the Successor Agency of the Mendota Redevelopment Agency. Interest is calculated and accrued quarterly based on the current rate of interest earned with the California Local Agency Investment Fund. Annual principal reductions of \$10,143, including interest (as determined), will commence thereafter. Instrument matures in August 2039.	304,290	-	-	304,290	81,144
Compensated absences	<u>52,746</u>	<u>133,734</u>	<u>(119,323)</u>	<u>67,157</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 459,185</u>	<u>\$ 868,734</u>	<u>\$ (508,881)</u>	<u>\$ 819,038</u>	<u>\$ 186,981</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

	<u>Balance July 1, 2015</u>	<u>Issued/ Transferred</u>	<u>Retired/ Transferred</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Westamerica capital lease for Pitney Bowes Invoice Folding Machine, payable in monthly installments of \$512, including interest at 5.5%. Instrument matures on December 15, 2017.	\$ 13,851	\$ -	\$ (5,506)	\$ 8,345	\$ 5,324
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.	200,000	-	(35,000)	165,000	40,000
USDA Water Improvement Loan, payable in annual principal reductions from \$22,000 to \$60,000, interest payable semi-annually at 4.50% per annum.	653,000	-	(38,000)	615,000	40,000
Westamerica Bank Loan, payable in monthly installments of \$1,552, including interest at 5.50%. Instrument matures on July 20, 2020 and is secured by three work trucks acquired.	-	81,060	(13,211)	67,849	15,220
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.	3,080,000	-	(110,000)	2,970,000	115,000
Less: unamortized bond discount	<u>(93,616)</u>	<u>-</u>	<u>4,682</u>	<u>(88,934)</u>	<u>-</u>
Subtotal	2,986,384	-	(105,318)	2,881,066	115,000
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%.	2,126,000	-	(29,000)	2,097,000	30,000
Compensated absences	<u>34,420</u>	<u>85,057</u>	<u>(79,592)</u>	<u>39,885</u>	<u>6,296</u>
Business-type activities long-term liabilities	<u>\$ 6,013,655</u>	<u>\$ 85,057</u>	<u>\$ (292,416)</u>	<u>\$ 5,874,145</u>	<u>\$ 236,620</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2016, annual debt service requirements for governmental activities are as follows:

Central San Joaquin Valley Risk Management Authority

Year Ended June 30	Principal	Interest	Totals
2017	\$ 20,000	\$ -	\$ 20,000
2018	<u>11,585</u>	<u>-</u>	<u>11,585</u>
Total	<u>\$ 31,585</u>	<u>\$ -</u>	<u>\$ 31,585</u>

Westamerica Bank Loan (Police Vehicles)

Year Ended June 30	Principal	Interest	Totals
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>
Total	<u>\$ 41,006</u>	<u>\$ 4,535</u>	<u>\$ 45,541</u>

Westamerica Bank Loan (Land Acquisition)

Year Ended June 30	Principal	Interest	Totals
2017	\$ 15,725	\$ 3,785	\$ 19,510
2018	16,625	2,886	19,511
2019	17,576	1,935	19,511
2020	18,579	931	19,510
2021	<u>6,495</u>	<u>77</u>	<u>6,572</u>
Total	<u>\$ 75,000</u>	<u>\$ 9,614</u>	<u>\$ 84,614</u>

Contractual Legal Settlement (Warkentine, et. al.)

Year Ended June 30	Principal	Interest	Totals
2017	\$ 60,000	\$ -	\$ 60,000
2018	60,000	-	60,000
2019	60,000	-	60,000
2020	60,000	-	60,000
2021	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Successor Agency of the Mendota Redevelopment Agency Loan

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 81,144	\$ 13,620	\$ 94,764
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>\$ 13,620</u>	<u>\$ 317,910</u>

As of June 30, 2016, annual debt service requirements for business-type activities are as follows:

Westamerica Bank Loan (Office Equipment)

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 5,324	\$ 305	\$ 5,629
2018	<u>3,021</u>	<u>49</u>	<u>3,070</u>
Total	<u>\$ 8,345</u>	<u>\$ 354</u>	<u>\$ 8,699</u>

