



**CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012

JOANNE MOUNCE, MAYOR
ALAN NAKANISHI, MAYOR PRO TEMP
LARRY HANSEN, COUNCILMEMBER
BOB JOHNSON, COUNCILMEMBER
PHIL KATZAKIAN, COUNCILMEMBER
KONRADT BARTLAM, CITY MANAGER

Prepared by the Financial Services Division
Ruby Paiste, Financial Services Manager
Wendy Dowhower, Supervising Accountant

INTRODUCTORY SECTION

**CITY OF LODI
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2012**

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CITY COUNCIL

JOANNE MOUNCE, Mayor
ALAN NAKANISHI, Mayor Pro
Tempore
COUNCILMEMBERS:
LARRY HANSEN
BOB JOHNSON
PHIL KATZAKIAN

CITY OF LODI
CITY HALL, 221 WEST PINE STREET
P.O. BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 333-6706
FAX (209) 333-6795

KONRADT BARTLAM
City Manager
RANDI JOHL
City Clerk
STEVE SCHWABAUER
City Attorney

December 6, 2012

**To the Honorable Mayor, Members of the City Council and the Manager
of the City of Lodi:**

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012, is hereby submitted. This report is provided to present the financial position, changes in financial position, and where applicable, cash flows of the City of Lodi (City) as of and for the year ended June 30, 2012, in conformity with generally accepted accounting principles. The report conforms to the highest standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), for reporting by State and local governments. The responsibility for the accuracy, fairness and completeness of the report rests with the City.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). We believe that the information is accurate in all material respects and that it is presented in a manner designed to fairly present the financial position of the City. In addition, we believe that all disclosures necessary to enable the reader to gain full understanding of the City's financial activities have been included.

This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

THE REPORTING ENTITY AND SERVICES PROVIDED

The funds included in the CAFR are those deemed dependent upon the City and controlled by the City Council and reflect the City's financial reporting entity in accordance with GASB Statement 14.

The City was incorporated December 6, 1906, as a municipal corporation under the general laws of the State of California. The City operates under a Council-Manager form of government. Under the Council-Manager form of government, policy making and legislative authority are entrusted to the City Council. The City Council consists of five members elected at-large by its voters for four-year terms, with no term limits. Elections are held

in November of even-numbered years. Each year the Mayor and Mayor Pro-Tempore are chosen by the members of the City Council. The Mayor presides at Council meetings and acts as the ceremonial head of the City, the Mayor Pro Tempore serves as Mayor in his or her absence. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for appointing department heads, and overseeing the operations of the City. The City Manager, City Attorney and the City Clerk are appointed by the City Council.

The City provides a wide range of municipal services including public safety (police, fire and graffiti abatement), public utilities services (electric, water and wastewater), transportation services (streets, flood control and transit) leisure, cultural and social services (parks and recreation, library and community center), and general government services (management, community development, human resources administration, financial administration, building maintenance and equipment maintenance).

Several municipal services are provided through other government agencies, private companies or public utility companies, including:

	Number of Facilities
Elementary and Secondary Schools	18
Sanitation (solid waste) and Cable Television	3
Ambulance	1
Gas and Telephone	2

ECONOMIC CONDITION AND OUTLOOK

The City is located in the San Joaquin Valley between Stockton 10 miles to the south, and Sacramento 35 miles to the north, and adjacent to U.S. Highway 99. The City population is 62,825 and is contained in an area of 13.98 square miles. The City has grown steadily since incorporation in 1906. The City's growth is provided for in both the General Plan and the City's growth control ordinance that allows an increase in population of 2% per year until the growth limits are reached.

The City is built on a strong and broad based local economy. The City is known for its Zinfandel wine. It is an authentic dynamic wine region with 80 wineries within 10 miles of downtown. The employment base is diversified with food processing, packaging, plastic and service industries.

In addition, the City has a wide range of small, financially sound businesses that add to the economic strength of the City. These companies range in size from 10 to 150 employees and produce a wide variety of products, services and commodities.

Over the past several years, there has been an increase in industrial and residential development that has been unprecedented since the early 1980s. This new development combined with the growing strength of the wine/grape industry is a positive indicator for the City. The City's focus on economic development has encouraged numerous big industries to move to the City that collectively created hundreds of new jobs.

Economic Development

The City continues to be committed to promoting economic development (business retention and attraction) and expanding the tax base to fund City services rather than increase taxes to pay for these services. The City has provided for additional retail sales and commercial activity with approval of new retail developments adjacent to Highway 99 and Harney Lane. The City is also committed to an Enterprise Zone with San Joaquin County.

MAJOR GOALS, OBJECTIVES AND PROJECTS

To assist the citizens of the City in understanding where the City intends to allocate available resources, the City Council, the City Manager and Department Heads established in 2004 a hierarchy of major goals, objectives and major projects that support and re-enforce the City's mission statement.

Four major City goals were established as policy direction and focal points for the efforts of City staff. These goals include:

- Ensure a High Quality of Life and a Safe Environment for Citizens
- Ensure Efficient and Productive City Organization
- Ensure Public Trust, and
- Ensure the Development of the Lodi Economy for a Fiscally Sound City Organization

City Council, the City Manager and Department Heads established nineteen major City objectives:

- | | |
|-----------------------------------------------------------------------------|-----------------------------------------------------------|
| Maintain City's Sense of Community | Provide Employee Training and Education |
| Provide for a Balanced Community | Evaluate Telecommunications Opportunities |
| Enhance Access through Implementation of Information Systems Strategic Plan | Provide Resources to Maintain City's Infrastructure |
| Promote Urban Forestry | Promote Public Relations and Marketing Efforts |
| Attract, Retain and Invest in a Quality City Work Force | Ensure Open and Accessible Public Meetings |
| Encourage Public Arts, Cultural and Recreational Opportunities | Pursue Efforts to be Entrepreneurial |
| Provide Appropriate and Sufficient City Facilities | Improve Customer Service |
| Develop Short and Long Range Operational Plans | Continue to use Partnerships to Advance City's Objectives |
| Develop Effective Records Management Program | Provide a Balanced Budget & Adhere to Adopted Policies |
| Promote Commercial/Industrial Base | |

Projects represent the foundation of the planning statements for the City. These projects are designed to accomplish specific objectives and become the focus for organization wide effort.

As discussed above, economic revitalization continued to be an active focal point of the City in 2011-12. The following projects are underway and will see significant progress or be completed in 2012.

Surface Water Treatment Plant

The City currently relies on groundwater for its drinking water supply. During FY 2009-10, the City requested bids for the construction of an 8 million gallon a day water treatment plant, utilizing surface water from the Mokelumne River. In October 2010, the City awarded the construction contract

and closed on a revenue bond issue to finance the construction. Construction began in March 2011 and the plant is estimated to begin delivering treated water to customers in December 2012. Total cost for the plant is estimated to be \$36.5 million.

Grape Bowl Improvements

The Grape Bowl is a stadium that was originally constructed using Work Project Administration Funding during the 1940's. The City continues to improve and update the facility. Significant improvements to lighting, disability access and installation of an all-weather surface were completed in prior years. Additional disability access improvements are scheduled for construction between November 2012 and June 2013. This \$2.0 million project will use a combination of Community Development Block Grant and local funds to construct a concession and restroom building, plaza area, and disability access and seating on the south concourse.

Reynolds Ranch

Reynolds Ranch is a planned development on the south eastern edge of the city that will eventually incorporate residential and commercial development. A Costco store was completed with a grand opening in June 2011 and a Home Depot opened in March 2012..

Water Meters and Water Infrastructure

Under the state law, all residential housing must be billed for water usage on a metered basis by 2025. The City has embarked on a program to install meters on approximately 14,000 parcels over a seven year period. A portion of this project will also include moving mains and service connections from alleys and rear yards to streets and front yards. Additionally, the City will be appropriately sizing water mains as part of this project. Construction began during FY 2009-10 and will continue through FY 2016-17. To date, approximately 6,000 meters have been installed. Estimated cost for the complete program is \$42.5 million.

White Slough Wastewater Treatment Plant De-watering Facility

The City awarded a contract in FY 2010/11 to construct a de-watering facility at its White Slough Wastewater Treatment Plant to meet regulatory requirements. The de-watering facility cost approximately \$4.6 million and was completed in December 2011.

FINANCIAL INFORMATION, MANAGEMENT AND CONTROL

A detailed understanding of the financial position and operating results of the City is provided in the following sections of this report. The following is a brief description of the City's financial condition, management practices and control techniques.

Basis of Accounting

Basis of accounting refers to the policy as to when revenues, expenditures or expenses are recognized in the financial accounts and reported in the financial statements. The City's accounting records for general government operations are maintained on a modified accrual basis. Revenues are recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liability incurred. For proprietary fund types, the City uses the accrual basis of accounting. As such, the measurement focus is on net income in addition to financial position and changes in financial position. Revenues are recognized when earned and expenses are recognized as the liability is incurred. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting System and Budgetary Control

In developing the City's accounting system, consideration is given to the adequacy of the internal controls. The objective of the City's internal accounting controls is to provide reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that estimates and judgments are required to be made by management in evaluating these costs and benefits.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is responsible for the preparation of the budget and its implementation after adoption. The City Council has the authority to amend the budget at any time during the year. The City Manager has the authority to make adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end balances. During fiscal year 2011-12, the City Council and City Manager made several supplemental budget appropriations, the majority of which relate to operating budgets and capital projects.

Fund Balance

It is the City's goal to target and maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds of at least 25% of operating expenses. Based on a reserve policy adopted in March 2011, the target for the Electric enterprise fund working capital is \$28.7 million for fiscal year 2011-12. The goals allow for variations from year-to-year to account for economic and fiscal changes. The General Fund maintained an unassigned fund balance of \$6,232,459 or 17.03%, of operating revenues at the end of fiscal year 2011-12.

Cash Management

The City has written investment policies that address a wide range of investments. These policies describe the City's investment objectives, investment authority, allowable investment vehicles, maturity terms and eligible financial institutions. They also describe the City's capital preservation and cash management objectives. As provided in the policy, investments are intended to be held until maturity and investment terms are to be consistent with the City's cash flow needs. Investment reports are issued quarterly to the City Manager and City Council to provide detailed information regarding the City's investments and compliance with City policy and state law. An important objective of the City's investment policy is to achieve a reasonable rate of return on public funds while minimizing risks and preserving capital. In evaluating the performance of the City's investment portfolio, investments are expected to yield a rate of return that regularly meets or exceeds an average rate of return on a three-month U.S. Treasury Bill.

Appropriation Limitation

Article XIII B of the Constitution of the State of California (Proposition 4) provides for the limitation of expenditures by state and local governments. Under the provisions of this article, City appropriations funded through tax sources may not exceed Fiscal Year 1979 appropriation levels except as adjusted for increases in population and the growth in the California per capita income or non-residential assessed valuation due to new construction within the City.

Excluded from the limitation are appropriations funded through charges for services, fines and forfeitures, grants, transfers of service responsibilities between government agencies and indebtedness incurred prior to Fiscal Year 1979. Pursuant to subsequent legislation adopted after Article XIII B,

the City is required to annually establish and adopt its appropriations limit by resolution. For 2011-12, the City's appropriations subject to limit were \$31,857,150 and the appropriation limit was \$77,891,729 leaving appropriations at \$46,034,579 below the limit.

Debt Administration

At June 30, 2012, the City had outstanding Certificates of Participation of \$187,598,430. These liabilities are discussed in Note 8 of the Basic Financial Statements and summarized below.

The City issued \$5.0 million of Certificates of Participation (1995 COP) to fund its share of capital improvements in the downtown and Cherokee Lane areas. These bonds were refunded by the issuance of the 2002 Certificates of Participation.

The City also issued \$10.12 million for the renovation of the Performing Arts Center on August 1, 1996; the 2002 Certificates of Participation also refunded these bonds.

In 1999, the Electric Utility issued \$43.96 million Certificates of Participation to finance the costs of certain improvements to the distribution and transmission facilities of the City's electric system. These bonds were refunded by the issuance of the 2002 Electric Systems Revenue Certificates of Participation. The 2002 bonds were refunded with the 2008 Electric Systems Revenue Certificates of Participation thereby eliminating a variable rate obligation.

In November 2002, the City issued the 2002 Revenue Certificates of Participation Series C for \$21,225,000 and 2002 Series D for \$22,740,000, to buy out the energy purchase agreement entered into by the City in January 2002 with Calpine.

On October 7, 2003, the City and the City of Fort Bragg issued Water and Wastewater revenue bonds (2003B) through the California Statewide Communities Development Authority ("the Authority") under its pooled financing program. Total bonds issued were \$9,855,000 of which \$5,000,000 was for the upgrade of the City's wastewater facilities.

In 2004, the City issued \$27,360,000 in Wastewater Certificates of Participation (2004A) to finance the costs of improvements to the wastewater collection, treatment and disposal system.

In 2007, the City issued \$30,320,000 in Wastewater Certificates of Participation (2007A) to finance Phase III of the wastewater improvements and to refund the 1991 Certificates of Participation.

On July 24, 2008, the City issued the 2008 Electric System Revenue Certificates of Participation to provide funds to currently refund the outstanding \$46,760,000 principal amount of the Electric System Revenue Certificates of Participation 2002 Series A Variable Rates Certificates (the "Refunded 2002 Certificates"); and to pay certain costs relating to the termination of a swap agreement relating to the Refunded 2002 Certificates.

On October 1, 2010, the City issued \$9,015,000 Water Revenue Certificates of Participation, 2010 Series A and \$29,650,000 Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system.

The City's debt management policy includes a commitment to monitor all forms of debt annually during the preparation of the City's Financial Plan and Budget to ensure compliance. Also, the City will generally conduct financing on a competitive basis, will seek an investment grade rating on any direct debt and will obtain credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability and cost effectiveness.

Interim Financial Reporting

Monthly financial reports are prepared to present the City's financial condition and results of operations. These executive reports are organized using the "pyramid" approach. As such, the highest level of summary data is presented first, followed by progressively greater levels of detail. The reports provide current period and year to date revenues, expenditures and encumbrances for all activities and funds, including year to date estimates and variances. The reports are available to all departments.

Single Audit

The City is subject to financial and compliance reporting required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, which is a requirement of all local and state governments receiving federal financial awards. As part of the Single Audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial awards, as well as to determine that the City has complied with certain applicable laws and regulations governing federal funds. The Single Audit report is published as part of the annual financial statements for easy reference.

Competitive Bidding Policy

All required purchases for materials, equipment and services during 2011-12 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of \$5,000.

Risk Management

The City is self-insured for dental care, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance. Self-insurance transactions are accounted for under the Insurance Funds. At June 30, 2012, the Insurance Fund had a net asset of \$1,498,096.

INDEPENDENT AUDIT

The City Council requires an annual audit of the records and accounts of the City by an independent certified public accountant. To ensure internal control, periodically the City conducts a request for proposal (RFP) process for auditing services. The accounting firm of Macias Gini & O'Connell LLP was selected to perform this audit. The independent auditors' report precedes the basic financial statements and concludes that the City's basic financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

CERTIFICATES OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. These Certificates of Achievement are prestigious national and state awards recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

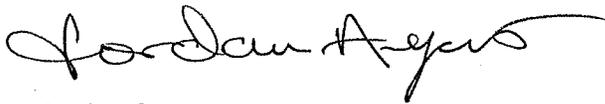
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last nineteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA this year.

ACKNOWLEDGMENTS

As always the professionalism, dedication and efficiency of the Financial Services Division Accounting staff made it possible for the timely preparation of this report and are to be commended. I would also like to personally thank Ruby Paiste, Financial Services Manager, Wendy Dowhower, Supervising Accountant, Tyson Mordhorst, Senior Programmer Analyst and Nancy Spinelli, Accounting Clerk. Their work in preparing this year's CAFR is greatly appreciated.

I would also like to thank you for your continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Jordan Ayers
Deputy City Manager/Internal Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lodi
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



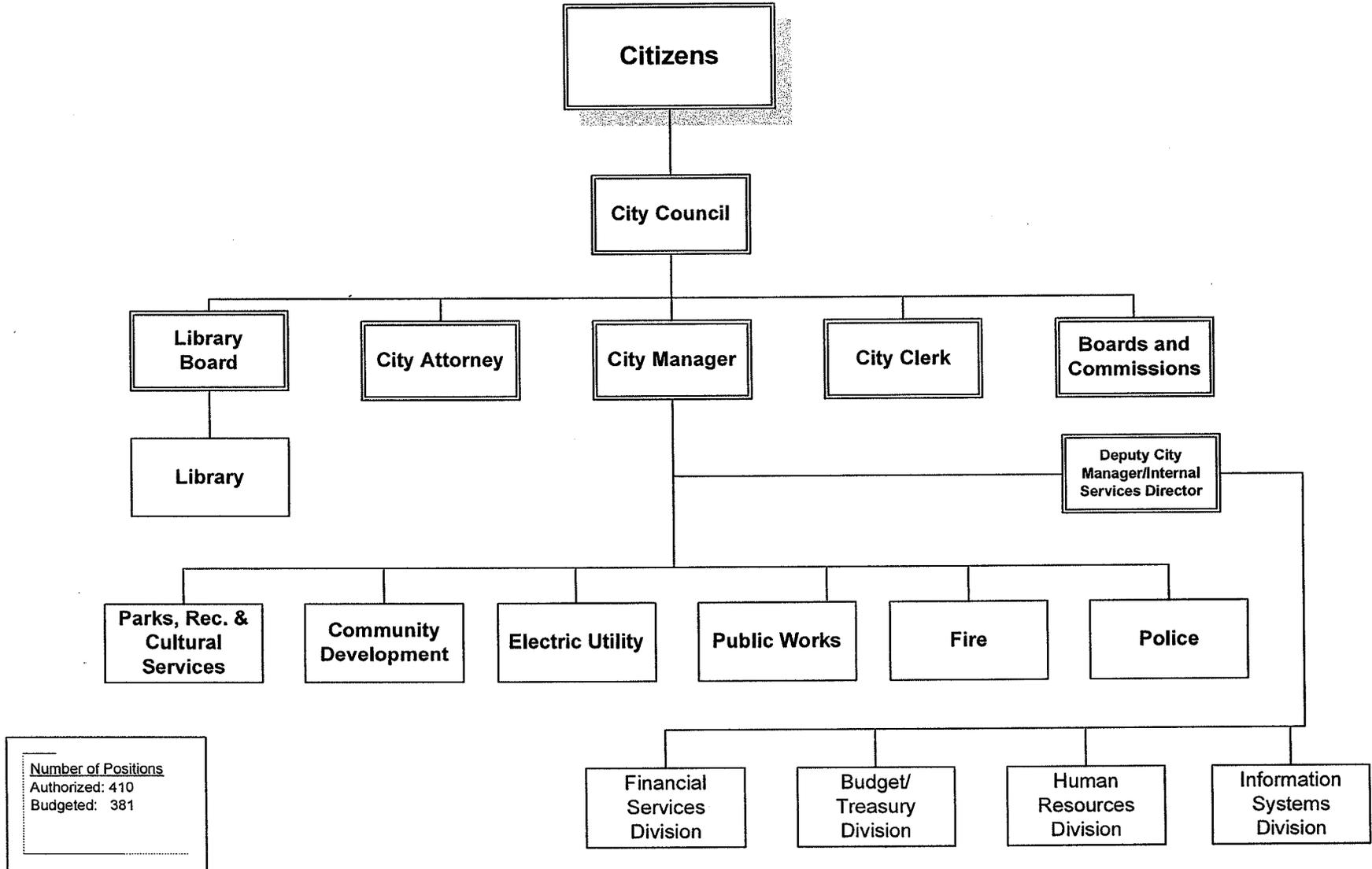
Christopher P. Moynell

President

Jeffrey R. Emery

Executive Director

City of Lodi



Number of Positions
 Authorized: 410
 Budgeted: 381

DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Joanne Mounce
Alan Nakanishi
Larry Hansen
Bob Johnson
Phil Katzakian

Mayor
Mayor Pro Temp
Council Member
Council Member
Council Member

ADVISORY BODIES

Planning Commission
Library Board
Recreation Commission
Site Plan and Architectural Review Committee

Lodi Improvement Committee
Lodi Arts Commission
Youth Commission
Lodi Senior Citizens' Commission

PRINCIPAL ADMINISTRATIVE OFFICERS

Konradt Bartlam
Jordan Ayers
Steve Schwabauer
Randi Johl
Nancy Martinez
Larry Rooney
Jeff Hood

Wally Sandelin
Elizabeth Kirkley
Konradt Bartlam
Mark Helms

City Manager
Deputy City Manager
City Attorney
City Clerk
Library Services Director
Fire Chief
Parks, Recreation &
Cultural Services Director
Public Works Director
Electric Utility Director
Community Development Director
Police Chief

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FINANCIAL SECTION

The Financial Section is comprised of the Independent Auditors' Report, Management Discussion and Analysis, Basic Financial Statements, including the notes, required Supplementary Information, and Supplementary Information which includes Combining and Individual Fund Statements and Schedules.