1989 Finance Authority Revenue Bonds

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$ 165,000</u>	<u>\$ 26,159</u>	<u>\$ 191,159</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Westamerica Bank Loan (Vehicles)

Year Ended June 30	Principal	Interest	Totals
2017	\$ 15,220	\$ 3,399	\$ 18,619
2018	16,091	2,529	18,620
2019	17,011	1,608	18,619
2020	17,983	636	18,619
2021	<u>1,544</u>	<u>7</u>	<u>1,551</u>
Total	<u>\$ 67,849</u>	<u>\$ 8,179</u>	<u>\$ 76,028</u>

USDA Water Improvement Loan

Year Ended June 30	Principal	Interest	Totals
2017	\$ 40,000	\$ 28,530	\$ 68,530
2018	42,000	26,775	68,775
2019	44,000	24,930	68,930
2020	46,000	22,995	68,995
2021	48,000	20,970	68,970
2022-2026	273,000	78,143	351,143
2027-2028	<u>122,000</u>	<u>5,445</u>	<u>127,445</u>
Total	<u>\$ 615,000</u>	<u>\$ 207,788</u>	<u>\$ 822,788</u>

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

Year Ended June 30	Principal	Interest	Totals
2017	\$ 115,000	\$ 146,280	\$ 261,280
2018	120,000	140,933	260,933
2019	125,000	135,266	260,266
2020	130,000	129,305	259,305
2021	135,000	123,044	258,044
2022-2026	740,000	504,848	1,244,848
2027-2031	700,000	326,768	1,026,768
2032-2036	905,000	121,154	1,026,154
2036-2040	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	2,970,000	1,627,598	4,597,598
Less: unamortized discount	<u>(88,934)</u>	<u>-</u>	<u>(88,934)</u>
Total	<u>\$ 2,881,066</u>	<u>\$ 1,627,598</u>	<u>\$ 4,508,664</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 30,000	\$ 83,505	\$ 113,505
2018	31,000	82,055	113,055
2019	32,000	80,795	112,795
2020	34,000	79,474	113,474
2021	35,000	78,310	113,310
2022-2026	199,000	367,867	566,867
2027-2031	240,000	324,141	564,141
2032-2036	293,000	270,930	563,930
2037-2041	356,000	206,295	562,295
2042-2046	434,000	127,394	561,394
2047-2050	413,000	33,856	446,856
Total	<u>\$ 2,097,000</u>	<u>\$ 1,734,622</u>	<u>\$ 3,831,622</u>

NOTE 7 – RISK MANAGEMENT

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

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

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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:

	HOME Investment Partnership Program Special Revenue Fund	CDBG Program Special Revenue Fund	Total
Deferred Loans	<u>\$ 1,254,009</u>	<u>\$ 846,480</u>	<u>\$ 2,100,489</u>
Total deferred inflows of resources	<u>\$ 1,254,009</u>	<u>\$ 846,480</u>	<u>\$ 2,100,489</u>

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, employee contributions totaled \$46,253 and the City recognized pension expense of \$52,666.

Employees are immediately vested in their own contributions and earnings on those contributions and become fully vested in City contributions and earnings after completing 3 years of creditable service with the City. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the Plan's administrative expenses and contributions. For the year ended June 30, 2016, there were no forfeitures reported.

NOTE 10 – DEFICIT EQUITY BALANCES

The following funds had deficit fund equity at June 30, 2016:

Major Funds:		
HOME Investment Partnership Program Special Revenue Fund	\$	8,707
Sanitation Enterprise Fund		176,845
Non-major Governmental Funds:		
General Bond Debt Service Fund		155,344
Aviation Assistance Special Revenue Fund		13,432

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.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 – PRONOUNCEMENTS

(1) New Accounting Pronouncements 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 of this statement were implemented by the City during the current fiscal year.

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 were considered but had no effect on the City’s current fiscal year.

Governmental Accounting Standards Board Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The requirements of this statement were considered but had no effect on the City’s current fiscal year.

Governmental Accounting Standards Board Statement No. 82

In March 2016, GASB issued Statement No. 82, *Pension Issues—an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement was adopted by the City during the current fiscal year. The effects of the adoption of this statement included a change in the manner covered payroll is reported in the following required supplementary schedules: Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions. The requirements of this statement were considered but had no effect on the City’s current fiscal year.

CITY OF MENDOTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 – PRONOUNCEMENTS (Continued)

(2) New Accounting Pronouncements Not Yet Adopted

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, 2018.

Governmental Accounting Standards Board Statement No. 77

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 80

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 81

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018, and should be applied retroactively.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,550,886	\$ 1,550,886	\$ 1,539,674	\$ (11,212)
Licenses and permits	57,500	57,500	128,325	70,825
Intergovernmental	6,000	6,000	80,232	74,232
Charges for services	89,553	89,553	284,922	195,369
Fines	110,000	110,000	136,752	26,752
Revenue from the use of money and property	71,500	71,500	73,999	2,499
Miscellaneous	<u>138,100</u>	<u>138,100</u>	<u>43,083</u>	<u>(95,017)</u>
Total revenues	<u>2,023,539</u>	<u>2,023,539</u>	<u>2,286,987</u>	<u>263,448</u>
EXPENDITURES				
Current:				
General government	482,907	482,907	548,965	(66,058)
Public safety	1,117,569	1,117,569	1,282,703	(165,134)
Public works	102,118	102,118	89,013	13,105
Building and planning	132,836	132,836	218,741	(85,905)
Parks	215,382	215,382	258,632	(43,250)
Legal settlement	-	-	350,000	(350,000)
Capital outlay	10,000	10,000	112,025	(102,025)
Debt service:				
Principal	36,599	36,599	39,558	(2,959)
Interest	<u>-</u>	<u>-</u>	<u>19,096</u>	<u>(19,096)</u>
Total expenditures	<u>2,097,411</u>	<u>2,097,411</u>	<u>2,918,733</u>	<u>(821,322)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(73,872)</u>	<u>(73,872)</u>	<u>(631,746)</u>	<u>(557,874)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(500)	-	(13,581)	(13,581)
Other sources of income	<u>2,500</u>	<u>-</u>	<u>85,117</u>	<u>85,117</u>
Total other financing sources (uses)	2,000	-	71,536	71,536
Net change in fund balance	(71,872)	(73,872)	(560,210)	(486,338)
Fund balance - beginning	<u>1,449,606</u>	<u>1,449,606</u>	<u>1,449,606</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,377,734</u>	<u>\$ 1,375,734</u>	<u>\$ 889,396</u>	<u>\$ (486,338)</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
MEASURE C SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 332,750	\$ 332,750	\$ 346,036	\$ 13,286
Intergovernmental	-	-	78,929	78,929
Revenue from the use of money and property	-	-	1,008	1,008
Total revenues	<u>332,750</u>	<u>332,750</u>	<u>425,973</u>	<u>93,223</u>
EXPENDITURES				
Current:				
Highways and streets	304,742	304,742	251,859	52,883
Capital outlay	<u>303,972</u>	<u>303,972</u>	<u>433,436</u>	<u>(129,464)</u>
Total expenditures	<u>608,714</u>	<u>608,714</u>	<u>685,295</u>	<u>(76,581)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275,964)</u>	<u>(275,964)</u>	<u>(259,322)</u>	<u>16,642</u>
Net change in fund balance	(275,964)	(275,964)	(259,322)	16,642
Fund balance - beginning	<u>1,211,628</u>	<u>1,211,628</u>	<u>1,211,628</u>	<u>-</u>
Fund balance - ending	<u>\$ 935,664</u>	<u>\$ 935,664</u>	<u>\$ 952,306</u>	<u>\$ 16,642</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
GAS TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 284,853	\$ 284,853	\$ 372,403	\$ 87,550
Revenue from the use of money and property	<u>500</u>	<u>500</u>	<u>558</u>	<u>58</u>
Total revenues	<u>285,353</u>	<u>285,353</u>	<u>372,961</u>	<u>87,608</u>
EXPENDITURES				
Current:				
Highways and streets	160,342	160,342	161,333	(991)
Capital outlay	<u>400,975</u>	<u>400,975</u>	<u>436,467</u>	<u>(35,492)</u>
Total expenditures	<u>561,317</u>	<u>561,317</u>	<u>597,800</u>	<u>(36,483)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275,964)</u>	<u>(275,964)</u>	<u>(224,839)</u>	<u>51,125</u>
Net change in fund balance	(275,964)	(275,964)	(224,839)	51,125
Fund balances - beginning	<u>736,677</u>	<u>736,677</u>	<u>736,677</u>	<u>-</u>
Fund balances - ending	<u>\$ 460,713</u>	<u>\$ 460,713</u>	<u>\$ 511,838</u>	<u>\$ 51,125</u>