The Honorable Members of City Council
City of Lodi, California

INDEPENDENT AUDITOR'S REPORT

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 Lodi, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress for the pension plan and OPEB plan, and the schedules of revenues, expenditures and changes in fund balance – budget and actual – for the General Fund as listed in the table of contents 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, the combining and individual nonmajor fund financial statements and schedules, and the statistical and continuing disclosure sections are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, statistical and continuing disclosure sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maclean Meiri & O'Connell LLP

Sacramento, California
December 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report is presented as discussion and analysis of the financial performance of the City of Lodi (City) for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the 2012 fiscal year by \$201,709,559 (net assets). Of this amount, \$38,168,914 is unrestricted net assets deficit.
- The City's total net assets increased by \$1,766,184 in fiscal year 2012.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$20,443,592, an increase of \$1,357,090 in comparison with the prior year. Of this amount, \$5,369,566 is available for spending at the City's discretion (unassigned fund balance).
- At the close of the fiscal year, fund balance for the general fund was \$6,288,953, of which \$6,232,459 is unassigned or 17.03 % of total general fund revenues of \$36,588,199.
- The City's total long-term liabilities decreased by \$6,081,673 (2.2%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the Financial Statements. This report also includes other **supplementary information** in addition to the basic financial statements.

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 assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The governmental activities of the City include general government, public protection, public works, community development, library, and parks, recreation and cultural services. The business-type activities of the City include electric operations, wastewater operations, water operations and public transit operations.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are 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 the following 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. Most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining financial resources available in the near future to finance City programs.

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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 several individual governmental funds organized according to their type (special revenue, capital projects and debt service). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and the special revenue funds to demonstrate compliance with this budget.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers, either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Electric, Wastewater, Water, all of which are considered to be major funds and the Transit system, which is considered to be a nonmajor proprietary fund.

- **Internal Service funds** are used to report activities that account for various employee benefits and self-insurance, and fleet activities of the City. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The activities of the Downtown and Cherokee Lane special assessments, the Industrial Way-Beckman special assessment and various landscape and lighting districts are accounted for and reported under the fiduciary funds. The activities of the Private Sector trust and the Holz bequest are also accounted for under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post employment benefits (OPEB) to its employees, and schedules comparing budget to actual amounts in the General Fund.

Combining Statements

The combining statements in connection with non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City assets exceeded liabilities by \$201,709,559 at the close of the current fiscal year.

City of Lodi's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Current and other assets	\$ 35,198,588	33,913,523	103,092,730	130,456,950	\$ 138,291,318	164,370,473
Capital assets	128,857,069	136,064,911	225,752,808	197,586,365	354,609,877	333,651,276
Total assets	<u>164,055,657</u>	<u>169,978,434</u>	<u>328,845,538</u>	<u>328,043,315</u>	<u>492,901,195</u>	<u>498,021,749</u>
Liabilities:						
Long-term liabilities outstanding	40,168,249	40,399,841	233,741,227	239,591,308	273,909,476	279,991,149
Other liabilities	3,729,658	5,667,115	13,552,502	12,420,110	17,282,160	18,087,225
Total liabilities	<u>43,897,907</u>	<u>46,066,956</u>	<u>247,293,729</u>	<u>252,011,418</u>	<u>291,191,636</u>	<u>298,078,374</u>
Net assets:						
Invested in capital assets, net of related debt	107,587,069	114,164,912	109,582,092	104,858,175	217,169,161	219,023,087
Restricted	16,176,191	14,894,802	6,533,121	5,302,731	22,709,312	20,197,533
Unrestricted (deficit)	<u>(3,605,510)</u>	<u>(5,148,236)</u>	<u>(34,563,404)</u>	<u>(34,129,009)</u>	<u>(38,168,914)</u>	<u>(39,277,245)</u>
Total net assets	\$ <u>120,157,750</u>	<u>123,911,478</u>	<u>81,551,809</u>	<u>76,031,897</u>	\$ <u>201,709,559</u>	<u>199,943,375</u>

Assets. The City's total assets decreased by \$5,120,554 or 1.03%. The increase is primarily due to the following:

Governmental activities. Total assets for the governmental activities had a decrease of \$5,922,777 resulting largely from the transfer of storm drain activities from the Street Fund (\$2,229,572) and the related capital assets (\$1,877,191) to the Wastewater Fund. Other insignificant activities offset the difference.

Business-type activities. Total assets for the business-type activities had an increase of \$802,223 or .24%. Capital assets increased by \$28,166,443 primarily from buildings and improvements and machinery and equipment offset by the decrease in current and other assets of

\$27,364,220, mainly from the decrease of restricted assets held by fiscal agent from the proceeds of the 2010 Water Certificates of Participation (\$21,358,322) for the construction of the Surface Water Treatment Facility; decrease in cash and restricted cash due to other major projects, i.e.; construction of a biosolids facility (\$3,688,071); water meter program (\$6,328,558); the decrease in development impact fees (\$2,530,871); offset by the transfer of storm drain activities from the Street Fund (\$2,229,572) and related capital assets (\$1,877,191) to the Wastewater Fund; and the increase in charges for services of \$2,219,625. Other insignificant activities offset the difference.

Liabilities. The City's total liabilities decreased by \$6,886,738 or 2.31%. The decrease is primarily due to the following:

Governmental activities. Total liabilities for the governmental activities decreased by \$2,169,049. This is attributed to decrease in self-insurance liabilities of \$336,429; decrease in unearned revenues from Prop 1B of \$807,447, in Energy Efficiency Block grant \$8,195, and in Local Law Enforcement Block grant, \$59,267; decrease in compensated absences, \$329,890; and decrease in accrued payments for various street projects, \$637,315. Other insignificant activities offset the difference.

Business-type activities. Total liabilities for the business-type activities decreased by \$4,717,689 or 1.87%. The decrease is primarily attributable to the principal payments towards the various certificates of participations, \$5,475,000. Other insignificant activities offset the difference.

Net Assets. The City's overall financial position has increased during the fiscal year. The net assets have increased by \$1,766,184 or 0.88%.

The largest portion (\$217,169,161) of the City's net assets reflects its investment in capital assets net of any associated depreciation (e.g., land, buildings and improvements, machinery and equipment); less any related debt used to acquire those assets that is 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 assets, \$22,709,312 (11.26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted deficit amounts to \$38,168,914. At the end of the current fiscal year, the City is able to report positive balances in two categories of net assets for the government as a whole. Unrestricted net assets are negative for both the governmental and business-type activities.

Refer to page 10 for analysis of the business-type activities unrestricted net assets.

City of Lodi's Change in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues:						
Charges for services	\$ 4,661,080	5,685,056	89,800,503	87,391,833	\$ 94,461,583	93,076,889
Operating grants and contributions	2,299,800	2,235,980	4,213,932	3,982,740	6,513,732	6,218,720
Capital grants and contributions	5,024,837	6,737,432	3,206,279	5,150,118	8,231,116	11,887,550
General revenues:						
Property taxes	12,102,780	12,697,676			12,102,780	12,697,676
Other taxes	10,825,658	10,363,488			10,825,658	10,363,488
Grants and contributions not restricted to specific programs	9,277,277	8,953,983			9,277,277	8,953,983
Other	2,184,288	1,689,440	1,810,063	1,928,824	3,994,351	3,618,264
Total revenues	<u>46,375,720</u>	<u>48,363,055</u>	<u>99,030,777</u>	<u>98,453,515</u>	<u>145,406,497</u>	<u>146,816,570</u>
Expenses						
General government	9,380,968	8,261,967			9,380,968	8,261,967
Public protection	25,432,210	25,112,684			25,432,210	25,112,684
Public works	10,247,617	9,305,242			10,247,617	9,305,242
Community development	1,003,008	972,855			1,003,008	972,855
Library	1,381,524	1,354,904			1,381,524	1,354,904
Parks and recreation	2,912,632	5,778,165			2,912,632	5,778,165
Interest on long-term debt	1,032,716	1,075,064			1,032,716	1,075,064
Electric			62,599,298	63,399,665	62,599,298	63,399,665
Wastewater			17,440,897	11,686,782	17,440,897	11,686,782
Water			7,953,480	8,187,613	7,953,480	8,187,613
Transit			4,255,963	4,132,004	4,255,963	4,132,004
Total expenses	<u>51,390,675</u>	<u>51,860,881</u>	<u>92,249,638</u>	<u>87,406,064</u>	<u>143,640,313</u>	<u>139,266,945</u>
Changes in net assets before special item and transfers	(5,014,955)	(3,497,826)	6,781,139	11,047,451	1,766,184	7,549,625

Special item- gain on sale of parkland		320,739				320,739
Transfers	1,261,227	6,657,202	(1,261,227)	(6,657,202)		
Changes in net assets	(3,753,728)	3,480,115	5,519,912	4,390,249	1,766,184	7,870,364
Net assets at beginning of year	123,911,478	120,431,363	76,031,897	71,641,648	199,943,375	192,073,011
Net assets at end of year	\$ 120,157,750	123,911,478	81,551,809	76,031,897	\$ 201,709,559	199,943,375

Analysis of Changes in Net Assets

Governmental activities.

Net assets for the governmental activities decreased by \$3,753,728 in the current fiscal year.

The key factors impacting the change in net assets are:

- Decreased development activity.
- Decrease in personnel costs.
- Charges for services decreased by 18%, a net amount of \$1,023,976 from the prior fiscal year largely from decreased development activity resulting in decreased building permit fees (\$263,807), engineering and inspection fees (\$226,905), plan check fees (\$136,757), planning fees (\$137,649), fire permit review and inspection fees (\$68,823); decrease in revenues from vehicle code-moving violation, \$114,919; decrease in revenue received from the Hutchins Street Square at the box office, \$54,784 and specialty classes, \$16,804.
- Capital grants and contributions decreased by \$1,712,595 or 25% from prior fiscal year. Decrease in capital contributions was mainly attributable to a reduction in receipt of Prop 1B funds used for various street overlays and improvements (\$1,033,006), and funds from the American Recovery and Reinvestment Act (ARRA) used for the Lodi Avenue reconstruction project (\$776,336) received in the prior year.
- Property taxes – decreased by \$594,896 or 5% compared to prior year. Continuing decline in market values falling below the assessed values caused homes to be reassessed and affected property tax revenues in the current year.
- Other taxes increased by \$462,170 primarily from the increase in business license tax (\$223,594), increase in card room tax (\$158,315) and transient occupancy tax (\$60,286).
- Grants and contributions not restricted to specific programs increased by \$323,294 or 4%. Sales tax revenues increased by \$582,538 offset by a decrease in State motor vehicle license fees by \$259,244. The overall increase in sales tax is attributed to a general increase in consumer spending and steady increase in auto sales spurred by low interest rates, easy credit and manufacturer's incentives. The State motor vehicles license fee revenue was eliminated by SB89 effective July 1, 2011, as part of the state's effort to solve its budget problems.
- Other revenues increased by \$494,848 or 29% from prior fiscal year. This increase was attributable to the increase in agricultural lease revenue from Lima Ranch and Kirschenman Farms, (\$137,578); increase in rent in Parks, Recreation and Cultural Services (\$103,936); increase in late fees collected (\$99,563); and increase in donations (\$76,285). The difference is offset by various small decreases in other revenues.

Expenses for governmental functions totaled \$51,390,675 a decrease of \$470,206 or 1% from the prior fiscal year.

Business-type activities.

Business-type activities increased the City's net assets by \$5,519,912 in the current year. The key elements of this increase are:

- Transfer of storm drain activity from the Streets Fund to the Wastewater Fund (\$2,229,572) and related capital assets (\$1,877,191).
- The City's Energy Cost Adjustment (ECA) was established with the intent to automatically adjust the electric rates for monthly fluctuations in the City's purchased power expenses. Bulk power costs increased in the current year and by way of the ECA charge, operating revenue increased by \$2,084,018.
- Wastewater and water rates were increased during the year resulting in increased operating revenues of \$190,537 and \$143,204, respectively.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS**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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, special revenue funds, debt service fund and capital projects funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,443,592, an increase of \$1,357,090 in comparison to the prior year resulting from the decrease in capital outlay and overall decrease in operating expenditures offset by the decrease in total revenues.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,232,459 while total fund balance was \$6,288,953. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.65% of total general fund expenditures.

The fund balance of the General Fund increased by \$142,548 during the current fiscal year. Key factors in this growth are as follows:

- Total expenditures decreased by \$2,263,424, as a result of an overall decrease in spending, the transfer of parks activities to the Parks, Recreation and Community Services Special Revenue Fund and the decrease in personnel costs due to early retirement incentives.
- Transfers out to the Capital Outlay Reserve Fund in the amount of \$ 2,269,821 for various capital projects and the elimination of the start up costs associated with the Redevelopment Agency.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year for the Wastewater Fund were \$12,274,135 and for the Transit Fund, \$3,203,015. The Electric Fund unrestricted net assets deficit was \$8,750,916, the Water Fund was \$41,289,638 and the Internal Services Funds unrestricted net assets deficit was \$2,078,003.

Other factors concerning the finances of these funds are discussed in the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original operating budget and the final amended operating budget in the General Fund were a net increase in appropriations of \$619,050. The increase in appropriations can be briefly summarized as follows:

- \$600,000 increase in public protection
- \$19,050 increase in library

Significant differences between the final budget and the actual revenues and expenditures can be briefly summarized as follows:

- Taxes – a favorable variance of \$97,598 was largely due to the increased receipts from the card room (\$146,275), increase in business license tax (\$231,655), increase in cable TV franchise fees (\$19,010), increase in transient occupancy tax (\$86,185) and increase in waste removal franchise fees (\$21,168) offset by a decrease in property taxes (\$300,215), decrease in in-lieu of vehicle license fees (\$79,598), and decrease in real property transfer tax (\$23,157).
- Intergovernmental revenues – a favorable variance of \$289,064 was mainly due to an increase in sales tax (\$389,598) offset by the decrease in state motor vehicle in-lieu revenue (\$102,061).
- Charges for services – an unfavorable variance of \$134,354 resulting from a decrease in engineering inspection fees (\$37,036) and the \$100,000 budgeted annually for strike team reimbursement. These funds are contingent upon the occurrence of a significant fire event within the state.
- Investment and rental income – a favorable variance of \$355,900 resulted from the increase in interest earnings (\$21,638) and rental revenue from the reallocation of rental income from water and wastewater to the General Fund (\$199,495) and revenue from Lima Ranch and Kirschenman Farms, (\$137,578).
- For expenditures, a favorable variance between the final budget and actual expenditures of \$1,352,347 was due to savings from several vacancies and the continued overall effort to reduce spending and costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$354,609,877 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$20,958,601, a 6.28% increase (a 5% decrease in governmental activities and 14% increase in business-type activities) as shown in the table below.

	Changes in Capital Assets, Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 23,693,292	\$ 23,693,292	\$ 5,535,718	\$ 5,535,718	\$ 29,229,010	\$ 29,229,010
Buildings and Improvements	37,729,107	37,460,196	32,016,153	25,069,129	69,745,260	62,529,325
Machinery and Equipment	1,495,080	1,633,494	148,320,501	98,016,026	149,815,581	99,649,520
Vehicles	872,518	839,298	1,179,412	1,668,994	2,051,930	2,508,292
Infrastructure	61,364,827	60,880,644			61,364,827	60,880,644
Work of Art	304,907	304,907			304,907	304,907
Construction in Progress	3,397,338	11,253,080	38,701,024	67,296,498	42,098,362	78,549,578
Total	<u>\$ 128,857,069</u>	<u>\$ 136,064,911</u>	<u>\$ 225,752,808</u>	<u>\$ 197,586,365</u>	<u>\$ 354,609,877</u>	<u>\$ 333,651,276</u>

A significant increase in machinery and equipment compared to prior year was primarily due to the ongoing improvements to the White Slough Pollution Control Facility; the Surface Water Treatment Plant construction costs; and the water meter installation project. The increase in buildings and improvements is due to the completion of various renovations.

Additional information on the City's capital assets can be found in Note 6 on pages 48-50 of this report.

Long-term debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$187,598,430. Of this amount, \$21,025,000 is the outstanding balance of the bonds issued to fund the new public safety building, refinancing of the performing arts center and the downtown and Cherokee Lane improvements. The total of \$166,573,430 from the business-type activities consists of \$38,441,606 for the Water Fund; \$53,501,762 for the Wastewater Fund; and \$74,630,062 for the Electric Fund.

City of Lodi's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-type activities</u>	<u>Total</u>
Certificates of Participation	\$ 21,025,000	166,573,430	187,598,430

The City's total bonded debt decreased by \$5,869,904 during the current fiscal year.

Bond Rating

In June 2010, Standard & Poor's Rating Services affirmed the rating on outstanding electric utility debt instruments of A- with a stable outlook as a result of improved financial performance due to the implementation of various policies instituted by management. Fitch Rating Services upgraded the rating on outstanding wastewater utility debt instruments to A+ with a stable outlook in May 2011, as part of its global ratings recalibration.

In October 2010, Standard & Poor's Rating services issued a rating of AA- with a stable outlook in regards to the \$38,665 million Water Revenue bonds. Moody's Investor Services assigned a rating of Aa3 to this new issue.

On August 1, 2011, Fitch Rating Services affirmed the rating on outstanding public improvement bonds at AA- and assigned an implied general obligation bond rating of AA. The rating outlook was revised to stable from negative as a result of the City's successful improvement of its general fund position and maintaining its low debt profile.

Additional information on the City's long-term debt can be found in Note 8 on pages 51-56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The impacts of the global economic recession continue to affect Lodi's families, businesses, institutions and the City but the case can be made that the City is not only surviving the recession, but thriving. The City of Lodi continues to take actions necessary to maintain a more sustainable city. The tax base is now more diverse and less dependent upon a single source of retail sales tax, permanent reductions have been made to the municipal work force and greater efficiency in the delivery of city services has been established. Management has evaluated ways to make every City service more efficient, streamlining and consolidating services where possible. Other efficiencies include consolidation of multiple recreational programs, decentralization of purchasing and implementation of a single answer point for development permits. The City also reduced its workforce by 19% over the past eight years, from 470 full-time budgeted employees in 2004-05 to 381 full-time budgeted employees in 2012-13. Monthly work hours for many employees have been reduced through furloughs although the City continues to offer the same basic range of municipal services.

The recession is creating an opportunity for the City to take advantage of low construction costs to proceed with major capital projects. They include the completion of a Surface Water Treatment Plant, various electrical system maintenance projects, water meter installation and street resurfacing. The 2012-13 budget proposes as many projects as possible focusing on maintenance and replacement of existing facilities and projects that reduce the City's recurring operational costs.

The City Council has adopted a new Comprehensive General Plan that maintains Lodi's compact urban character yet provides for jobs and economic growth. In the future, Lodi will be a city accommodating a population of 99,000 and 51,000 jobs.

The 2012-13 budget has several issues that were taken into consideration: employee costs and contributions; capital programs; and cost increases beyond the City's control.

The City has been operating under annual concession agreements with all of its bargaining units. The City has negotiated new agreements with all eight bargaining units whose contracts expired during the fiscal year, along with modifying the benefits for Executive, Council Appointees and Confidential employees. The only bargaining unit whose agreement did not expire during the fiscal year was the International Brotherhood of Electrical Workers (IBEW). Their current agreement will expire on December 31, 2013. Key elements of the new agreements include employees paying their full share of retirement costs by the end of the agreement, capping City-paid medical costs at the January 2012 levels and creating a lower second-tier retirement formula.

Employee costs and contributions – Prior to the economic downturn, Lodi aggressively moved to manage employee expenses. Positions not deemed vital to City operations were held vacant, and other departmental expenses were closely monitored. Importantly, as the economy plummeted, in March 2009, City employees made a number of temporary salary and benefit concessions to reduce salary costs, including salary reductions, furloughs, and waiving of the City's deferred compensation match. These concessions alone were valued at over \$2.3 million for FY 2009-10, \$2.7 million for FY 2010-11, and \$3.0 million for FY 2011-12. Consequently, the City has largely avoided employee layoffs and drastic service cuts so common in other cities.

As the City renegotiated with its bargaining units, three principal issues were addressed: fiscal sustainability, transparency and operational discretion.

Historically, the City has paid for 100 percent of pension costs on behalf of the employees. Under concessions, each bargaining group paid various portions of employee pension costs. The City sought to have all employees paying their full share of pension costs by the end of the term of their agreement. All bargaining units with signed successor agreements have approved this term.

The City also sought to establish a second-tier retirement benefit for newly-hired employees. The second tier approved by the bargaining units for Public Safety employees was 3% @ 55 formula with final compensation based upon a 36-month average. Miscellaneous employee bargaining units approved a second-tier retirement based upon a 2% @ 60 formula.

The City has also used early retirement to reduce work force. Over the course of the last four years, the City has offered a retirement incentive multiple times to selected employee classifications. As employees have accepted the incentive, the City has left the positions vacant. A total of 38 employees have taken advantage of the retirement incentive.

Capital programs – The City continues to utilize one-time funds for capital maintenance, rather than ongoing operations. In prior years, the City assessed its physical plant and is using one-time funds generated by the Lodi Energy Center, to address deferred maintenance projects on its buildings. Scheduled to be completed this year are roof and gutter replacement projects in City Hall and the jail, a retrofit of a portion of the unused space in the former public safety building and resurfacing of the parking lot at City Hall. Additionally, the FY 2012-13 budget allocates \$245,000 toward the replacement of the financial and billing systems. The above projects total just over \$700,000.

Costs beyond the City's control – While the revenues have increased slightly, the cost of retirement and insurance continue to rise. CalPERS has recently revised its estimated investment return rate from 7.75% to 7.5%. The impact of this revision will increase the costs for the City. CalPERS has stated it will phase in this increase over a two-year period, beginning in FY 2013/14, and build it into the base rates for years beyond that. The City expects its employer costs to increase between \$500,000 and \$750,000 as a result of this rate change.

A second cost increase that is a cause of concern is medical insurance. While the City has negotiated a medical insurance cap with its bargaining units, costs are expected to increase and impact the net pay of the workforce.

A third cost increase that is a cause of concern is worker's compensation. The City is self-insured for worker's compensation costs. There has been a gradual increase in the cost and severity of claims and the City expects that the actuarial liability will also increase. For budgetary purposes, \$500,000 was added to the current budget.

Economic Development

During this difficult economic time, the City has fared better than the surrounding area, as a whole. While not immune to the current foreclosure crisis, the City housing stock has seen fewer foreclosures and has maintained housing values better than the surrounding communities.

The City's unemployment rate continues to track roughly 4 percent lower than that of San Joaquin County. The City's diversified economic base continues to help the City maintain its revenue base.

Although agriculture is an important part of the City's past, present and future by providing residents with employment on farms and in processing plants, there are even more jobs in food and plastics manufacturing and in health-related businesses.

Lodi Memorial Hospital, Blue Shield and Cottage Bakery have the highest year-round employment in the City, and large national and international manufacturers such as General Mills and CertainTeed find the City an attractive base for their West Coast operations.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Financial Services Division of the City of Lodi at 310 W. Elm Street, Lodi, California, 95240.

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BASIC FINANCIAL STATEMENTS

The Government-wide Financial Statements provide a broad overview of the City's financial position and operating results. Information is grouped by governmental activities or business-type activities.

The Fund Financial Statements report information about the City's Governmental Funds, Proprietary Funds, and the Fiduciary Fund.

The notes have an integral role in disclosing information essential to the fair presentation of the Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LODI
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 29,643,464	31,006,529	\$ 60,649,993
Accounts receivable, net	3,226,290	6,702,582	9,928,872
Property tax receivable	10,447		10,447
Interest receivable	35,305	44,028	79,333
Internal balances	(1,264,025)	1,264,025	
Due from other governmental agencies	557,149	1,640,335	2,197,484
Restricted assets	1,691,898	43,674,755	45,366,653
Loans receivable	1,159,709	245,388	1,405,097
Advance receivable		11,576,432	11,576,432
Inventory	130,219	3,381,492	3,511,711
Other assets	8,132	4,875	13,007
Deferred charges		3,552,289	3,552,289
Capital assets, net:			
Nondepreciable	27,395,537	44,236,742	71,632,279
Depreciable, net	101,461,532	181,516,066	282,977,598
TOTAL ASSETS	<u>164,055,657</u>	<u>328,845,538</u>	<u>492,901,195</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,813,951	8,253,467	11,067,418
Accrued salaries and wages	630,948		630,948
Accrued interest	255,889	2,820,768	3,076,657
Unearned revenue	28,870	2,478,267	2,507,137
Long-term liabilities:			
Due within one year	4,081,067	7,089,270	11,170,337
Due in more than one year	36,087,182	226,651,957	262,739,139
TOTAL LIABILITIES	<u>43,897,907</u>	<u>247,293,729</u>	<u>291,191,636</u>
NET ASSETS			
Invested in capital assets, net of related debt	107,587,069	109,582,092	217,169,161
Restricted for:			
Capital projects	13,957,147		13,957,147
Debt service	1,691,898	6,533,121	8,225,019
Other purposes	527,146		527,146
Unrestricted (deficit)	(3,605,510)	(34,563,404)	(38,168,914)
TOTAL NET ASSETS	<u>\$ 120,157,750</u>	<u>81,551,809</u>	<u>\$ 201,709,559</u>

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

CITY OF LODI
STATEMENT OF ACTIVITIES
Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 9,380,968	1,718,073	32,022	56,500	(7,574,373)		\$ (7,574,373)
Public protection	25,432,210	500,420	1,261,428	321,882	(23,348,480)		(23,348,480)
Public works	10,247,617	165,975	975,762	4,617,556	(4,488,324)		(4,488,324)
Community development	1,003,008	992,809			(10,199)		(10,199)
Library	1,381,524	42,720	30,588		(1,308,216)		(1,308,216)
Parks & recreation	2,912,632	1,241,083		28,899	(1,642,650)		(1,642,650)
Interest on long-term debt	1,032,716				(1,032,716)		(1,032,716)
Total governmental activities	<u>51,390,675</u>	<u>4,661,080</u>	<u>2,299,800</u>	<u>5,024,837</u>	<u>(39,404,958)</u>		<u>(39,404,958)</u>
Business-type activities:							
Electric	62,599,298	64,251,368	15,600	1,285,434		2,953,104	2,953,104
Wastewater	17,440,897	13,280,216		220,978		(3,939,703)	(3,939,703)
Water	7,953,480	12,083,226	662,045	888,491		5,680,282	5,680,282
Transit	4,255,963	185,693	3,536,287	811,376		277,393	277,393
Total business-type activities	<u>92,249,638</u>	<u>89,800,503</u>	<u>4,213,932</u>	<u>3,206,279</u>		<u>4,971,076</u>	<u>4,971,076</u>
Total primary government	\$ <u>143,640,313</u>	<u>94,461,583</u>	<u>6,513,732</u>	<u>8,231,116</u>	<u>(39,404,958)</u>	<u>4,971,076</u>	\$ <u>(34,433,882)</u>
General revenues:							
Taxes:							
Property taxes					12,102,780		12,102,780
Franchise taxes					8,711,543		8,711,543
Business license tax					1,627,930		1,627,930
Transient occupancy tax					486,185		486,185
Grants and contributions not restricted to specific programs					9,277,277		9,277,277
Investment earnings					132,043	565,919	697,962
Other					2,052,245	1,244,144	3,296,389
Transfers					1,261,227	(1,261,227)	
Total general revenues and transfers					<u>35,651,230</u>	<u>548,836</u>	<u>36,200,066</u>
Change in net assets					<u>(3,753,728)</u>	<u>5,519,912</u>	<u>1,766,184</u>
Net assets, beginning of year					123,911,478	76,031,897	199,943,375
Net assets, end of year					<u>120,157,750</u>	<u>81,551,809</u>	\$ <u>201,709,559</u>

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

FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

Governmental Fund Types

Governmental funds consist of the General Fund, special revenue funds, debt service fund and capital projects funds.

Major Governmental Fund:

General Fund

This fund is maintained to account for all financial resources that are not restricted as to their use. This includes property and sales taxes, business tax receipts, franchise taxes and various subventions such as Motor Vehicle In-Lieu fees received from the State of California. With the exception of grant programs, General Fund resources can be utilized for any legitimate governmental purpose.

Proprietary Fund Types

Proprietary funds consist of the enterprise funds and the internal service funds.

Major Enterprise Funds include:

Electric Fund

The City established this fund in order to account for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements maintenance and debt service.

Wastewater Fund

This fund was established by the City in order to account for the provision of waste water collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

Water Fund

This fund was established by the City in order to account for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Nonmajor Enterprise Fund:

Transit Fund

This fund is used to account for the operations of the Dial-A-Ride and the Grapeline bus system.

Fiduciary Fund Type

Private-purpose Trust Funds

These funds are used to account for assets held by the Library Board as trustee of the Lodi Public Library and for assets held by the City in accordance with the trust agreement on behalf of the Hutchins Street Square.

Agency Fund

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts and various landscape and lighting districts around the City.

**CITY OF LODI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 5,253,099	14,278,256	\$ 19,531,355
Restricted assets		1,691,898	1,691,898
Receivables:			
Accounts, net	2,971,718	245,967	3,217,685
Property taxes	10,447		10,447
Interest	10,575	13,031	23,606
Due from other funds	827,178	364,994	1,192,172
Due from other governmental agencies	128,492	428,657	557,149
Loans receivable		1,159,709	1,159,709
Inventory		1,050	1,050
Other assets	6,310	1,822	8,132
Total assets	<u>\$ 9,207,819</u>	<u>18,185,384</u>	<u>\$ 27,393,203</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other liabilities	\$ 2,266,412	407,475	\$ 2,673,887
Accrued salaries and wages	630,948		630,948
Due to other funds		1,192,172	1,192,172
Advances from other funds		1,264,025	1,264,025
Deferred revenue	21,506	1,167,073	1,188,579
Total liabilities	<u>2,918,866</u>	<u>4,030,745</u>	<u>6,949,611</u>
Fund balances:			
Nonspendable			
Inventory		1,050	1,050
Other assets	6,310		6,310
Restricted			
Capital projects		12,797,438	12,797,438
Debt service		1,691,898	1,691,898
Other purposes		527,146	527,146
Assigned			
Encumbrances	50,184		50,184
Unassigned			
Total fund balances	<u>6,288,953</u>	<u>(862,893)</u>	<u>5,369,566</u>
Total liabilities and fund balances	<u>\$ 9,207,819</u>	<u>18,185,384</u>	<u>\$ 27,393,203</u>

CITY OF LODI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

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

Fund balances - total governmental funds	\$	20,443,592
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Nondepreciable capital assets		27,395,537
Depreciable capital assets, net		101,429,694
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds as follows:		
Compensated absences		(6,698,728)
Long-term debt		(21,270,000)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due		(255,889)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		1,159,709
Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance and the cost of operating and maintaining the City's fleet to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		(2,046,165)
Net assets of governmental activities	\$	120,157,750

CITY OF LODI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 22,928,438		\$ 22,928,438
Licenses and permits	79,745	606,162	685,907
Intergovernmental revenues	10,449,364	4,840,100	15,289,464
Charges for services	682,156	2,744,373	3,426,529
Fines, forfeits and penalties	1,355,101	1,900	1,357,001
Investment and rental income	807,270	456,536	1,263,806
Miscellaneous revenue	286,125	526,966	813,091
Total revenues	<u>36,588,199</u>	<u>9,176,037</u>	<u>45,764,236</u>
Expenditures:			
Current:			
General government	6,007,327	2,812,877	8,820,204
Public protection	24,923,155	326,333	25,249,488
Public works	1,112,569	3,061,438	4,174,007
Community development		1,036,610	1,036,610
Library	1,380,972		1,380,972
Parks and recreation		2,254,641	2,254,641
Capital outlay		2,960,626	2,960,626
Debt service:			
Interest and fiscal charges		1,039,016	1,039,016
Principal payments		630,000	630,000
Total expenditures	<u>33,424,023</u>	<u>14,121,541</u>	<u>47,545,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,164,176</u>	<u>(4,945,504)</u>	<u>(1,781,328)</u>
Other financing sources (uses):			
Transfers in	5,370,230	9,115,777	14,486,007
Transfers out	(8,391,858)	(2,955,731)	(11,347,589)
Total other financing sources (uses)	<u>3,021,628</u>	<u>6,160,046</u>	<u>3,138,418</u>
Net change in fund balances	142,548	1,214,542	1,357,090
Fund balances, beginning of year	<u>6,146,405</u>	<u>12,940,097</u>	<u>19,086,502</u>
Fund balances, end of year	<u>\$ 6,288,953</u>	<u>14,154,639</u>	<u>\$ 20,443,592</u>

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

CITY OF LODI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2012

Amounts reported for governmental activities are different because:

Net change in fund balances - total governmental funds	\$	1,357,090
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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.

Capital outlays, capital contributions and depreciation expense are as follows:

Capitalized capital outlays		2,960,626
Capital asset contributions		516,079
Depreciation expense		(8,805,908)
Book value on transferred capital assets		(1,877,191)

Long-term debt proceeds, net of discounts, provide current financial resources to governmental funds, but issuing debt proceeds increases long-term liabilities in the statement of net assets. Repayments of the principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.

Repayments of principal are as follows:

Certificates of participation principal		630,000
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Internal service funds are used by management to charge the costs of certain activities, such as health benefits and self-insurance, costs of operation and maintenance of the City's fleet, to individual funds.

The net revenue (expenses) of the internal service funds are reported with governmental activities.

1,079,185

Revenues reported in the funds since they provide current financial resources are not reported as revenues in the statement of activities this year since they were reported in the previous year.

51,385

Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.

Change in compensated absences		328,706
Change in accrued interest		6,300

Change in net assets of governmental activities	\$	<u><u>(3,753,728)</u></u>
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CITY OF LODI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Business-type Activities-Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit		
ASSETS						
Current assets:						
Cash and investments	\$ 2,143,190	12,513,936	12,465,350	3,884,053	\$ 31,006,529	\$ 10,112,109
Restricted cash and investments			15,197,920		15,197,920	
Restricted assets with fiscal agents	12,085,917	872,978	13,348,090		26,306,985	
Receivables:						
Accounts, net	4,883,369	822,049	823,846	173,318	6,702,582	8,605
Interest	2,209	13,670	23,546	4,603	44,028	11,699
Due from other governmental agencies			55,170	1,585,165	1,640,335	
Advance receivable	11,576,432				11,576,432	
Loans receivable	245,388				245,388	
Inventory	3,138,291	11,974	231,227		3,381,492	129,169
Other assets		3,600	1,275		4,875	
Total current assets	<u>34,074,796</u>	<u>14,238,207</u>	<u>42,146,424</u>	<u>5,647,139</u>	<u>96,106,566</u>	<u>10,261,582</u>
Noncurrent assets:						
Restricted assets with fiscal agents		2,169,850			2,169,850	
Advances to other funds		55,000	1,209,025		1,264,025	
Deferred charges	2,316,801	841,408	394,080		3,552,289	
Capital assets, net:						
Nondepreciable	763,785	4,294,177	38,529,926	648,854	44,236,742	
Depreciable, net	43,673,441	91,996,840	33,172,244	12,673,541	181,516,066	31,838
Total capital assets	<u>44,437,226</u>	<u>96,291,017</u>	<u>71,702,170</u>	<u>13,322,395</u>	<u>225,752,808</u>	<u>31,838</u>
Total noncurrent assets	<u>46,754,027</u>	<u>99,357,275</u>	<u>73,305,275</u>	<u>13,322,395</u>	<u>232,738,972</u>	<u>31,838</u>
TOTAL ASSETS	<u>80,828,823</u>	<u>113,595,482</u>	<u>115,451,699</u>	<u>18,969,534</u>	<u>328,845,538</u>	<u>10,293,420</u>
LIABILITIES						
Current liabilities:						
Accounts payable and other liabilities	1,722,694	452,433	5,329,746	748,594	8,253,467	140,064
Accrued interest	1,976,483	663,568	180,717		2,820,768	
Unearned revenue			868,218	1,610,049	2,478,267	
Self-insurance liability						1,520,134
Accrued compensated absences	270,355	180,632	8,522	22,675	482,184	43,290
Certificates of participation payable	4,298,253	1,489,133	819,700		6,607,086	
Total current liabilities	<u>8,267,785</u>	<u>2,785,766</u>	<u>7,206,903</u>	<u>2,381,318</u>	<u>20,641,772</u>	<u>1,703,488</u>
Noncurrent liabilities:						
Self-insurance liability						6,951,697
Accrued compensated absences	628,064	690,869		62,806	1,381,739	62,807
Certificates of participation payable	70,331,809	52,012,629	37,621,906		159,966,344	
Net OPEB obligation						3,621,593
Pollution remediation obligation			65,303,874		65,303,874	
Total noncurrent liabilities	<u>70,959,873</u>	<u>52,703,498</u>	<u>102,925,780</u>	<u>62,806</u>	<u>226,651,957</u>	<u>10,636,097</u>
TOTAL LIABILITIES	<u>79,227,658</u>	<u>55,489,264</u>	<u>110,132,683</u>	<u>2,444,124</u>	<u>247,293,729</u>	<u>12,339,585</u>
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	3,818,960	45,832,083	46,608,654	13,322,395	109,582,092	31,838
Restricted:						
Debt service	6,533,121				6,533,121	
Unrestricted (deficit)	(8,750,916)	12,274,135	(41,289,638)	3,203,015	(34,563,404)	(2,078,003)
TOTAL NET ASSETS (DEFICIT)	<u>\$ 1,601,165</u>	<u>\$ 58,106,218</u>	<u>\$ 5,319,016</u>	<u>\$ 16,525,410</u>	<u>\$ 81,551,809</u>	<u>\$ (2,046,165)</u>

CITY OF LODI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year ended June 30, 2012