CITY OF MENDOTA

**BUDGETARY COMPARISON SCHEDULE
LTF SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 339,597	\$ 339,597	\$ 292,355	\$ (47,242)
Revenue from the use of money and property	-	-	333	333
Miscellaneous	-	-	31,000	31,000
Total revenues	<u>339,597</u>	<u>339,597</u>	<u>323,688</u>	<u>(15,909)</u>
Expenditures:				
Highways and streets	288,699	288,699	181,207	107,492
Capital outlay	<u>326,862</u>	<u>326,862</u>	<u>438,191</u>	<u>(111,329)</u>
Total expenditures	<u>615,561</u>	<u>615,561</u>	<u>619,398</u>	<u>(3,837)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275,964)</u>	<u>(275,964)</u>	<u>(295,710)</u>	<u>(19,746)</u>
Net change in fund balance	(275,964)	(275,964)	(295,710)	(19,746)
Fund balances, beginning	<u>619,543</u>	<u>619,543</u>	<u>619,543</u>	-
Fund balances, ending	<u>\$ 343,579</u>	<u>\$ 343,579</u>	<u>\$ 323,833</u>	<u>\$ (19,746)</u>

CITY OF MENDOTA

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
General government	\$ 66,058
Public safety	165,134
Building and planning	85,905
Parks	43,250
Legal settlement	350,000
Capital outlay	102,025
Principal	2,959
Interest	19,096
Measure C Special Revenue Fund:	
Capital outlay	129,464
Gas Tax Special Revenue Fund:	
Highways and streets	991
Capital outlay	35,492
LTF Special Revenue Fund:	
Capital outlay	111,329

SUPPLEMENTARY INFORMATION

CITY OF MENDOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 782,646	\$ -	\$ 155,374	\$ 938,020
Receivables	<u>21,217</u>	<u>-</u>	<u>43</u>	<u>21,260</u>
 Total assets	 <u>\$ 803,863</u>	 <u>\$ -</u>	 <u>\$ 155,417</u>	 <u>\$ 959,280</u>
LIABILITIES				
Accounts payable	\$ 1,120	\$ -	\$ -	\$ 1,120
Due to other funds	33,304	150,344	-	183,648
Advances from other funds	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
 Total liabilities	 <u>34,424</u>	 <u>155,344</u>	 <u>-</u>	 <u>189,768</u>
FUND BALANCES				
Restricted for:				
Redevelopment and housing	297,848	-	-	297,848
Public safety	453,884	-	-	453,884
Highways and streets	139,380	-	122,180	261,560
Parks and recreation	80,367	-	-	80,367
Committed to:				
Public safety	32,101	-	-	32,101
Unassigned	<u>(234,141)</u>	<u>(155,344)</u>	<u>33,237</u>	<u>(356,248)</u>
 Total fund balances	 <u>769,439</u>	 <u>(155,344)</u>	 <u>155,417</u>	 <u>769,512</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 803,863</u>	 <u>\$ -</u>	 <u>\$ 155,417</u>	 <u>\$ 959,280</u>