	Business-type Activities - Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit		
OPERATING REVENUES						
Charges for services	\$ 64,251,368	13,280,216	12,083,226	185,693	\$ 89,800,503	\$ 11,948,810
OPERATING EXPENSES						
Personnel services	5,098,744	3,130,012	1,856,131	291,495	9,684,310	1,051,644
Supplies, materials and services	9,716,954	2,818,041	1,781,622	2,921,075	17,237,692	6,948,196
Utilities	39,468,262	710,622	693,657	61,893	40,934,434	1,575
Depreciation and amortization	4,060,718	4,322,270	1,432,152	981,500	10,796,640	1,448
Claims						3,025,843
TOTAL OPERATING EXPENSES	<u>58,344,678</u>	<u>10,980,945</u>	<u>5,763,562</u>	<u>4,255,963</u>	<u>79,345,148</u>	<u>11,028,706</u>
OPERATING INCOME (LOSS)	<u>5,906,690</u>	<u>2,299,271</u>	<u>6,319,664</u>	<u>(4,070,270)</u>	<u>10,455,355</u>	<u>920,104</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	164,280	216,108	172,478	13,053	565,919	44,020
Interest expense	(4,254,620)	(2,715,421)	(2,189,918)		(9,159,959)	
Rent				4,200	4,200	
Operating grants	15,600		662,045	3,536,287	4,213,932	
Loss on disposal of capital assets		(3,744,531)			(3,744,531)	
Other revenues	789,196	69,841	285,093	95,814	1,239,944	115,061
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,285,544)</u>	<u>(6,174,003)</u>	<u>(1,070,302)</u>	<u>3,649,354</u>	<u>6,880,495</u>	<u>159,081</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>2,621,146</u>	<u>(3,874,732)</u>	<u>5,249,362</u>	<u>(420,916)</u>	<u>3,574,860</u>	<u>1,079,185</u>
Capital contributions	1,285,434	2,098,169	888,491	811,376	5,083,470	
Transfers in		2,229,572			2,229,572	
Transfers out	(2,856,390)	(1,451,480)	(1,060,120)		(5,367,990)	
Net capital contributions and transfers	<u>(1,570,956)</u>	<u>2,876,261</u>	<u>(171,629)</u>	<u>811,376</u>	<u>1,945,052</u>	
Change in net assets	<u>1,050,190</u>	<u>(998,471)</u>	<u>5,077,733</u>	<u>390,460</u>	<u>5,519,912</u>	<u>1,079,185</u>
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>550,975</u>	<u>59,104,689</u>	<u>241,283</u>	<u>16,134,950</u>	<u>76,031,897</u>	<u>(3,125,350)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 1,601,165</u>	<u>58,106,218</u>	<u>5,319,016</u>	<u>16,525,410</u>	<u>\$ 81,551,809</u>	<u>(2,046,165)</u>

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

CITY OF LODI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund		
				Transit	Total	
Cash flows from operating activities:						
Receipts from customers and users	\$ 65,053,947	13,317,083	12,538,701	281,507	\$ 91,191,238	\$ 124,398
Receipts from interfund services provided	300,000				300,000	11,948,810
Cash paid to suppliers for goods & services	(49,556,415)	(2,929,737)	(1,883,635)	(2,973,649)	(57,343,436)	(9,747,114)
Payments to employees	(5,101,194)	(3,176,066)	(1,847,609)	(291,414)	(10,416,283)	(1,052,828)
Payments for interfund services provided	(3,410)	(644,653)	(665,706)	(46,463)	(1,360,232)	
Net cash provided by (used in) operating activities	<u>10,692,928</u>	<u>6,566,627</u>	<u>8,141,751</u>	<u>(3,030,019)</u>	<u>22,371,287</u>	<u>1,273,266</u>
Cash flows from noncapital financing activities:						
Operating grants			662,045	5,308,060	5,970,105	
Repaid to other funds		(55,000)			(55,000)	
Received from other funds			16,148		16,148	
Rent of City property				4,200	4,200	
Transfers in		2,229,572			2,229,572	
Transfers out	(2,856,390)	(1,451,480)	(1,060,120)		(5,367,990)	
Net cash provided by (used in) noncapital financing activities	<u>(2,856,390)</u>	<u>723,092</u>	<u>(381,927)</u>	<u>5,312,260</u>	<u>2,797,035</u>	
Cash flows from capital and related financing activities:						
Fees received for water meter installations			675,816		675,816	
Acquisition and construction of capital assets	(2,436,698)	(5,746,282)	(28,268,956)	(678,597)	(37,130,533)	
Fees received from developers	176,660	220,978	111,429		509,067	
Capital grants received				1,299,146	1,299,146	
Principal payments on debt	(3,270,000)	(1,430,000)	(775,000)		(5,475,000)	
Interest payments on debt	(4,021,114)	(2,687,571)	(2,191,856)		(8,900,541)	
Net cash provided by (used in) capital and related financing activities	<u>(9,551,152)</u>	<u>(9,642,875)</u>	<u>(30,448,567)</u>	<u>620,549</u>	<u>(49,022,045)</u>	
Cash flows from investing activities:						
Interest on investments	115,508	180,250	150,325	9,532	455,615	41,587
Net increase (decrease) in cash and cash equivalents	<u>(1,599,106)</u>	<u>(2,172,906)</u>	<u>(22,538,418)</u>	<u>2,912,322</u>	<u>(23,398,108)</u>	<u>1,314,853</u>
Cash and cash equivalents, beginning of year	15,828,213	15,559,820	63,549,778	971,731	95,909,542	8,797,256
Cash and cash equivalents, end of year	<u>\$ 14,229,107</u>	<u>13,386,914</u>	<u>41,011,360</u>	<u>3,884,053</u>	<u>\$ 72,511,434</u>	<u>\$ 10,112,109</u>
Reconciliation to the statement of net assets:						
Cash and investments	\$ 2,143,190	12,513,936	12,465,350	3,884,053	\$ 31,006,529	\$ 10,112,109
Restricted cash and investments			15,197,920		15,197,920	
Restricted assets with fiscal agents - current	12,085,917	872,978	13,348,090		26,306,985	
Total cash and cash equivalents	<u>\$ 14,229,107</u>	<u>13,386,914</u>	<u>41,011,360</u>	<u>3,884,053</u>	<u>\$ 72,511,434</u>	<u>\$ 10,112,109</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating Income (loss)	\$ 5,906,690	2,299,271	6,319,664	(4,070,270)	\$ 10,455,355	\$ 920,104
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	4,060,718	4,322,270	1,432,152	981,500	10,796,640	1,448
Other revenues	789,196	69,841	285,093	95,814	1,239,944	115,061
Change in assets and liabilities:						
Increase in loans receivable	(84,969)				(84,969)	
(Increase) decrease in accounts receivable	(976,457)	(99,303)	(142,068)		(1,217,828)	9,337
Decrease in advance receivables	1,289,840				1,289,840	
Decrease in due from other governmental agencies		65,399			65,399	
Increase in inventory	(586,393)	(308)	(36,555)		(623,256)	(4,353)
Decrease in other assets		930	312,450		313,380	
Increase (decrease) in accounts payable and other liabilities	296,753	(45,419)	532,769	(37,144)	746,959	(495,445)
Increase (decrease) in compensated absences	(2,450)	(46,054)	8,522	81	(39,901)	(1,184)
Increase in self-insurance liability			(570,276)		(570,276)	121,493
Decrease in pollution remediation obligation						606,805
Increase in net OPEB obligation						1,273,266
Net cash provided by (used in) operating activities	<u>\$ 10,692,928</u>	<u>6,566,627</u>	<u>8,141,751</u>	<u>(3,030,019)</u>	<u>\$ 22,371,287</u>	<u>\$ 1,273,266</u>
Noncash Investing, Capital and Financing Activities						
Capital asset contributions	\$ 1,108,774		101,246		\$ 1,210,020	
Book value of disposed capital assets		3,744,531			3,744,531	
Capital assets transferred in from governmental activities		1,877,191			1,877,191	

**CITY OF LODI
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012**

	Private-Purpose Trust Funds	Agency Fund
ASSETS		
Cash and investments	\$ 258,724	\$ 366,130
Receivables:		
Interest		535
TOTAL ASSETS	258,724	366,665
LIABILITIES		
Agency obligations		366,665
TOTAL LIABILITIES		366,665
NET ASSETS	\$ 258,724	\$

CITY OF LODI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended June 30, 2012

		Private-Purpose Trust Funds
ADDITIONS		
Investment and rental income	\$	5,813
DEDUCTIONS		
Current		
Library		9,534
CHANGE IN NET ASSETS		(3,721)
NET ASSETS, BEGINNING OF YEAR		262,445
NET ASSETS, END OF YEAR	\$	258,724

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF LODI
Notes to Basic Financial Statements
June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Financial Reporting Entity

The City of Lodi (City) was incorporated on December 6, 1906, as a municipal corporation under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general government, public works, community development, public protection (police and fire), public utilities, library, parks and recreation.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

An elected five-member council governs the City of Lodi. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units, although legally separate entities, are, in substance, part of the City's operations and therefore, their activities are blended with data of the City.

Blended Component Units

The blended component units of the City are as follows:

The Lodi Public Improvement Corporation (LPIC) was formed on April 26, 1988, for the purpose of rendering financial assistance to the City in the issuance of the 1988 Certificates of Participation (refunded by the issuance of the 1991 Certificates of Participation) to finance the expansion of the City's White Slough Pollution Control Facility. Since then, several Certificates of Participation were issued to finance various major projects (See Note 8).

The City Council constitutes the Board of Directors of LPIC. The funds of LPIC have been included in the Enterprise (Electric and Wastewater) Funds and in the other governmental funds in the accompanying basic financial statements.

The Lodi Financing Corporation (LFC) was formed on October 12, 1999, for the purpose of assisting the City with the financing of the costs of its environmental abatement program and enhancing the water supply of the City for the use, benefit and enjoyment of the citizens served by the City. The City Council is the Board of Directors of LFC. The funds of LFC are included in the Water Fund in the accompanying basic financial statements.

The Lodi Public Financing Authority (LPFA) was created by a Joint Exercise of Powers Agreement between the City and the Industrial Development Authority (IDA) on July 21, 2010, for the purpose of assisting the City in the financings of public capital improvements. The 2010 Water Revenue Certificates of Participation Series A and B were issued in October 2010 to provide funds for a new water treatment facility.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

The City Council constitutes the Board of Directors of LPFA. The funds of LPFA have been included in the Enterprise (Water) Fund in the accompanying basic financial statements.

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus and accrual basis of accounting*, as are the proprietary fund and private-purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds use the accrual basis of accounting, but they do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal year. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Property taxes, other local taxes, licenses, intergovernmental revenues, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available when the City receives cash.

The City reports the following major governmental fund:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

The **Electric Fund** accounts for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements, and maintenance and debt service.

The **Wastewater Fund** accounts for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

The **Water Fund** accounts for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Additionally, the City reports the following fund types:

The **Internal Service Funds** account for the City's claims, benefits and fleet services.

The **Fiduciary Funds** account for assets held in trust for other agencies.

Private-Purpose Trust Funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments. They were established to account for assets held and invested by the Library Board as trustee; and to account for assets held by the City in accordance with a trust agreement on behalf of the Hutchins Square. These funds can only be spent in accordance with the trust agreements.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Agency Fund accounts for assets held by the City as a trustee or as an agent for individuals, private organizations, related organizations and/or other governmental units. This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way/Beckman Districts, the Downtown/Cherokee Lane Districts and various landscape and lighting districts around the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the business-type activities in the government-wide and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Electric, Wastewater, Water and Transit Funds. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges for customer services including: electric, wastewater, water and public transportation fees. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

(d) Cash and Investments

The City maintains a cash and investment pool that is available for all funds of the City for the purpose of increasing interest earnings through investment activities. Investments are generally stated at fair value with the exception of guaranteed investment contracts, which are stated at cost. Income earned or losses arising from the investment of pooled cash are allocated to various funds based on month-end cash balances in accordance with California Government Code Section 53647. Changes in fair value of investments are recognized as a component of investment income.

(e) Restricted Cash and Investments

The City accounts for certain settlement payments for environmental remediation as restricted with the understanding that these funds will be used exclusively for environmental clean up, investigation or remediation expenses incurred by the City in the specified areas and that they will not be used for the payment of legal or technical fees. These funds are accounted for in the Water Fund.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

(f) Restricted Assets with Fiscal Agents

Restricted assets represent the proceeds from debt and other cash and investments held by fiscal agents by agreement that meet the definition of cash and cash equivalents, with the exception of a \$2,169,850 guaranteed investment contract held in the Wastewater Fund which is a long-term investment.

In the Electric Enterprise Fund, restricted assets represent the proceeds of the 2008 Certificates of Participation restricted for debt service. In the Capital Outlay Reserve Fund, the restricted assets represent the proceeds of the 2002 Improvement bonds restricted for debt service. In the Wastewater fund, the restricted assets represent the proceeds of the 2003B, the 2004A and 2007A Certificates of Participation issued for improvements to the City's wastewater collection, treatment and disposal system. In the Water Fund, restricted assets represent the proceeds of the 2010A and 2010B Certificates of Participation issued for the purpose of providing funds to pay the cost of a new Water Treatment Facility.

(g) Property Taxes

San Joaquin County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is liened based on the assessed value listed as of the prior January 1st for all real and personal property located in the City. Property sold after the assessment date (January 1st) is reassessed and the amount of property tax assessed is prorated. The assessed value at January 1, 2010, upon which the 2011 levy was based, was \$4,967,856,000.

Secured property taxes are levied on October 1 and are due in two installments on November 1 and February 1. The tax becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is levied on July 1, due on July 31 and becomes delinquent after August 31.

Property taxes levied for the year ended June 30, 2012, are recorded as receivables, net of estimated uncollectible amounts. Property taxes paid to the City by the County within 60 days of the fiscal year end are considered "available" and are, therefore, recognized as revenue.

In 1993, the City made an agreement with the San Joaquin County to participate in the Teeter Plan. The Teeter plan is an alternative method of apportioning property tax money. The cities receive 95% of the property taxes in advance from the County and the 5% remaining after reconciling the cities' balances at June 30. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes.

(h) Due From/Due To Other Funds, Advances To/Advances From Other Funds, and Internal Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds." Long-term interfund loans

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

receivable are reported as "advances to other funds." The corresponding long-term interfund loans payable are reported as "advances from other funds." In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Receivables and payables between the governmental activities and the business-type activities are classified as internal balances.

(i) Transfers

In the fund financial statements, interfund transfers are recorded as transfers in (out) except for transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of fiscal year.

Reimbursements for expenditures, initially made by one fund that is properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

(j) Long-term Obligations

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Gains or losses occurring from advance refunding are deferred and amortized as an expense for both governmental and business-type activities.

(k) Loans Receivable

Loans receivable reported in the HOME Program & Community Development Block Grants Special Revenue Fund represent funds loaned to a developer for a low-income housing project and funds loaned to first-time homebuyers. Loans receivable in the Electric Enterprise Fund represent loans to eligible Industrial and Commercial customers participating in the Lodi Energy Efficiency Financing Pilot Project.

On November 15, 1995, the City loaned to a developer funds for a low-income housing project of which the City will receive principal and interest from the original loan in 2025 and can use it for allowable projects or to make new loans.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

In December 2009, the City entered into a contractual relationship with the California Department of Housing and Community Development (HCD) to administer a First-time Homebuyers Program. The loan program is intended to provide deferred down-payment assistance to first-time homebuyers who are at or below 80% of the median income, for the purchase of homes within Lodi. The loan bears 2% interest and is due and payable 30 years from close of escrow, upon transfer of the property or when the home is no longer owner-occupied, whichever comes first. The City approved one loan during the fiscal year.

In October 2010, the City established a loan fund in its public benefits program from which G2 electric utility rate commercial and industrial customers may borrow money to implement energy conservation projects in their facilities. The loan is at zero interest rate payable in two years capped at \$50,000 per customer. As of June 30, 2012, a total of twelve loans to industrial and commercial customers have been approved.

(l) Advance Receivable

Advance receivable reported in the Electric Enterprise Fund represents the City's portion of the Northern California Power Agency's (NCPA) General Operating Reserve that is refundable upon demand by the City (See Note 12).

(m) Inventory

Other governmental funds inventories are recorded at cost and are recognized as expenditures when consumed rather than when purchased. For the proprietary fund types, inventories are recorded at cost using the weighted average cost method, which approximates market, and expense is recognized when inventories are consumed in operations.

(n) Deferred Charges

Deferred charges reported in the Electric Enterprise Fund include costs incurred in connection with the issuance of the 2008 Certificates of Participation Series A amortized over 24 years. The deferred charges reported in the Wastewater Enterprise Fund include costs incurred on the issuance of the 2003B and 2004A Certificates of Participation amortized over 20 years and the 2007A Certificates of Participation amortized over 30 years. Deferred charges reported in the Water Enterprise Fund include costs incurred in the issuance of the 2010 Certificates of Participation Series A and B amortized over 30 years.

(o) Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, infrastructure (e.g., streets, streetlights, traffic signals, sidewalks, and bridges), and electric lines, wastewater lines and storm drains are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the City as assets with individual cost of \$3,000 or more and have an estimated useful life in excess of two years. Such assets

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the General and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. As required by the Governmental Accounting Standards Board Statement No. 34, beginning July 1, 2002, the City has capitalized infrastructure, primarily its network of streets, as part of the capital assets shown in the governmental activities column on the government-wide statement of net assets. This capitalization included infrastructure that could be identified and has been acquired since July 1, 1980.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	3 - 40
Machinery and equipment	2 - 40
Vehicles	5 - 15
Infrastructure	10 - 50

(p) Compensated Absences/Vacation and Sick Leave

The City accrues for compensated absences, in the government-wide financial statements and the proprietary funds financial statements, to pay its employees for the unused vacation, compensatory time, and miscellaneous leave. The City is not obligated to pay for unused sick leave if employees terminate prior to retirement.

(q) Self-Insurance

The City is self-insured for general liability, workers' compensation, dental benefits, unemployment and long-term disability. Various City funds are charged premiums for the City's self-insurance liability, which is accounted for in an internal service fund. The accrued liability for estimated self-insured claims represents an estimate of the eventual loss on claims arising prior to year-end including claims incurred but not reported.

(r) Net Assets

In the government-wide and proprietary funds financial statements, net assets are reported in one of three categories:

Invested in Capital Assets, Net of Related Debt – This category consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Restricted Net Assets – External creditors, grantors, contributors, or laws or regulations of other governments restrict this amount.

Unrestricted Net Assets – This category consists of all net assets that do not meet the definition of invested in capital assets, net of related debt or restricted net assets.

(s) Fund Balance

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified in categories based upon the type of restrictions imposed on the use of funds. The City evaluated each of its funds at June 30, 2012 and classified fund balances into the following five categories:

Nonspendable – Amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund or (2) legally or contractually required to remain intact.

Restricted – Amounts that are restricted by external parties such as creditors or imposed by grants, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City has legislative restrictions on amounts collected and reported in the City's various governmental funds.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action by the entity's "highest level of decision-making authority"; which the City considers to be an ordinance passed by the Lodi City Council.

Assigned – Amounts that have been allocated by action of the Lodi City Council in which the City's intent is to use the funds for a specific purpose. Once assigned, funds may only be released by resolution of the City Council.

Unassigned – Amounts that constitute the residual balances that have no restrictions placed upon them are reported in the General Fund. For other governmental funds, as restrictions exceed available resources only deficit amounts are reported in the unassigned category.

The City does not have a policy on the order of spending of unrestricted amounts when an expenditure is incurred for which amounts in any of the unrestricted fund balance classifications could be used. Therefore, by default under GASB Statement No. 54, the City uses committed resources first, then assigned resources and unassigned resources last as they are needed.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

It is the City's policy to maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds of at least 25% of operating expenses and the target for the Electric enterprise fund working capital is \$28.7 million. The policy allows for variations from year-to-year to account for economic and fiscal changes.

The City Council also adopted a policy to establish the following reserves:

Catastrophic reserve - To maintain the ability of the City to meet operational costs during times of declared emergency or major catastrophe, the City shall designate General Fund balance of a minimum of 8% of annual General Fund revenues. This reserve may only be drawn upon pursuant to an emergency as declared under the Municipal Code.

Economic reserve - To maintain the City's economic viability and to meet seasonal cashflow shortfalls, the City shall designate General Fund economic reserve balance of a minimum of 8% of annual General Fund revenues. Funding the economic reserve will begin in the fiscal year following full funding of the catastrophic reserve. Funding may only be disbursed upon a resolution of the City Council.

Once fully funded, if these reserves fall below 5% of annual revenues, the City Manager shall prepare a plan within three months of approval of the City's Financial Statements. This plan will restore the 5% within 12 months and the 8% within 24 months.

(t) Statement of Cash Flows

A statement of cash flows is presented for proprietary fund types. For purposes of reporting cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased and investments maintained in the pool to be cash equivalents.