CITY OF MENDOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
REVENUES				
Taxes	\$ 166,505	\$ -	\$ -	\$ 166,505
Licenses and permits	105,309	-	-	105,309
Intergovernmental	194,618	-	-	194,618
Fines	23,669	-	-	23,669
Revenue from the use of money and property	1,054	-	188	1,242
Miscellaneous	48,445	-	-	48,445
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	539,600	-	188	539,788
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Current:				
Public safety	347,228	-	-	347,228
Municipal airport	10,119	-	-	10,119
Highways and streets	2,179	-	-	2,179
Parks and recreation	3,024	-	-	3,024
Redevelopment and housing	5,083	-	-	5,083
Capital outlay	155,392	-	-	155,392
Debt service:				
Interest	-	501	-	501
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	523,025	501	-	523,526
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	30,156	(501)	188	29,843
Fund balances - beginning	739,283	(154,843)	155,229	739,669
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 769,439	\$ (155,344)	\$ 155,417	\$ 769,512
	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2016**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>Police Grants</u>
ASSETS				
Cash and cash equivalents	\$ 277,589	\$ -	\$ 287,412	\$ 70,168
Receivables	<u>68</u>	<u>20,000</u>	<u>113</u>	<u>18</u>
Total assets	<u>\$ 277,657</u>	<u>\$ 20,000</u>	<u>\$ 287,525</u>	<u>\$ 70,186</u>
LIABILITIES				
Accounts payable	\$ -	\$ 128	\$ -	\$ -
Due to other funds	<u>-</u>	<u>33,304</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>33,432</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Redevelopment and housing	297,848	-	-	-
Public safety	-	-	287,702	38,085
Highways and streets	-	-	134,788	-
Parks and recreations	-	-	65,553	-
Committed to				
Public safety	-	-	-	32,101
Unassigned	<u>(20,191)</u>	<u>(13,432)</u>	<u>(200,518)</u>	<u>-</u>
Total fund balances	<u>277,657</u>	<u>(13,432)</u>	<u>287,525</u>	<u>70,186</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 277,657</u>	<u>\$ 20,000</u>	<u>\$ 287,525</u>	<u>\$ 70,186</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2016**

	<u>Alley Assessment Improvements</u>	<u>Mendota CFD</u>	<u>Mendota Community Corporation</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,591	\$ 128,075	\$ 14,811	\$ 782,646
Receivables	<u>1</u>	<u>1,014</u>	<u>3</u>	<u>21,217</u>
 Total assets	 <u>\$ 4,592</u>	 <u>\$ 129,089</u>	 <u>\$ 14,814</u>	 <u>\$ 803,863</u>
LIABILITIES				
Accounts payable	\$ -	\$ 992	\$ -	\$ 1,120
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,304</u>
 Total liabilities	 <u>-</u>	 <u>992</u>	 <u>-</u>	 <u>34,424</u>
FUND BALANCES				
Restricted for:				
Redevelopment and housing	-	-	-	297,848
Public safety	-	128,097	-	453,884
Highways and streets	4,592	-	-	139,380
Parks and recreations	-	-	14,814	80,367
Committed to				
Public safety	-	-	-	32,101
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(234,141)</u>
 Total fund balances	 <u>4,592</u>	 <u>128,097</u>	 <u>14,814</u>	 <u>769,439</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 4,592</u>	 <u>\$ 129,089</u>	 <u>\$ 14,814</u>	 <u>\$ 803,863</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, 2016**

	<u>Housing Income</u>	<u>Aviation Assistance</u>	<u>Development Fee</u>	<u>Police Grants</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	105,309	-
Intergovernmental	-	20,000	60,000	114,618
Fines	-	-	-	23,669
Revenue from the use of money and property	310	-	515	79
Miscellaneous	<u>28,359</u>	<u>-</u>	<u>15,874</u>	<u>-</u>
Total revenues	<u>28,669</u>	<u>20,000</u>	<u>181,698</u>	<u>138,366</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	138,951
Municipal airport	-	10,119	-	-
Highways and streets	-	-	2,179	-
Parks and recreation	-	-	32	-
Redevelopment and housing	5,083	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>155,392</u>	<u>-</u>
Total expenditures	<u>5,083</u>	<u>10,119</u>	<u>157,603</u>	<u>138,951</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,586</u>	<u>9,881</u>	<u>24,095</u>	<u>(585)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	23,586	9,881	24,095	(585)
Fund balances - beginning	<u>254,071</u>	<u>(23,313)</u>	<u>263,430</u>	<u>70,771</u>
Fund balances - ending	<u>\$ 277,657</u>	<u>\$ (13,432)</u>	<u>\$ 287,525</u>	<u>\$ 70,186</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, 2016**