(u) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

(2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 60,649,993
Restricted assets	45,366,653
Fiduciary funds cash and investments:	
Private-purpose trust funds	258,724
Agency fund	366,130
Total cash and investments	<u>\$ 106,641,500</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 2,471
Deposits with financial institutions	8,120,334
Investments	<u>98,518,695</u>
Total cash and investments	<u>\$ 106,641,500</u>

(a) Authorized Investments

The City has adopted an investment policy pursuant to Government Code Section 53601 which authorizes the City to invest in obligations of the U.S. Treasury, U.S Government agency securities and instruments, bankers' acceptances, certificates of deposit, negotiable certificates of deposit, commercial paper, State of California Local Agency Investment Fund (LAIF), Investment Trust of California (CALTRUST), mutual funds that invest in eligible securities, guaranteed investment contracts and medium term notes as permitted by the Government Code. The City is not authorized to enter into reverse repurchase agreements. The City selects its investments based on safety, liquidity and yield. The following table identifies the permitted investment types authorized per the City's investment policy. The table also identifies certain provisions that address interest rate risk and concentration of credit risk.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Permitted Investments/Deposits	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in One issuer
U.S. Treasury Obligations	5 years	100%	
U.S. Agency Securities	5 years	100%	
Banker's Acceptances	180 days	40%	25%
Negotiable Certificates of Deposit	5 years	30%	
Commercial Paper	270 days	40%	
California State Local Agency Investment Fund (LAIF)	Indefinite	100%	\$50m per account
Money Market Mutual Funds	Indefinite	20%	
Guaranteed investment contracts (GICs)	5 years	100%	
Medium term Notes	5 years	30%	
Investment Trust of California (CALTRUST)	Indefinite	100%	

(b) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by the provisions of the debt agreements as to the extent that they are permissible investments of funds of the City.

(c) 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:

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Investment as of June 30, 2012	Maturity <u>Less than One Year</u>	Maturity <u>One to Five Years</u>	Total
LAIF	\$ 46,782,586		\$ 46,782,586
CALTRUST	8,000,000	16,000,000	24,000,000
Money Market Mutual Funds	138,052		138,052
Held by bond trustee:			
LAIF	2,652,097		2,652,097
Money Market Mutual Funds	17,641,738		17,641,738
Medium Term Notes		754,762	754,762
US Agency Securities		1,819,455	1,819,455
US Treasury Obligations	1,309,836	1,135,994	2,445,830
Guaranteed investment contracts (GICs)		2,169,850	2,169,850
Total investments subject to interest rate risk	<u>\$ 76,524,309</u>	<u>21,880,061</u>	98,404,370
Equities and options			<u>114,325</u>
Total investments			<u>\$ 98,518,695</u>

Investments in equities are shares of stock received by the Library as an endowment from a private citizen.

(d) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market funds are registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and have a rating by S&P of "AAAm-G," "AAA-m" or "AA-m" and rated by Moody's "Aaa," "Aa1" or "Aa2." The GICs and LAIF do not have a rating provided by a nationally recognized statistical rating organization. The U.S. Treasury obligations are not considered to have credit risk under GASB Statement No. 40, however, the U.S. treasury obligations and U.S. Agency securities are rated AA+ by S&P. The medium term notes are rated Aaa by Moody's and AA+ by S&P. The CALTRUST Short term fund is rated "AA/S1+" by S&P while the CALTRUST Medium term fund is rated "A or better."

In accordance with the City's investment policy in selecting authorized investments, consideration must be given to credit ratings and collateralization of applicable instruments, however, the City does not have a minimum credit rating limitations policy.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

(e) Concentration of Credit Risk

The investment policy of the City contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in LAIF and money market mutual funds are not subject to the concentration of credit risk disclosure. There are no investments with any one issuer greater than 5% of total investments.

(f) Custodial Credit Risk

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 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 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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% 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% of the secured deposits. \$4,797,116 of the City's deposits with financial institutions, which exceeded federal depository insurance limits, was collateralized in this fashion.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party. The California 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 investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

(g) Investments in Investment Pools

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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 amounts 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 that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF at June 30, 2012 was \$21.9 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2012 had a balance of \$60.5 billion. Of this amount, 3.47% were invested in medium-term and short-term structured notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 270 days as of June 30, 2012.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool of shares in LAIF, which maybe withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's portion of the pool. Withdrawals from LAIF are done on a dollar for dollar basis. In accordance with GASB Statement 31, investments are marked to fair values annually and an adjustment is made to each fund accordingly. However, actual daily activity is done on a dollar to dollar basis and only a withdrawal from the pool size that jeopardizes pool participants would cause the withdrawal to be done at market value.

The City is also a participant in the Investment Trust of California Joint Powers Authority Pool (CALTRUST). At June 30, 2012, the City's investment in CALTRUST is \$24 million. CALTRUST is an innovative partnership between the CSAC Finance Corporation and the League of California Cities to provide a convenient method for local agencies to pool their assets for investment. The weighted average to maturity of CALTRUST investments was as follows: CALTRUST Short Term, one year or less and CALTRUST Medium, 21 months. The Board of Trustees, which is made up of experienced local treasurers and Investment Officers has oversight responsibility for CALTRUST. The value of the pool shares in CALTRUST, which may be withdrawn, is determined on a fair value basis, which may be different than the amortized cost of the City's portion of the pool. The total amount invested in CALTRUST by California public agencies, as of June 30, 2012 was divided among the following asset classes: CALTRUST Medium Term was \$439 million and CALTRUST Short term was \$623 million.

(3) ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Receivables of the General Fund, Electric, Wastewater and Water funds are reported net of uncollectible amounts. Total allowance provided for uncollectible amounts related to receivables of the current period are as follows:

Uncollectibles related to late charges and services	\$	17,500
Uncollectibles related to electric sales and services		170,000
Uncollectibles related to wastewater services		41,700
Uncollectibles related to water sales and services		79,200
Total uncollectibles of the current fiscal year	\$	308,400

(4) INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables at June 30, 2012 are as follows:

	Due from	Due to		Amount
Other governmental		General	\$	827,178
Other governmental		Other governmental		364,994
			\$	1,192,172

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

“Due to” and “due from” balances are recorded primarily when funds overdraw their share of pooled cash or when there are short-term loans between funds. The \$827,178 and \$364,994 represent cash deficits in other governmental funds.

Advances from	Advances to	Amount
Wastewater	Other governmental	\$ 55,000
Water	Other governmental	<u>1,209,025</u>
		<u>\$ 1,264,025</u>

The \$55,000 advance from other governmental was used for the Impact Mitigation Fees update. The \$1,209,025 advance from the Water Fund was used for the construction of Fire Station #4.

(5) TRANSFERS

Transfers for the year ended June 30, 2012, are summarized as follows:

<u>Transfers out:</u>	<u>Transfers in</u>			<u>Total</u>
	General	Governmental	Wastewater	
		Other		
General	\$	8,391,858		\$ 8,391,858
Other governmental	2,240	723,919	2,229,572	2,955,731
Electric	2,856,390			2,856,390
Wastewater	1,451,480			1,451,480
Water	1,060,120			1,060,120
Total	\$ 5,370,230	9,115,777	2,229,572	\$ 16,715,579

During the year, various interfund transfers were made to finance expenditures, subsidize operating losses and service debt.

The transfer out of \$2,240 from other governmental to the General Fund represents the return of unused funds intended as city match for a capital project in prior years.

Transfers out of \$2,856,390 from the Electric Fund, \$1,451,480 from Wastewater Fund, and \$1,060,120 from Water Fund represent the cost of services reimbursement to the General Fund.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

The transfer of \$8,391,858 from the General Fund to other governmental represents transfer of \$1,008,817 to the Debt Service Fund for the principal, interest and fiscal charges required to pay the 2002 Certificates of Participation; \$3,881,520 to Parks, Recreation and Community Services for operating costs; \$150,200 to Community Development for operating costs; \$526,900 to the Vehicle and Equipment Fund for vehicle replacements and computer replacements; and \$2,269,821 to the Capital Outlay Reserve Fund which includes \$988,750 for various capital projects, \$500,000 set aside for Fire Station #2, \$643,071 in incurred start up costs for a Redevelopment Agency, and \$138,000 to provide additional funds for the purchase of the Dean property; and \$554,600 to the Street Fund for various streets projects

The transfer out of \$723,919 from other governmental to other governmental includes \$660,199 transferred from Parks, Recreation and Community Services to Debt Service Fund for the principal, interest and fiscal charges required to pay the 2002 Certificates of Participation; transfer of \$2,510 from the Community Development and \$61,210 from the Parks, Recreation and Community Services to the Vehicle and Equipment Fund for fleet replacement.

The transfer from other governmental to the Wastewater Fund of \$2,229,572 represents the transfer of the Storm Drains from the Streets Fund to the Wastewater Fund.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

(6) CAPITAL ASSETS

Capital assets activity of the primary government for the year-ended June 30, 2012, was as follows:

<u>Governmental activities</u>	<u>Balance</u> June 30, 2011	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 23,693,292			\$ 23,693,292
Work of Art	304,907			304,907
Construction in progress	11,253,080	1,663,085	(9,518,827)	3,397,338
Total capital assets, not being depreciated	<u>35,251,279</u>	<u>1,663,085</u>	<u>(9,518,827)</u>	<u>27,395,537</u>
Capital assets, being depreciated:				
Buildings and improvements	62,325,005	1,987,461		64,312,466
Machinery and equipment	10,577,307	486,846		11,064,153
Vehicles	9,372,495	421,513	(97,049)	9,696,959
Infrastructure	127,224,357	6,559,436		133,783,793
Total capital assets, being depreciated	<u>209,499,164</u>	<u>9,455,256</u>	<u>(97,049)</u>	<u>218,857,371</u>
Less accumulated depreciation for:				
Buildings and improvements	24,864,809	1,718,550		26,583,359
Machinery and equipment	8,943,813	625,260		9,569,073
Vehicles	8,533,197	388,293	(97,049)	8,824,441
Infrastructure	66,343,713	6,075,253		72,418,966
Total accumulated depreciation	<u>108,685,532</u>	<u>8,807,356</u>	<u>(97,049)</u>	<u>117,395,839</u>
Total capital assets, being depreciated, net	100,813,632	647,900		101,461,532
Governmental activities capital assets, net	<u>\$ 136,064,911</u>	<u>2,310,985</u>	<u>(9,518,827)</u>	<u>\$ 128,857,069</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

<u>Business-type activities</u>	Balance			Balance
	<u>June 30, 2011</u>	Increases	Decreases	<u>June 30, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 5,535,718			\$ 5,535,718
Construction in progress	<u>67,296,498</u>	<u>34,888,962</u>	<u>(63,484,436)</u>	<u>38,701,024</u>
Total capital assets, not being depreciated	<u>72,832,216</u>	<u>34,888,962</u>	<u>(63,484,436)</u>	<u>44,236,742</u>
Capital assets, being depreciated:				
Buildings and improvements	37,666,200	8,055,598		45,721,798
Machinery and equipment	150,807,915	60,517,900	(3,840,544)	207,485,271
Vehicles	<u>8,663,418</u>	<u>239,720</u>	<u>(81,056)</u>	<u>8,822,082</u>
Total capital assets, being depreciated	<u>197,137,533</u>	<u>68,813,218</u>	<u>(3,921,600)</u>	<u>262,029,151</u>
Less accumulated depreciation for:				
Buildings and improvements	12,597,071	1,108,574		13,705,645
Machinery and equipment	52,791,889	6,468,894	(96,013)	59,164,770
Vehicles	<u>6,994,424</u>	<u>729,302</u>	<u>(81,056)</u>	<u>7,642,670</u>
Total accumulated depreciation	<u>72,383,384</u>	<u>8,306,770</u>	<u>(177,069)</u>	<u>80,513,085</u>
Total capital assets, being depreciated, net	124,754,149	60,506,448	(3,744,531)	181,516,066
Business-type activities capital assets, net	<u>\$ 197,586,365</u>	<u>95,395,410</u>	<u>(67,228,967)</u>	<u>\$ 225,752,808</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:

General government	\$	736,363
Public protection		1,042,911
Public works		6,206,763
Community development		6,084
Library		40,837
Parks and recreation		772,950
Internal service funds		<u>1,448</u>
Total depreciation expense - governmental activities	\$	<u><u>8,807,356</u></u>

Business-type activities:

Electric	\$	1,638,451
Wastewater		4,270,745
Water		1,416,074
Transit		<u>981,500</u>
Total depreciation expense - business-type activities	\$	<u><u>8,306,770</u></u>

(7) OPERATING LEASES

The City is obligated under an operating lease for the use of facilities. Total costs for such lease was \$21,000 for the year ended June 30, 2012.

Future minimum lease payments required by this lease agreement that has a remaining noncancellable lease terms of one year or more as of June 30, 2012, are as follows:

<u>Fiscal Years Ending</u>		
2013	\$	21,000
Total minimum lease payments required under operating leases	\$	<u><u>21,000</u></u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

(8) LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the City for the year ended June 30, 2012:

	<u>Interest Rates</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental activities:						
Compensated absences		\$ 7,134,715	1,905,933	(2,235,823)	\$ 6,804,825	\$ 1,905,933
2002 Certificates of Participation	3.0-5.0%	21,655,000		(630,000)	21,025,000	655,000
Note payable	6.0%	245,000			245,000	
Self-insurance liability		8,350,338	1,520,134	(1,398,641)	8,471,831	1,520,134
Net OPEB obligation		3,014,788	1,221,126	(614,321)	3,621,593	
Governmental activity long-term liabilities		<u>\$ 40,399,841</u>	<u>4,647,193</u>	<u>(4,878,785)</u>	<u>\$ 40,168,249</u>	<u>\$ 4,081,067</u>
	<u>Interest Rates</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Business-type activities:						
Compensated absences		\$ 1,903,824	482,184	(522,085)	1,863,923	\$ 482,184
Pollution remediation obligation		65,874,150		(570,276)	65,303,874	
Certificates of Participation:						
2010 Certificates of Participation A & B	2.50-6.637%	38,665,000		(775,000)	37,890,000	800,000
Add deferred amounts:						
For issuance premium		571,306		(19,700)	551,606	19,700
Total		39,236,306		(794,700)	38,441,606	819,700
2008 Certificates of Participation A	3.8-5.05%	60,685,000			60,685,000	
Add deferred amounts:						
For issuance premium		523,078		(24,904)	498,174	24,909
Less deferred amounts:						
From refunding		(6,334,766)		301,654	(6,033,112)	(301,656)
Net		54,873,312		276,750	55,150,062	(276,747)

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

	<u>Interest Rates</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Amounts Due Within One Year</u>
2002 Certificates of Participation C & D	1.54-5.25%	22,750,000		(3,270,000)	19,480,000	4,575,000
Add deferred amounts:						
For issuance premium		<u>32,821</u>		<u>(32,821)</u>		
Total		<u>22,782,821</u>		<u>(3,302,821)</u>	<u>19,480,000</u>	<u>4,575,000</u>
2003 Certificates of Participation B	2.0-5.0%	3,630,000		(215,000)	3,415,000	225,000
Add deferred amounts:						
For issuance premium		<u>50,249</u>		<u>(4,102)</u>	<u>46,147</u>	<u>4,102</u>
Total		<u>3,680,249</u>		<u>(219,102)</u>	<u>3,461,147</u>	<u>229,102</u>
2004 Certificates of Participation A	2.0-5.5%	21,420,000		(1,090,000)	20,330,000	1,145,000
Add deferred amounts:						
For issuance premium		<u>281,921</u>		<u>(21,277)</u>	<u>260,644</u>	<u>21,277</u>
Total		<u>21,701,921</u>		<u>(1,111,277)</u>	<u>20,590,644</u>	<u>1,166,277</u>
2007 Certificates of Participation A	4.0-5.0%	30,000,000		(125,000)	29,875,000	130,000
Add deferred amounts:						
For issuance premium		217,343		(8,253)	209,090	8,253
Less deferred amounts:						
From refunding		<u>(678,618)</u>		<u>44,499</u>	<u>(634,119)</u>	<u>(44,499)</u>
Net		<u>29,538,725</u>		<u>(88,754)</u>	<u>29,449,971</u>	<u>93,754</u>
Total Certificates of Participation		<u>171,813,334</u>		<u>(5,239,904)</u>	<u>166,573,430</u>	<u>6,607,086</u>
Business-type activity long-term liabilities		<u>\$ 239,591,308</u>	<u>482,184</u>	<u>(6,332,265)</u>	<u>\$ 233,741,227</u>	<u>\$ 7,089,270</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, internal service funds self-insurance liability for \$8,471,831, \$106,097 for compensated absences, and \$3,621,593 for net OPEB obligation were included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund and the internal service funds.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Long-term debt payable at June 30, 2012, comprised of the following individual issues:

Note Payable

The City issued a \$245,000 promissory note to James E. Dean and Carol Dean, as trustees of the James E. Dean Family Trust, for the purchase of 307 W. Elm Street property, which is the site of the new Public Safety Building. Interest is payable quarterly and principal is due on April 1, 2017.

Annual debt service requirements to maturity of the note payable are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2013	\$	\$ 14,700
2014		14,700
2015		14,700
2016		14,700
2017	245,000	11,025
Total	\$ <u>245,000</u>	\$ <u>69,825</u>

Certificates of Participation

\$5,000,000 California Statewide Communities Development Authority Water and Wastewater Revenue Bonds were issued on October 7, 2003. The City of Lodi along with the City of Fort Bragg issued \$9.855 million 2003 Series B revenue bonds through the California Statewide Communities Development Authority (the "Authority") pooled financing program. The City of Lodi's portion is \$5.0 million for the upgrade of its wastewater facilities. Principal is payable annually on October 1 in amounts from \$185,000 to \$365,000 with final payment due October 1, 2023. The City has pledged future wastewater revenues, net of specified operating expenses, to repay \$5.0 million in wastewater revenue bonds. The bonds are payable solely from wastewater customer net revenues. The total principal and interest remaining to be paid on the bonds is \$4,526,388. Principal and interest paid for the current year and total net revenues were \$379,170 and \$7,128,468, respectively.

The Authority's Water and Wastewater Pooled Financing Program is available to California water and wastewater agencies to facilitate the financing or refinancing of capital improvements. The program is available to California cities and special districts that operate water or

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

wastewater enterprises. The Authority is authorized pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code to issue bonds to finance and refinance water and wastewater public capital improvements of local agencies located throughout California.

\$27,360,000 Certificates of Participation (2004A COP) were issued on May 12, 2004 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. Principal is payable annually on October 1 in amounts from \$170,000 to \$2,070,000 with final payment due October 1, 2024. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$27,665,662. Principal and interest paid for the current year and total net revenues were \$2,139,350 and \$7,128,468, respectively.

\$30,320,000 Certificates of Participation (2007A COP) were issued on November 16, 2007 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City and to provide resources for the repayment of the 1991 Certificates of Participation (Wastewater Treatment Plant Expansion Refunding Project). Principal is payable annually on October 1 in amounts from \$105,000 to \$2,980,000 with final payment due October 1, 2037. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$57,234,938. Principal and interest paid for the current year and total net revenues were \$1,599,050 and \$7,128,468, respectively.

\$26,745,000 Certificates of Participation (2002 COP) were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City; to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. As of June 30, 2012, there are no outstanding balances of these refunded Certificates. The 1995 Certificates of Participation (1995 COP) were sold in October 1995 to finance the City Downtown Revitalization and the Cherokee Lane Beautification projects. The 1996 Certificates of Participation (1996 COP) were sold in August 1996 to finance the construction of the Hutchins Street Square Conference and Performing Arts Center. Principal is payable annually on October 1 in amounts from \$730,000 to \$1,600,000 with final payment due October 1, 2031.

\$21,225,000 Revenue Certificates of Participation 2002 Series C and **\$22,740,000** Revenue Certificates of Participation Series D were issued to buy out the energy purchase agreement with Calpine.

In February 2001, the City entered into an energy purchase agreement (the Original Agreement) with Calpine Energy Services L.P. (Calpine) to purchase 25 MW of energy at \$65/mwh for a ten-year period beginning January 1, 2002. Since the execution of the Original Agreement, actions of the State in connection with the energy market conditions, including the initiation of conservation programs, and other factors, have resulted in lower electric load requirements and reduced energy costs throughout the State. As a result, the City's need for the energy purchased under the Original Agreement to serve its load has been reduced. The Original Agreement was amended on September 4, 2002, and was divided into three parts. The City sold its interests in the energy purchased under the Original Agreement to Calpine and nets the payments due from the City with respect to its purchase of such energy against the payments due from Calpine with respect to its purchase of the City's rights to such energy. On November 21, 2002, the City issued \$21,225,000 Revenue Certificates of Participation 2002 Series C and \$22,740,000 Revenue

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Certificates of Participation 2002 Taxable Series D to buy out the amended contract in the amount of \$42,406,175. Principal is payable annually on July 1 in amounts from \$110,000 to \$5,195,000 with final payment due July 1, 2015.

The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$21,546,563. Principal and interest paid for the current year and total net revenues were \$4,333,340 and \$15,056,763, respectively.

The City issued **\$60,685,000** Certificates of Participation (2008A COP) on July 24, 2008 to allow the City to prepay and cause the immediate defeasance of the outstanding \$46,760,000 Certificates of Participation (Electric System Revenue Certificates of Participation 2002 Series A Variable Rate Certificates) and to pay \$8,979,000 for the termination of a swap agreement related to the refunded 2002 certificates. Principal is payable annually on July 1 in amounts from \$2,390,000 to \$5,090,000 with final payment due July 1, 2032. The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$99,773,725. Principal and interest paid for the current year and total net revenues were \$2,957,775 and \$15,056,763, respectively.

On October 1, 2010, the City issued **\$9,015,000** Water Revenue Certificates of Participation, 2010 Series A and **\$29,650,000** Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system. Principal is payable annually on June 1 in amounts from \$775,000 to \$2,210,000 with final payment due June 1, 2040. The City has pledged future water revenues, net of operation and maintenance costs, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$78,175,264. Principal and interest paid for the current year and total net revenues were \$2,304,811 and \$7,883,559, respectively.

The various indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Annual debt service requirements to maturity for certificates of participation are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 655,000	\$ 1,010,047	\$ 6,875,000	\$ 8,626,550
2014	690,000	981,013	7,150,000	8,296,081
2015	715,000	949,400	7,460,000	7,948,813
2016	745,000	916,550	10,185,000	7,582,344
2017	775,000	880,413	5,235,000	7,199,664
2018-2022	4,485,000	3,792,545	29,995,000	32,171,342
2023-2027	5,695,000	2,556,375	37,745,000	24,114,300
2028-2032	7,265,000	943,625	38,670,000	14,456,167
2033-2037			19,550,000	5,934,856
2038-2040			8,810,000	917,423
Total	\$ 21,025,000	\$ 12,029,968	\$ 171,675,000	\$ 117,247,540

Industrial Development Bonds

The City of Lodi has lent its name to the City of Lodi Industrial Development Authority for the purpose of issuing the following industrial development bonds: Minton Corporation \$5,000,000; Dart Corporation \$8,000,000; Wallace Computer Services \$3,000,000; and Luster-Cal Nameplate Corporation \$3,000,000. These bonds are special obligation bonds only, payable solely out of the bond revenues or other sources of the above companies and are not a pledge of the general credit of the City. The City is not obligated for the redemption or administration of these industrial development bonds.

Woodbridge Irrigation District Bonds

On October 8, 2003, the City lent its name to the Woodbridge Irrigation District (the "District") in the procurement of \$11.745 million 2003 Revenue Certificates of Participation, to provide funds to finance the costs of construction of a new diversion dam on the Mokelumne River and related facilities of the water district. A significant portion of the District's sources of payment for the 2003 Certificates are expected to be derived from amounts to be received by the District from the City of Lodi pursuant to an Agreement for purchase of water from the Woodbridge Irrigation District by the City of Lodi, dated May 13, 2003 (the "Lodi Water Sales Agreement"). Under the agreement, the City will purchase 6,000 acre feet of water per annum from the District for 40 years.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

(9) DEFINED BENEFIT PENSION PLAN

(a) Plan Description

The City of Lodi contributes to the California Public Employees' Retirement System (PERS); an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office- 400 Q Street, Sacramento, CA 95811.

(b) Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Beginning this fiscal year, the employees started to pay a portion of the contributions required of City employees at a range of 1% to 9%. The City is required to contribute at an actuarially determined rate; the current rate is 13.680% for miscellaneous employees, 30.380% for fire and police employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

(c) Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost of \$3,238,866 for the Safety Plan and \$2,110,328 for the Miscellaneous Plan were equal to the City's required contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) (b) projected annual salary increases that vary by age, length of service, and type of employment (c) 3.25% payroll growth, and (d) 3.00% inflation. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. The actuarial assumption used to determine the required contributions are the same as those used to determine the funded status. Amortization of the remaining period for the Safety Plan was 28 years and for the Miscellaneous Plan was 22 years as of June 30, 2011.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

(d) Trend Information

Three-Year Trend information (\$ Amounts in Thousands):

SAFETY PLAN			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$ 2,674	100%	\$0
6/30/11	2,726	100%	\$0
6/30/12	3,239	100%	\$0
MISCELLANEOUS PLAN			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$ 2,018	100%	\$0
6/30/11	2,080	100%	\$0
6/30/12	2,110	100%	\$0

(e) Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the Safety Plan was 76.0% funded and the Miscellaneous Plan was 86.1% funded. The actuarial accrued liability for benefits was \$122 million for the Safety Plan and \$134 million for the Miscellaneous Plan, and the actuarial value of assets was \$93 million for the Safety Plan and \$115 million for the Miscellaneous Plan; resulting in an unfunded actuarial accrued liability (UAAL) of \$29 million for the Safety Plan and \$19 million for the Miscellaneous Plan. The covered payroll (annual payroll of active employees covered by the plans) was \$11 million for the Safety Plan and \$18 million for the Miscellaneous Plan, and the ratio of the UAAL to the covered payroll was 258.2% and 104.3% for the Safety and Miscellaneous plans, respectively.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

(10) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(a) Plan Description

The City sponsors a single-employer defined-benefit postemployment healthcare plan (Plan) to provide medical insurance benefits to eligible retired employees and their spouses. The Plan does not issue a publicly available financial report. Medical coverage is provided through PERS healthcare program. Employees who retire from the City and receive a PERS pension are eligible for postemployment medical benefits. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. In general, retirees must contribute any premium amounts in excess of the City contribution. However, as described below, a closed group of active employees and retirees receive additional postemployment benefits.

Employees hired prior to the dates shown in the following table are allowed to convert their accumulated sick leave into postemployment medical benefits at retirement as long as they have ten or more years of service with the City.

Group	Hired prior to:
Executive Management	July 1, 1994
Mid-Management	July 1, 1994
Fire Mid-Management	December 6, 1995
Police Mid-Management	July 1, 1994
General Services	July 1, 1995
IBEW	July 1, 1995
Maintenance and Operators	July 1, 1995
Dispatchers	July 9, 1994
Police	October 10, 1994
Fire	December 6, 1995

The most widely elected options are the "Bank" option and the "Conversion" option. Under the "Bank" option, accumulated sick leave amounts are translated by specified formulas into a bank amount that is then used to pay postemployment healthcare premiums until the "Bank" is exhausted. Under the "Conversion" option, the accumulated sick leave hours are converted by specified formulas into a period of time during which the retiree will receive postemployment benefits. The number of hours is multiplied by 50% and converted to days. The City pays one month's premium for employee and dependents for each day after conversion. For each year of employment in excess of ten years, 2.5% is

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

added to the 50% before conversion. The amount of premium paid will be the same as the premium paid by the City at the time of retirement. In the event that the premium increases, the retiree pays the difference.

The City also allows a surviving dependent of a retiree to enroll in the Sick Leave Conversion program to purchase medical insurance at the employee only premium for the same period as if the retiree had not died. Retirees are allowed to enroll in any of the available PERS medical plans. The PERS minimum amount will continue for the life of the retiree and surviving spouse. The "Conversion" benefit will continue until the end of a period that is based on accumulated sick leave at retirement.

(b) Funding Policy

Contribution requirements of the postemployment benefit are based on pay-as-you-go financing. For fiscal year 2011-12, the City contributed \$614,321, or 50.31%, of the actuarially required contributions.

(c) Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$	1,227,913
Interest on net OPEB obligation		120,592
Adjustment to annual required contribution		<u>(127,379)</u>
Annual OPEB cost (expense)		1,221,126
Contribution made		<u>(614,321)</u>
Increase in net OPEB obligation		606,805
Net OPEB obligation - beginning of year		<u>3,014,788</u>
Net OPEB obligation - end of year	\$	<u><u>3,621,593</u></u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation, are as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2010	\$ 1,333,881	34.43%	\$ 2,070,199
06/30/2011	1,414,182	33.21%	3,014,788
06/30/2012	1,221,126	50.31%	3,621,593

(d) Funding Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$ 17,011,467
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 17,011,467</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Annual covered payroll (active plan members)	\$ 7,304,558
UAAL as percentage of annual covered payroll	232.9%

(e) Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

the plan members to that point. The actuarial methods and the assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4% discount rate to calculate the present value of future benefit payments; a 3.0% inflation rate; an annual healthcare cost trend rate of 9.0% initially, reduced by .5 percent increments to an ultimate rate of 4.5% in the eleventh year and beyond; the PERS minimum benefit will increase 4% per year; a 3.25% annual rate of increase in payroll; assumed that 100% of future eligible retirees will elect to maintain their enrollment in a PERS medical plan and qualify for the City's minimum contribution; 75% of future retirees will enroll a spouse; and also assumed that 100% of General Services, Maintenance and Operators and Dispatchers will elect the conversion option and 50% of Executive Management, Mid Management and Police will elect the option. The conversion option is not available to IBEW and Fire retirees. The unfunded actuarial accrued liability is amortized as a level of percentage of expected payroll over a closed thirty year period. As of January 1, 2012, the remaining amortization period is 27 years.

Since the prior valuation in 2010, there have been several factors which decreased the City's GASB 45 Actuarial Accrued Liability. These include (1) fewer participants covered under the Conversion option due to pre-retirement termination of employment or cessation of medical coverage with the City; (2) updated demographic assumptions; and (3) the reduction in the assumed PEMHCA benefit increase rate. These decreases were partially offset by the updated healthcare trend rate assumption.

(11) CLAIMS AND BENEFITS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured as discussed in the following paragraphs for which liabilities are recorded in the Internal Service Fund-Insurance Funds.

The City is self-insured for general liability up to the first \$500,000 per occurrence with claims from \$500,000 to \$40,000,000 per occurrence and in the aggregate insured through the California Joint Powers Risk Management Authority. The City never had any settlements that exceeded its general liability insurance coverage (See Note 13).

The City is self-insured for workers' compensation up to the first \$250,000 per claim. Any claims of \$250,000 up to California statutory limits are covered under a purchased policy through the membership with the Local Agency Workers' Compensation Excess Joint Powers Authority with coverage up to \$300,000,000 in the current year. The City never had any settlements that exceeded its workers' compensation insurance coverage (See Note 13).

The City is fully self-insured for dental and unemployment for its employees.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

General liability and workers' compensation claims are administered by an outside agency and all other claims are administered by the City. The City has accrued a liability of \$8,471,831 at June 30, 2012, for all self-insured claims in the Internal Service Fund-Insurance Funds that includes an amount for incurred but not reported claims. The liability amount is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In the opinion of the City, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes in the self-insurance liability for fiscal years ended June 30, 2012 and 2011 are as follows:

	<u>Beginning</u>	Current-Year Claims and Changes <u>in Estimates</u>	<u>Claim Payments</u>	<u>Ending</u>
FY 10-11	\$ 8,929,967	819,128	(1,398,757)	\$ 8,350,338
FY 11-12	\$ 8,350,338	1,520,134	(1,398,641)	\$ 8,471,831

(12) PARTICIPATION IN JOINT VENTURES

Northern California Power Agency

The City, along with thirteen other public agencies, is a member of the Northern California Power Agency (NCPA) that was formed in 1968 as a joint powers agency. Its membership consists of eleven cities with publicly owned electric utility distribution systems, one irrigation district, one public utility district, one port authority and four other associate member entities. NCPA is generally empowered to purchase, generate, transmit, distribute and sell electrical energy. Members participate in the projects of NCPA on an elective basis. A commission comprising of one representative from each member organization governs NCPA. The commission is responsible for the general management of the affairs, property and business of NCPA. Under the direction of the general manager, the staff of NCPA is responsible for providing various administrative, operating and planning services for NCPA and its associated power corporations.

Project Financing and Construction

NCPA's project construction and development programs have been individually financed by project revenue bonds collateralized by NCPA's assignment of all payments, revenues and proceeds associated with its interest in each project. Each Project Participant has agreed to pay its proportionate share of debt service and other costs of the related project, notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason. Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

General Operating Reserve with NCPA

Members of NCPA established a general operating reserve in 1992 for the purposes of providing a vehicle to fund reasonably foreseeable contingent liabilities. It was set up primarily to provide the following advantages: minimizes the number and dollar amount of reserve that might otherwise be funded separately in connection with NCPA's individually financed operating plants, projects and programs; provides each member with flexibility and unilateral control over the determination of what they will fund, how they will fund it and what expenditures from the reserve will be made on their individual behalf. It provides funding for contingent liabilities that are not budgeted but that may require significant future expenditures. The reserve is segregated by participant and is refundable on demand by the participant.

As of June 30, 2012, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is \$11,576,432.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Project Participation

The NCPA members and their percentage share at June 30, 2012, which is the most recent available data, are as follows:

NCPA MEMBERS	Geothermal Project	Hydro Electric Project	Combustion Turbine Project #1	Multiple Capital Facilities	Transmission Project	Lodi Energy Center
Alameda	16.8825%	10.00%	21.820%	19.00%	30.7803%	%
BART						6.6000
Biggs	0.2270		.197		0.3446	0.2679
Gridley	0.3360		.350		0.6248	1.9643
Healdsburg	3.6740	1.66	5.833		6.6947	1.6428
Lodi	10.2800	10.37	13.393	39.50	20.6077	9.5000
Lompoc	3.6810	2.30	5.833	5.00	6.7101	2.0357
Palo Alto		22.92				
Plumas-Sierra Rural Electric Coop	.7010	1.69	1.817		1.3112	0.7857
Roseville	7.8830	12.00		36.50	13.0846	
Santa Clara	44.3905	37.02	41.667			25.7500
Turlock Irrigation District	6.3305				9.6106	
Ukiah	5.6145	2.04	9.090		10.2315	1.7857
NON-MEMBERS						
Azusa						2.7857
CDWR						33.5000
Modesto Irrigation District						10.7143
PWRPA						2.6679

Bulk power purchased by the City through NCPA amounted to \$39,415,812 during the year ended June 30, 2012 and is reflected in utilities expense in the Electric Enterprise Fund.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

NCPA Geothermal Project

A purchase power agreement with NCPA obligates the City for a 10.28% share of the operating costs and debt service of two of NCPA's 110-megawatt steam powered plants, Project Number 2 and Project Number 3. Outstanding long-term debt related to this project was approximately \$36 million at June 30, 2011.

In addition to federal geothermal leasehold, steam wells, gathering system and related facilities, the project consists of two electric generating stations (Plant 1 and Plant 2). Each plant has two 55MW turbine generator units utilizing low temperature geothermal steam; associated electrical, mechanical and control facilities; a heat dissipation system; a steam gathering system; a transmission tapline; and, other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells.

Calaveras Hydroelectric Project

NCPA contracted to finance, manage, construct and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, NCPA has the right to the electric output of the project for 50 years from February 1982. NCPA has also the option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval.

Under a power purchase agreement the City is obligated to pay 10.37% of the debt service and operating costs. At June 30, 2011, approximately \$450 million in long-term debt used to finance this project was outstanding.

NCPA Combustion Turbine Project

The project consists of five combustion turbine units; each nominally rated at 25 megawatts. Two such units are located in Roseville, two in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time. Under the NCPA power agreement, the City is obligated to pay 13.393% of the debt service and operating costs. At June 30, 2011, there was no outstanding long-term debt related to this project.

Transmission Project

The project was undertaken to meet certain obligations of NCPA under the NCPA/PG & E Interconnection Agreement. The project includes an ownership interest in PG & E's 230kv Castle Rock to Lakeville Substation Transmission Line in Sonoma County, additional firm transmission rights in that Transmission Line, and a central scheduling and dispatch facility in service at the NCPA headquarters in Roseville, California. Under a power purchase agreement, the City is obligated to pay 20.6077% of the debt service and operating costs. At June 30, 2011, there was no outstanding long-term debt related to this project.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Capital Facilities Project

The Project consists of one 49.9 megawatt natural gas-fired steam injected combustion turbine generator unit located in Lodi, California. Wastewater is reclaimed from the City of Lodi's White Slough water pollution control facility, processed to eliminate contaminants, and used in the turbine to produce steam for power enhancement and emissions control.

Under a power purchase agreement, the City is obligated to pay 39.5% of the debt service and operating costs. At June 30, 2011, approximately \$55 million in long-term debt was outstanding.

Lodi Energy Center

The Lodi Energy Center project is a 280 MW base load, combined cycle, natural gas-fired, combustion turbine generating station (one gas turbine and one steam turbine) currently being built in Lodi on city property. Total project cost is estimated at about \$375 million and expected to start producing electricity commercially in November 2012.

Under a power purchase agreement, the City is obligated to pay 17.03% of the debt service and 9.5% of operating costs. At June 30, 2011, approximately \$396 million in long-term debt was outstanding.

The following are the most recent available audited condensed financial statements of NCPA:

Combined Balance Sheet				
June 30, 2011				
(in thousands)				
Assets			Liabilities and Capitalization	
Current assets	\$	65,552	Current portion of long-term debt	\$ 11,175
Restricted assets		312,148	Other current liabilities	66,895
Electric plant, net		584,928	Other liabilities and deferred credits	196,244
Other assets and deferred charges		197,328	Long-term debt, net	857,643
			Net assets	27,999
Total assets	\$	1,159,956	Total liabilities and net assets	\$ 1,159,956

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Combined Statement of Revenues and Expenses and Changes in net Assets Year ended June 30, 2011 (in thousands)		Combined Statement of Cash Flow Year ended June 30, 2011 (in thousands)			
Sales for resale	\$	268,469	Net cash from operating activities	\$	81,824
Operating expenses		(250,018)	Net from investing activities		(23,628)
Other expenses		(27,423)	Net cash from capital and related		
Future recoverable costs		15,426	financing activities		(268,369)
Net revenues before refunds		6,454	Net cash from noncapital		
Refunds to participants		(12,236)	and related financing activities		(10,936)
Increase in net assets		(5,782)	Increase in cash and cash equivalents		(221,109)
Net assets, beginning of year		33,781	Cash and cash equivalents, beginning		
			of year		439,979
Net assets, end of year	\$	27,999	Cash and cash equivalents end of year	\$	218,870

At June 30, 2011, NCPA's total net outstanding long-term debt was \$868,818,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2011, was \$11,175,000.

Complete financial information for NCPA may be obtained at the following administration office:
Northern California Power Agency
180 Cirby Way
Roseville, CA 95678

Transmission Agency of Northern California

The Transmission Agency of Northern California (TANC) was organized under the California Government Code pursuant to a joint powers agreement entered into by fifteen Northern California utilities including the City of Lodi. The purpose of TANC is to provide electric transmission or other facilities for the use of its members through its authority to acquire, construct, finance, operate and maintain facilities for electric power transmission. The joint powers agreement provides that the costs of TANC's activities can be financed or recovered through assessment of its members or user charges through transmission contracts with its members. Each TANC member has agreed to pay a pro rata share of the costs to operate TANC and has the right to participate in future project agreements. The joint power agreement remains in effect until debt obligations and interest thereon have been paid, unless otherwise extended by the members.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

California-Oregon Transmission Project

The project is a 340-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. The project is operated in coordination with the Pacific AC Intertie as a part of the California-Oregon Intertie (COI) within the Western Electricity Coordinating Council (WECC) region. The WECC approved rating of the COI is 4,800 MW.