	<u>Alley Assessment Improvements</u>	<u>Mendota CFD</u>	<u>Mendota Community Corporation</u>	<u>Total</u>
REVENUES				
Taxes	\$ -	\$ 166,505	\$ -	\$ 166,505
Licenses and permits	-	-	-	105,309
Intergovernmental	-	-	-	194,618
Fines	-	-	-	23,669
Revenue from the use of money and property	4	133	13	1,054
Miscellaneous	-	-	4,212	48,445
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	4	166,638	4,225	539,600
EXPENDITURES				
Current:				
Public safety	-	208,277	-	347,228
Municipal airport	-	-	-	10,119
Highways and streets	-	-	-	2,179
Parks and recreation	-	-	2,992	3,024
Redevelopment and housing	-	-	-	5,083
Capital outlay	-	-	-	155,392
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	208,277	2,992	523,025
Excess (deficiency) of revenues over (under) expenditures	<hr/> 4	<hr/> (41,639)	<hr/> 1,233	<hr/> 16,575
Other financing sources (uses):				
Transfers in	-	-	13,581	13,581
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	13,581	13,581
Net change in fund balances	4	(41,639)	14,814	30,156
Fund balances - beginning	<hr/> 4,588	<hr/> 169,736	<hr/> -	<hr/> 739,283
Fund balances - ending	<u>\$ 4,592</u>	<u>\$ 128,097</u>	<u>\$ 14,814</u>	<u>\$ 769,439</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
JUNE 30, 2016**

	<u>General Bond</u>
LIABILITIES	
Due to other funds	\$ 150,344
Advances from other funds	<u>5,000</u>
Total liabilities	<u>155,344</u>
FUND BALANCES	
Unassigned	<u>(155,344)</u>
Total fund balances	<u>(155,344)</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, 2016**

	<u>General Bond</u>
EXPENDITURES	
Debt service:	
Interest	\$ <u>501</u>
Total expenditures	<u>501</u>
Net change in fund balance	(501)
Fund balances - beginning	<u>(154,843)</u>
Fund balances - ending	<u>\$ (155,344)</u>

CITY OF MENDOTA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
JUNE 30, 2016**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 85,492	\$ 69,882	\$ 155,374
Receivables	<u>20</u>	<u>23</u>	<u>43</u>
Total assets	<u>\$ 85,512</u>	<u>\$ 69,905</u>	<u>\$ 155,417</u>
FUND BALANCES			
Restricted to:			
Highways and streets	\$ 85,512	\$ 36,668	\$ 122,180
Committed to:			
Unassigned	<u>-</u>	<u>33,237</u>	<u>33,237</u>
Total fund balances	<u>85,512</u>	<u>69,905</u>	<u>155,417</u>
Total fund balances	<u>\$ 85,512</u>	<u>\$ 69,905</u>	<u>\$ 155,417</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, 2016**

	<u>CDBG - Sewer and Drainage Projects</u>	<u>Street Capital Projects</u>	<u>Total</u>
REVENUES			
Revenue from the use of money and property	\$ 88	\$ 100	\$ 188
Total revenues	<u>88</u>	<u>100</u>	<u>188</u>
EXPENDITURES			
Current:			
Highways and streets	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>88</u>	<u>100</u>	<u>188</u>
Net change in fund balances	88	100	188
Fund balances - beginning	<u>85,424</u>	<u>69,805</u>	<u>155,229</u>
Fund balances - ending	<u>\$ 85,512</u>	<u>\$ 69,905</u>	<u>\$ 155,417</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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 23, 2016.

Internal Control Over Financial Reporting

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

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

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

677 Scott Avenue
Clovis, CA 93612
tel 559.299.9540
fax 559.299.2344

Compliance and Other Matters

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

Purpose of this Report

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

Price Pange & Company

Clovis, California
November 23, 2016

FINDINGS AND QUESTIONED COSTS

**CITY OF MENDOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

**CITY OF MENDOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENT FINDINGS

None reported.