TANC, Western Area Power Authority (WAPA), and five other parties have agreed to an Interim Participation Agreement (IPA) under which project participant is granted a percentage entitlement in project transfer capability and is required to pay a percentage of the costs. Pursuant to the IPA and a subsequent agreement with WAPA, and the purchase of entitlement, rights and title, and interest in the City of Vernon's share of the project transmission assets, TANC is entitled to use approximately 1,362 MW, and is obligated to pay an average of approximately 80 percent of the operating costs associated with the project.

Under the TANC joint powers agreement, the City is obligated to pay 1.89% of its debt service and operating costs. At June 30, 2011, approximately \$393 million in long-term debt was outstanding of which \$26 million is considered current.

Complete financial information for TANC may be obtained at the following administration office:

Transmission Agency of Northern California
3100 Zinfandel Drive, Suite 600
Sacramento, CA 95670

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

(13) MEMBERSHIP IN INSURANCE POOLS

California Joint Powers Risk Management Authority

The City is a member, along with 18 other individual cities and 8 joint powers authorities, of California Joint Powers Risk Management Authority (CJPRMA) organized under a Joint Powers Agreement pursuant to the California Government Code for the purpose of sharing the risk of catastrophic general liability, automobile liability and public officials' errors and omissions losses. CJPRMA has a twenty-one member Board of Directors, including a director from the City of Lodi. The Board members elect officers of CJPRMA every two years.

The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience and will be determined through an actuarial analysis of loss history during the ten-year period preceding the three years prior to the end of the current program year. The City periodically pays deposits to the CJPRMA. These deposits are recorded as expenses in the year paid, as they are a reasonable estimate of the actual cost of the program. During the year ended June 30, 2012, deposits of \$31,840 were paid to CJPRMA for the liability program.

The participants at June 30, 2012, are as follows: Alameda, Chico, Central San Joaquin Valley Risk Management Authority, Fairfield, Fremont, Livermore, Lodi, Manteca, Municipal Pooling Authority of Northern California, Northern California Cities Self Insurance Fund, Petaluma, Pomona, Public Entity Risk Management Authority, Redding, Redwood Empire Municipal Insurance Fund, Richmond, Roseville, San Leandro, San Rafael, Santa Barbara Area Joint Powers Insurance Authority, Santa Rosa, Small Cities Organized Risk Effort, Stockton, Sunnyvale, Vacaville, Vallejo, and Yolo County Public Agencies Risk Management Insurance Authority.

Complete financial information for CJPRMA may be obtained at the following administration office:

California Joint Powers Risk Management Authority
3252 Constitution Dr.
Livermore, CA 94551

Local Agency Workers' Compensation Excess Joint Powers Authority

The City, along with thirty-two other public agencies, is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which was formed July 1992, for the purpose of sharing the risk of workers' compensation losses. LAWCX offers \$150,000, 250,000, \$350,000, \$500,000 and \$1 million self-insured retentions (SIR) or a member can attach directly to the purchased excess insurance. LAWCX covers the layer above the member SIR up to \$5 million. The City of Lodi's self-insured retention is \$250,000. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) to obtain coverage up to statutory limits. The City paid \$286,874 in deposits to LAWCX during the fiscal year ended June 30, 2012.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

The participants at June 30, 2012, are as follows: City of Alameda, Association of Bay Area Governments Shared Risk Pool (ABAG SHARP), Bay Cities Joint Powers Insurance Authority (BCJPIA), City of Benicia, Contra Costa County Transit Agency (CCCTA), Central San Joaquin Valley Risk Management Authority (CSJVRMA), City of Clovis, City of Coronado, City of Encinitas, Fire Agencies Self Insurance System (FASIS), City of Gilroy, City of Livermore, City of Lodi, Town of Los Gatos, City of Merced, Monterey County Local Agencies Insurance Authority (MCLAIA), City of Morgan Hill, City of Newark, City of Placentia, City of Pleasanton, Public Agency Risk Sharing Authority of California (PARSAC), City of Roseville, Public Entity Risk Management Authority (PERMA), City of San Leandro, City of Santa Maria, City of Santee, Small Cities Organized Risk Effort (SCORE), City of South Lake Tahoe, City of Suisun City, City of Vacaville, City of Vallejo, Vector Control Joint Powers Agency (VCJPA) and City of Vista.

Complete financial information for LAWCX may be obtained at the following administration office:

Local Agency Workers' Compensation Excess Joint Powers Authority
1750 Creekside Oaks Drive, Suite 200
Sacramento, California 95833

California Transit Insurance Pool

The City, along with thirty-three other public agencies is a member of California Transit Insurance Pool (CalTIP), a joint powers insurance authority which was formed for the purpose of sharing the risk of property damage, bodily injury, personal injury and public officials errors and omissions losses for public transit systems.

Liability protection coverage is provided under two programs:

Program I applies to members who choose to utilize CalTIP's claims administrator services.

Program II applies to members with self-insured retentions who choose to provide their own claims administrator services.

CalTIP purchases excess insurance over its \$1,000,000 retention up to \$20 million per occurrence. Each member is provided with \$4 million in excess of the pooled retention for a total of \$5 million in coverage and has the option to choose one or both of two additional layers for the full \$20 million.

CalTIP also provides physical damage coverage to its members. This coverage program is optional for all members and offers damage or loss protection for transit, staff and maintenance vehicles to transit operators. CalTIP self-insures to \$100,000, under which members have the option of five levels of deductible ranging from \$500 to \$10,000 per vehicle. Claims are administered by the CalTIP's adjuster.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

The City paid \$78,877 in deposits to CalTIP during the fiscal year ended June 30, 2012. There have been no reductions in insurance coverage from the prior year and there were no insurance settlements in excess of insurance coverage in any of the last three years.

	Program	Self-Insured Retention	Limit (in millions)	Physical Damage
City of Lodi Transit System	I	Prefunded	20	Yes

Complete financial information for CalTip may be obtained at the following administration office:

California Transit Insurance Pool
1750 Creekside Oaks Drive, Suite 200
Sacramento, California 95833

(14) DEFICIT IN FUND EQUITY

Nonmajor Governmental Fund – Parks, Recreation and Community Services – A deficit in fund equity in the amount of \$861,843 at June 30, 2012, is attributed to operations not meeting revenue projections. Revenue reductions are a direct result of current economic conditions and mirror similar shortfalls seen in surrounding communities. The City has raised fees and reduced expenditures in an effort to eliminate the deficit.

Internal Service Funds - Benefits Fund – A deficit in fund equity in the amount of \$3,621,665 at June 30, 2012, is attributed to the net OPEB obligation set up in accordance with the requirements of GASB Statement No. 45. Net OPEB obligation as of June 30, 2012, was \$3,621,593. The City is still weighing its options whether to pre-fund the OPEB obligation or continue on a pay-as-you-go basis. It will be addressed during the budget process.

(15) POLLUTION REMEDIATION OBLIGATION

Lodi relies on groundwater for its drinking water and in the late 1980's, PCE and TCE pollution was discovered in several municipal water supply wells. Investigations conducted by the California Regional Water Quality Control Board in the early 1990's under the Well Investigation program revealed numerous areas where TCE was discharged, or where PCE from dry cleaning operations were discharged to the sewer system. In 1997, the Department of Toxic Substances Control and the City entered into a cooperative agreement whereby the City assumed a lead role in the cleanup and agreed to pursue legal action against potentially responsible parties (PRPs). The City has settled with all the involved parties.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

The City received a draft cleanup and abatement order to investigate the discharges of waste, clean up the waste and abate the effects of the discharges of waste in conformance with the State Board's Resolution No. 92-49 Policies and Procedures for Investigation and Cleanup and Abatement of Discharges Under the Water Code Section 13304 and with the Regional Boards' Water Quality Control Plan for the Sacramento River and San Joaquin River. The City then engaged the services of Treadwell and Rollo to advise the City on courses of action in the preparation of feasibility studies, remedial design, and remedial action plan to comply with the technical and reporting requirements of the State Board. The City's total pollution remediation obligation as of June 30, 2012, is \$65,303,874. This amount is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

(16) COMMITMENTS AND CONTINGENCIES

Litigation and claims – The City has fully resolved all the litigation arising out of its groundwater contamination. Settlement and rate revenues have amassed \$16 million dollar reserve which is expected to cover all costs through the next 10 years. Costs thereafter can be effectively managed with new rate revenues. As such, the City Attorney does not anticipate a material effect on the City's financial condition.

The City owns a 1,000 acre wastewater treatment facility known as "White Slough" approximately 5 miles west of the contiguous city limit. Neighboring farming and dairy operations are in litigation over elevated nitrate levels in the area. Efforts to join the City in the litigation have been so far unsuccessful but are expected to continue. It is too early at this stage to estimate liability or damages if the City is joined in the action. However, the City Attorney does not currently expect the matter to have a material effect on the City's financial condition. All other actions against the City are under \$75,000 or have no arguable cost and will therefore not have a material financial effect on the City.

Water Purchase Agreement with Woodbridge Irrigation District – The City obtains its municipal water supply from wells located within the City, extracting water from the underground aquifer, which is replenished in part by flows of the Mokelumne River. To avoid being wholly dependent upon wells and the possible impacts of eventual overdraft of the groundwater supply, the City made a commitment in 2003 to purchase surface water supply from Woodbridge Irrigation District for 40 years beginning in 2003. The agreement provides for the purchase of 6,000 acre feet per year and the City pays the District \$1.2 million annually. Commencing on January 1 of the seventh year, the amount payable to the District shall be increased by two percent (2%) per year or by the change in the Consumer Price Index whichever is higher but shall not exceed five percent (5%).

Arbitrage Earnings Rebate Liability – Arbitrage earnings are defined as income earned on the unexpended tax-exempt certificate proceeds in excess of that which would have been earned had the moneys been invested in securities with a yield of the effective rate of the certificates. Currently, arbitrage earnings must be rebated to the United States Treasury every five years. There is no cumulative arbitrage liability as of June 30, 2012, for any of the City's outstanding Certificates of Participation.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2012

(17) SUBSEQUENT EVENTS

On September 1, 2012, the City issued **\$19,080,000** 2012 Revenue Bonds to refinance the outstanding principal amount of the 2002 Certificates of Participation (2002 COP); and **\$17,105,000** to refinance a portion of the principal amount of the Wastewater System Revenue Certificates of Participation, 2004 Series A.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lodi
Required Supplementary Information
Schedule of Funding Progress - Pension Plan
June 30, 2012
(in thousands of dollars)

Plan	Actuarial Valuation Date	Actuarial Asset Value (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll {[(B) - (A)]/(C)}
Safety	6/30/08	84,853	103,447	18,594	82.0%	10,422	178.4%
	6/30/09	88,892	115,657	26,765	76.9%	11,409	234.6%
	6/30/10	93,058	122,477	29,419	76.0%	11,394	258.2%
Miscellaneous	6/30/08	105,760	117,537	11,777	90.0%	18,486	63.7%
	6/30/09	110,318	127,535	17,217	86.5%	18,696	92.1%
	6/30/10	114,994	133,618	18,624	86.1%	17,856	104.3%

City of Lodi
Required Supplementary Information
Schedule of Funding Progress – OPEB Plan
June 30, 2012
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Normal Accrued Liability (B)	Unfunded Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Annual Covered Payroll (C)	UAAL As a Percentage of Covered Payroll {[(B) - (A)]/(C)}
1/1/08	\$ 0	\$ 23,323	\$ 23,323	0%	\$ 9,846	237%
1/1/10	0	17,710	17,710	0%	9,410	188%
1/1/12	0	17,011	17,011	0%	7,305	233%

CITY OF LODI
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2012

	Budget		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Taxes	\$ 22,830,840	22,830,840	22,928,438	\$ 97,598
Licenses and permits	73,800	73,800	79,745	5,945
Intergovernmental revenues	10,130,400	10,160,300	10,449,364	289,064
Charges for services	816,510	816,510	682,156	(134,354)
Fines, forfeits and penalties	1,342,000	1,342,000	1,355,101	13,101
Investment and rental income	451,370	451,370	807,270	355,900
Miscellaneous revenue	228,970	228,970	286,125	57,155
Total revenues	<u>35,873,890</u>	<u>35,903,790</u>	<u>36,588,199</u>	<u>684,409</u>
EXPENDITURES				
Current:				
General government:				
City Council	155,540	155,540	127,981	27,559
City Manager	979,400	979,400	969,885	9,515
City Clerk	356,430	356,430	347,405	9,025
City Attorney	445,940	445,940	439,024	6,916
Human Resources	516,120	516,120	507,120	9,000
Information Systems	972,160	972,160	913,764	58,396
Financial Services	1,528,780	1,528,780	1,461,562	67,218
Budget and Treasury	352,580	352,580	343,167	9,413
Non Departmental	1,069,820	1,069,820	897,419	172,401
Total general government	<u>6,376,770</u>	<u>6,376,770</u>	<u>6,007,327</u>	<u>369,443</u>
Public protection:				
Police	15,673,040	16,065,040	15,744,906	320,134
Fire	9,190,150	9,398,150	9,178,249	219,901
Total public protection	<u>24,863,190</u>	<u>25,463,190</u>	<u>24,923,155</u>	<u>540,035</u>
Public Works	1,555,410	1,555,410	1,112,569	442,841
Library	1,361,950	1,381,000	1,380,972	28
Total expenditures	<u>34,157,320</u>	<u>34,776,370</u>	<u>33,424,023</u>	<u>1,352,347</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,716,570</u>	<u>1,127,420</u>	<u>3,164,176</u>	<u>2,036,756</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,370,230	5,370,230	5,370,230	
Transfers out	(8,391,858)	(8,391,858)	(8,391,858)	
Total other financing sources (uses)	<u>3,021,628</u>	<u>3,021,628</u>	<u>3,021,628</u>	
NET CHANGE IN FUND BALANCE	(1,305,058)	(1,894,208)	142,548	2,036,756
FUND BALANCE , beginning of year	3,841,936	3,841,936	6,146,405	2,304,469
FUND BALANCE , end of year	<u>\$ 2,536,878</u>	<u>1,947,728</u>	<u>6,288,953</u>	<u>\$ 4,341,225</u>

The note to the required supplementary information is an integral part of this schedule.

CITY OF LODI
Note to the Required Supplementary Information
June 30, 2012

Budgetary Data

The City adopts an annual budget for the general and special revenue funds. These budgets are prepared in accordance with generally accepted accounting principles. As part of the City's internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The accompanying financial statements present budget and actual data only of funds for which an annual budget was adopted. The budgets of capital projects are primarily "long-term" budgets that emphasize the major programs and capital project plans extending over a number of years. Due to the long-term nature of these projects, "annual" budget and actual comparisons are not considered meaningful. Formal budgetary integration is not employed for Debt Service Funds since effective budgetary control is alternatively achieved through the bond indenture provisions. Accordingly, no budgetary information is included in the accompanying basic financial statements for capital projects and debt service funds.

The City Council follows the following procedures in establishing the budgetary data reflected in the accompanying basic financial statements:

Original Budget

On or prior to the first regular Council meeting in June of each year, the City Manager submits to the City Council a proposed Financial Plan and Budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Budgeted revenues are adopted by the City Council at the time the budget is approved. Budgeted revenues are modified when the tax base changes, when fees are modified or when new revenue sources are identified.

Public hearings are conducted during meetings of the City Council to obtain citizens' comments. Prior to July 1, the budget is legally enacted through passage of a resolution.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- Budgeted expenditures represent original appropriations adjusted by budget transfers and appropriation amendments. The legal level of budgetary control (that is, the level at which expenditures can not legally exceed the appropriated

amount) is at the department level. The operating budget is prepared and controlled at the department level (e.g., city clerk, city manager, etc.) for the General Fund. Special revenue fund expenditures, including transfers out, are approved by Council at the fund level.

- The City Manager may transfer appropriations from one activity to another within a department without approval from the City Council. All other appropriation adjustments during the year, whether transfers, increases or decreases, require City Council approval.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Governmental Funds include:

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes, other than those for major capital projects;

Debt Service Fund accounts for the accumulation of resources for the repayment of principal and interest on general long-term debt;

Capital Project Funds account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

**CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012**

	Special Revenue	Capital Projects	Total
<u>Assets</u>			
Cash and investments	\$ 6,584,293	7,693,963	\$ 14,278,256
Restricted assets		1,691,898	1,691,898
Receivables:			
Accounts, net	245,967		245,967
Interest	6,911	6,120	13,031
Due from other funds	364,994		364,994
Due from other governmental agencies	428,657		428,657
Loans receivable	1,159,709		1,159,709
Inventory	1,050		1,050
Other assets	1,822		1,822
Total assets	\$ 8,793,403	9,391,981	\$ 18,185,384
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and other liabilities	\$ 255,844	151,631	\$ 407,475
Due to other funds	1,192,172		1,192,172
Advances from other funds		1,264,025	1,264,025
Deferred revenue	1,167,073		1,167,073
Total liabilities	2,615,089	1,415,656	4,030,745
Fund Balances:			
Nonspendable:			
Inventory	1,050		1,050
Restricted for:			
Capital projects	6,513,011	6,284,427	12,797,438
Debt service		1,691,898	1,691,898
Other purposes	527,146		527,146
Unassigned	(862,893)		(862,893)
Total fund balances	6,178,314	7,976,325	14,154,639
Total liabilities and fund balances	\$ 8,793,403	9,391,981	\$ 18,185,384

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2012

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:				
Licenses and permits	\$ 606,162			\$ 606,162
Intergovernmental revenues	4,831,904		8,196	4,840,100
Charges for services	2,462,084		282,289	2,744,373
Fines, forfeits and penalties	1,900			1,900
Investment and rental income	414,904		41,632	456,536
Miscellaneous revenue	329,775		197,191	526,966
Total revenues	<u>8,646,729</u>		<u>529,308</u>	<u>9,176,037</u>
Expenditures:				
Current:				
General government	2,812,877			2,812,877
Public protection	326,333			326,333
Public works	3,061,438			3,061,438
Community development	1,036,610			1,036,610
Parks and recreation	2,254,641			2,254,641
Capital outlay	1,650,732		1,309,894	2,960,626
Debt service:				
Interest and fiscal charges		1,039,016		1,039,016
Principal payments		630,000		630,000
Total expenditures	<u>11,142,631</u>	<u>1,669,016</u>	<u>1,309,894</u>	<u>14,121,541</u>
Deficiency of revenues under expenditures	<u>(2,495,902)</u>	<u>(1,669,016)</u>	<u>(780,586)</u>	<u>(4,945,504)</u>
Other financing sources (uses):				
Transfers in	4,586,320	1,669,016	2,860,441	9,115,777
Transfers out	(2,955,731)			(2,955,731)
Total other financing sources (uses)	<u>1,630,589</u>	<u>1,669,016</u>	<u>2,860,441</u>	<u>6,160,046</u>
Net change in fund balances	(865,313)		2,079,855	1,214,542
Fund balances, beginning of year	<u>7,043,627</u>		<u>5,896,470</u>	<u>12,940,097</u>
Fund balances, end of year	<u>\$ 6,178,314</u>		<u>7,976,325</u>	<u>\$ 14,154,639</u>

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

Parks, Recreation and Community Services

This fund was established to account for the revenues and expenditures related to the activities of the Hutchins Street Square and Performing Arts Theater and the wide-range of parks and recreation activities and programs offered to the public

Public Safety

This fund was established to account for the revenues and expenditures related to the City's share of property forfeited by persons convicted of possession and selling illegal drugs and the State of California auto theft prosecution monies.

Community Development

This fund was established to account for development planning and project review services including land use entitlements, permit processing and review/inspection of public improvements to ensure orderly physical growth and development of the City.

Streets Fund

This fund was established to account for the following:

Gas Tax

To account for revenues and expenditures apportioned to the City under the Streets and Highway Code. Portions of the tax rate levied by the State of California on all gasoline purchases are allocated to cities throughout the State on a population basis. These funds are restricted for expenditure by the State of California for street related purposes only.

Development Impact Mitigation Fees

To account for impact fees charged to provide for the building of various storm drains and street improvements needed to serve new development. The fees are calculated on a per acre basis and are collected at subdivision final map approval or with building permit stage effective November 4, 1991.

Measure K Sales Tax

To account for revenues and expenditures apportioned to the City for sales tax collections under Measure K. Expenditures for administration, maintenance and construction must be for street-related projects.

Intermodal Surface Transportation Efficiency Act (ISTEA)

To account for revenues from the federal highway administration for programs including surface transportation program (STP) for streets and roads, congestion mitigation and air quality program (CMAQ) and hazard elimination safety (HES) for street lighting projects.

Transportation

This fund was established to account for the receipt of moneys from the State of California apportioned to the City for transportation purposes. The State has designated 1/4% of the 6% sales tax levied statewide for local transportation purposes. Funding for this program was provided during the 1971 legislative session with the enactment of the Transportation Development Act, which extended the 6% sales tax to include purchases of gasoline. Revenues allocated to the City of Lodi under this program are divided into two categories: Article 8 funds, which are restricted for the improvement and maintenance of street systems; and Article 4 funds, which are restricted for public transit systems.

HOME Program and Community Development Block Grants

This fund was established to account for the City's HOME Program that provides adequate and affordable housing for low and very low-income residents, and Community Development Block Grants provided to the City principally for low and moderate income residents to develop a suitable living environment and expand economic opportunities.

**CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2012**

	Parks, Recreation & Community Services	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
ASSETS							
Cash and Investments		169,124	290,905	6,107,883	16,381		\$ 6,584,293
Receivables:							245,967
Accounts, net	15,144	25,000	4,187	201,636			6,911
Interest		288	185	6,419	19		364,994
Due from other funds				364,994			428,657
Due from other governmental agencies		33,484		1,714		393,459	1,159,709
Loans receivable						1,159,709	1,050
Inventory	1,050						1,822
Other assets	1,822						1,822
TOTAL ASSETS	\$ 18,016	227,896	295,277	6,682,646	16,400	1,553,168	\$ 8,793,403
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and other liabilities	\$ 52,681	2,959	2,104	169,635		28,465	\$ 255,844
Due to other funds	827,178					364,994	1,192,172
Deferred revenue		7,364				1,159,709	1,167,073
TOTAL LIABILITIES	879,859	10,323	2,104	169,635		1,553,168	2,615,089
FUND BALANCES (DEFICIT)							
Nonspendable							1,050
Inventory	1,050						
Restricted for:							6,513,011
Capital projects				6,513,011			527,146
Other purposes		217,573	293,173		16,400		(862,893)
Unassigned	(862,893)						6,178,314
TOTAL FUND BALANCES (DEFICIT)	(861,843)	217,573	293,173	6,513,011	16,400		6,178,314
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 18,016	227,896	295,277	6,682,646	16,400	1,553,168	\$ 8,793,403

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2012

	Parks Recreation & Community Services	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
REVENUES							
Licenses and permits	\$		606,162				\$ 606,162
Intergovernmental revenues		338,329		3,573,746	34,342	885,487	4,831,904
Charges for services	1,501,707		386,647	573,730			2,462,084
Fines, forfeits and penalties		1,900					1,900
Investment and rental income	389,283	1,202	1,048	23,371			414,904
Miscellaneous revenue	956	263	121,426	207,130			329,775
Total revenues	<u>1,891,946</u>	<u>341,694</u>	<u>1,115,283</u>	<u>4,377,977</u>	<u>34,342</u>	<u>885,487</u>	<u>8,646,729</u>
EXPENDITURES							
Current							
General government	2,812,877						2,812,877
Public protection		326,333					326,333
Public works				2,175,951		885,487	3,061,438
Community development			1,036,610				1,036,610
Parks and recreation	2,254,641						2,254,641
Capital outlay				1,601,652	49,080		1,650,732
Total expenditures	<u>5,067,518</u>	<u>326,333</u>	<u>1,036,610</u>	<u>3,777,603</u>	<u>49,080</u>	<u>885,487</u>	<u>11,142,631</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,175,572)</u>	<u>15,361</u>	<u>78,673</u>	<u>600,374</u>	<u>(14,738)</u>		<u>(2,495,902)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	3,881,520		150,200	554,600			4,586,320
Transfers out	(721,410)	(822)	(2,510)	(2,230,989)			(2,955,731)
Total other financing sources (uses)	<u>3,160,110</u>	<u>(822)</u>	<u>147,690</u>	<u>(1,676,389)</u>			<u>1,630,589</u>
NET CHANGE IN FUND BALANCES	(15,462)	14,539	226,363	(1,076,015)	(14,738)		(865,313)
FUND BALANCES (DEFICIT), beginning of year	<u>(846,381)</u>	<u>203,034</u>	<u>66,810</u>	<u>7,589,026</u>	<u>31,138</u>		<u>7,043,627</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ (861,843)</u>	<u>217,573</u>	<u>293,173</u>	<u>6,513,011</u>	<u>16,400</u>		<u>\$ 6,178,314</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2012

	PARKS, RECREATION & COMMUNITY SERVICES		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Charges for services	\$ 1,693,870	1,501,707	\$ (192,163)
Investment and rental income	380,000	389,283	9,283
Miscellaneous revenue		956	956
Total Revenue	2,073,870	1,891,946	(181,924)
EXPENDITURES			
Current			
General government	2,921,680	2,812,877	108,803
Parks and recreation	2,280,812	2,254,641	26,171
Total Expenditures	5,202,492	5,067,518	134,974
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,128,622)	(3,175,572)	(46,950)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,881,520	3,881,520	
Transfers out	(721,410)	(721,410)	
Total other financing sources (uses)	3,160,110	3,160,110	
NET CHANGE IN FUND BALANCE	31,488	(15,462)	(46,950)
FUND DEFICIT, BEGINNING OF YEAR	(846,381)	(846,381)	
FUND DEFICIT, END OF YEAR	\$ (814,893)	(861,843)	\$ (46,950)

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2012

	PUBLIC SAFETY		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 337,555	338,329	\$ 774
Fines, forfeits and penalties		1,900	1,900
Investment and rental income	1,730	1,202	(528)
Miscellaneous revenue		263	263
Total Revenue	339,285	341,694	2,409
EXPENDITURES			
Current			
Public protection	425,210	326,333	98,877
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(85,925)	15,361	101,286
OTHER FINANCING USES			
Transfers out	(822)	(822)	
NET CHANGE IN FUND BALANCE	(86,747)	14,539	101,286
FUND BALANCE, BEGINNING OF YEAR	203,034	203,034	
FUND BALANCE, END OF YEAR	\$ 116,287	217,573	\$ 101,286

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2012

	<u>COMMUNITY DEVELOPMENT</u>		
	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Licenses and permits	\$ 557,400	606,162	\$ 48,762
Charges for services	375,330	386,647	11,317
Investment and rental income		1,048	1,048
Miscellaneous revenue	<u>215,000</u>	<u>121,426</u>	<u>(93,574)</u>
Total Revenue	1,147,730	1,115,283	(32,447)
 EXPENDITURES			
Current			
Community development	<u>1,107,990</u>	<u>1,036,610</u>	<u>71,380</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>39,740</u>	 <u>78,673</u>	 <u>38,933</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in	150,200	150,200	
Transfers out	<u>(2,510)</u>	<u>(2,510)</u>	
Total other financing sources (uses)	<u>147,690</u>	<u>147,690</u>	
 NET CHANGE IN FUND BALANCE	 187,430	 226,363	 38,933
 FUND BALANCE, BEGINNING OF YEAR	 <u>66,810</u>	 <u>66,810</u>	
FUND BALANCE, END OF YEAR	<u>\$ 254,240</u>	<u>\$ 293,173</u>	<u>\$ 38,933</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2012

	STREETS		
	FINAL BUDGET	Actual	Variance with Final Budget
REVENUES			
Intergovernmental revenues	\$ 2,559,280	3,573,746	\$ 1,014,466
Charges for services	546,210	573,730	27,520
Investment and rental income	56,740	23,371	(33,369)
Miscellaneous revenue	40,000	207,130	167,130
Total Revenue	<u>3,202,230</u>	<u>4,377,977</u>	<u>1,175,747</u>
EXPENDITURES			
Current			
Public works	2,200,674	2,175,951	24,723
Capital outlay	4,865,990	1,601,652	3,264,338
Total Expenditures	<u>7,066,664</u>	<u>3,777,603</u>	<u>3,289,061</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,864,434)</u>	<u>600,374</u>	<u>4,464,808</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	554,600	554,600	
Transfers out	(1,417)	(2,230,989)	(2,229,572)
Total other financing sources (uses)	<u>553,183</u>	<u>(1,676,389)</u>	<u>(2,229,572)</u>
NET CHANGE IN FUND BALANCE	(3,311,251)	(1,076,015)	2,235,236
FUND BALANCE, BEGINNING OF YEAR	7,589,026	7,589,026	
FUND BALANCE, END OF YEAR	<u>\$ 4,277,775</u>	<u>6,513,011</u>	<u>\$ 2,235,236</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2012

	TRANSPORTATION		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 35,140	34,342	\$ (798)
EXPENDITURES			
Capital outlay	50,000	49,080	920
NET CHANGE IN FUND BALANCE	(14,860)	(14,738)	122
FUND BALANCE, BEGINNING OF YEAR	31,138	31,138	
FUND BALANCE, END OF YEAR	\$ 16,278	16,400	\$ 122

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2012

	HOME PROGRAM and COMMUNITY DEVELOPMENT BLOCK GRANTS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 1,306,220	885,487	\$ (420,733)
EXPENDITURES			
Current			
Public works	1,134,533	885,487	249,046
NET CHANGE IN FUND BALANCE	171,687		(171,687)
FUND BALANCE, BEGINNING OF YEAR			
FUND BALANCE, END OF YEAR	\$ 171,687		\$ (171,687)

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS

Vehicle and Equipment

This fund was established to account for the financing and replacement of vehicles and equipment for all funds of the City with the exception of the Enterprise Funds. Financing is primarily provided through transfers from other funds, interest earnings and sales of surplus property.

Hutchins Street Square

When the old Lodi High School burned down, the City purchased the property and renamed it Hutchins Street Square. The Old Lodi High Site Foundation was established and this organization organizes events to raise money for the capital restoration of Hutchins Street Square.

Capital Outlay Reserve

This fund was established to account for the entire City's construction projects and capital purchases in excess of \$10,000 with the exception of those funded through Enterprise Funds. Financing is provided primarily by operating transfers from other funds and from State and Federal grants.

Lodi Lake

This fund was established to account for moneys charged for activities held at Lodi Lake. The Council designated the monies to be used for Lodi Lake capital projects.

**CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
June 30, 2012**

	Vehicle and Equipment	Hutchins Street Square	Capital Outlay Reserve	Lodi Lake	Total
ASSETS					
Cash and investments	\$ 2,522,056	2,181	3,809,015	1,360,711	\$ 7,693,963
Restricted assets			1,691,898		1,691,898
Receivables:					
Interest			4,519	1,601	6,120
TOTAL ASSETS	<u>\$ 2,522,056</u>	<u>2,181</u>	<u>5,505,432</u>	<u>1,362,312</u>	<u>\$ 9,391,981</u>
LIABILITIES					
Accounts payable and other liabilities	\$ 27,163		114,979	9,489	\$ 151,631
Advances from other funds			1,264,025		1,264,025
TOTAL LIABILITIES	<u>27,163</u>		<u>1,379,004</u>	<u>9,489</u>	<u>1,415,656</u>
FUND BALANCES					
Restricted for:					
Capital projects	2,494,893	2,181	2,434,530	1,352,823	6,284,427
Debt service			1,691,898		1,691,898
TOTAL FUND BALANCES	<u>2,494,893</u>	<u>2,181</u>	<u>4,126,428</u>	<u>1,352,823</u>	<u>7,976,325</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,522,056</u>	<u>2,181</u>	<u>5,505,432</u>	<u>1,362,312</u>	<u>\$ 9,391,981</u>

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
Year ended June 30, 2012

	Vehicle and Equipment	Hutchins Street Square	Capital Outlay Reserve	Lodi Lake	Total
REVENUES					
Intergovernmental revenues	\$		8,196		\$ 8,196
Charges for services			270,488	11,801	282,289
Investment and rental income			35,081	6,551	41,632
Miscellaneous revenue	52,120			145,071	197,191
Total revenues	<u>52,120</u>		<u>313,765</u>	<u>163,423</u>	<u>529,308</u>
EXPENDITURES					
Capital outlay	<u>474,207</u>		<u>709,848</u>	<u>125,839</u>	<u>1,309,894</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(422,087)		(396,083)	37,584	(780,586)
OTHER FINANCING SOURCES					
Transfers in	<u>590,620</u>		<u>2,269,821</u>		<u>2,860,441</u>
NET CHANGE IN FUND BALANCES	168,533		1,873,738	37,584	2,079,855
FUND BALANCES, BEGINNING OF YEAR	<u>2,326,360</u>	<u>2,181</u>	<u>2,252,690</u>	<u>1,315,239</u>	<u>5,896,470</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,494,893</u>	<u>2,181</u>	<u>4,126,428</u>	<u>1,352,823</u>	<u>\$ 7,976,325</u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are maintained to account for the internal transfer of services between operating units of the City and to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple organizations.

Fleet Services

This fund is used to account for the operation, maintenance and timely replacement of the City's fleet of vehicles which serve the transportation needs of all city departments.

Benefits

These funds are used to account for the following employee benefits:

Dental	Employee assistance program
Chiropractic	Employee recognition program
Life/accidental insurance	Unemployment insurance
Medical	Flexible spending program
Vision	Long Term Disability

Insurance

These funds are used to account for the following insurances:

- General Liability
- Workers' Compensation
- Other Insurance

CITY OF LODI
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012

	Fleet Services	Benefits	Insurance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 86,340	40,789	9,984,980	\$ 10,112,109
Receivables:				
Accounts, net			8,605	8,605
Interest			11,699	11,699
Inventory	129,169			129,169
Noncurrent assets:				
Capital assets (net)	31,838			31,838
Total current assets	247,347	40,789	10,005,284	10,293,420
 LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	63,846	40,861	35,357	140,064
Self-insurance liability			1,520,134	1,520,134
Accrued compensated absences	43,290			43,290
Noncurrent liabilities:				
Self-insurance liability			6,951,697	6,951,697
Accrued compensated absences	62,807			62,807
Net OPEB obligation		3,621,593		3,621,593
Total liabilities	169,943	3,662,454	8,507,188	12,339,585
 NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	31,838			31,838
Unrestricted (deficit)	45,566	(3,621,665)	1,498,096	(2,078,003)
Total net assets (deficit)	\$ 77,404	(3,621,665)	1,498,096	\$ (2,046,165)

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year ended June 30, 2012

	<u>Fleet Services</u>	<u>Benefits</u>	<u>Insurance</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 1,682,010	6,746,784	3,520,016	\$ 11,948,810
OPERATING EXPENSES				
Personnel services	722,105	306,720	22,819	1,051,644
Supplies, materials and services	950,828	5,683,907	313,461	6,948,196
Utilities	1,575			1,575
Depreciation and amortization	1,448			1,448
Claims	31,000	1,474,709	1,520,134	3,025,843
TOTAL OPERATING EXPENSES	<u>1,706,956</u>	<u>7,465,336</u>	<u>1,856,414</u>	<u>11,028,706</u>
OPERATING INCOME (LOSS)	<u>(24,946)</u>	<u>(718,552)</u>	<u>1,663,602</u>	<u>920,104</u>
NONOPERATING REVENUES				
Investment income			44,020	44,020
Other revenues	6,649	31,551	76,861	115,061
TOTAL NONOPERATING REVENUES	<u>6,649</u>	<u>31,551</u>	<u>120,881</u>	<u>159,081</u>
Change in net assets	(18,297)	(687,001)	1,784,483	1,079,185
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>95,701</u>	<u>(2,934,664)</u>	<u>(286,387)</u>	<u>(3,125,350)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 77,404</u>	<u>(3,621,665)</u>	<u>1,498,096</u>	<u>\$ (2,046,165)</u>

CITY OF LODI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2012

	Fleet Services	Benefits	Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 6,649	31,551	86,198	\$ 124,398
Receipts from interfund services provided	1,682,010	6,746,784	3,520,016	11,948,810
Cash paid to suppliers for goods & services	(994,754)	(6,582,336)	(2,170,024)	(9,747,114)
Payments to employees	(723,289)	(306,720)	(22,819)	(1,052,828)
Net cash provided by (used for) operating activities	(29,384)	(110,721)	1,413,371	1,273,266
Cash flows from investing activities:				
Interest on investments		159	41,428	41,587
Net increase (decrease) in cash and cash equivalents	(29,384)	(110,562)	1,454,799	1,314,853
Cash and cash equivalents, beginning of year	115,724	151,351	8,530,181	8,797,256
Cash and cash equivalents, end of year	\$ 86,340	40,789	9,984,980	\$ 10,112,109
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating Income (loss)	\$ (24,946)	(718,552)	1,663,602	\$ 920,104
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,448			1,448
Other revenues	6,649	31,551	76,861	115,061
Change in assets and liabilities:				
Decrease in accounts receivable			9,337	9,337
Increase in inventory	(4,353)			(4,353)
Decrease in accounts payable and other liabilities	(6,998)	(30,525)	(457,922)	(495,445)
Decrease in compensated absences	(1,184)			(1,184)
Increase in self-insurance liability			121,493	121,493
Increase in net OPEB obligation		606,805		606,805
Net cash provided by (used for) operating activities	\$ (29,384)	(110,721)	1,413,371	\$ 1,273,266

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FIDUCIARY FUNDS

Private-purpose Trust Funds

These funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments.

Agency Fund

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts.

**CITY OF LODI
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE-PURPOSE TRUST FUNDS
 June 30, 2012**

	Library	Hutchins Street Square Bequest	Total
ASSETS			
Cash and Investments	\$ 257,221	1,503	\$ 258,724
TOTAL ASSETS	257,221	1,503	258,724
 NET ASSETS	 \$ 257,221	 1,503	 \$ 258,724

CITY OF LODI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
Year ended June 30, 2012

	<u>Library</u>	<u>Hutchins Street Square Bequest</u>	<u>Total</u>
ADDITIONS			
Investment income and donations	\$ 5,808	5	\$ 5,813
DEDUCTIONS			
Current			
Library	<u>9,534</u>		<u>9,534</u>
CHANGE IN NET ASSETS	(3,726)	5	(3,721)
NET ASSETS, BEGINNING OF YEAR	<u>260,947</u>	<u>1,498</u>	<u>262,445</u>
NET ASSETS, END OF YEAR	<u>\$ 257,221</u>	<u>1,503</u> \$	<u>258,724</u>

CITY OF LODI
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year ended June 30, 2012

	Special Assessments			Balance 6/30/12
	Balance 7/1/11	Additions	Deductions	
ASSETS				
Cash and investments	\$ 469,120	401,317	504,307	\$ 366,130
Special assessment receivable	35,846		35,846	
Interest receivable	478	535	478	535
TOTAL ASSETS	\$ 505,444	401,852	540,631	\$ 366,665
LIABILITIES				
Agency obligations	\$ 505,444		138,779	\$ 366,665
TOTAL LIABILITIES	\$ 505,444		138,779	\$ 366,665

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STATISTICAL TABLES

UNAUDITED

STATISTICAL SECTION

The Statistical Section provides detailed information as a framework for understanding the information in the financial statements, notes and required supplementary information. This section presents additional data and analysis that may provide the reader with valuable insight regarding the demographics and the overall health of the City.

	<u>Pages</u>
<u>Contents</u>	
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.	105-110
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax.	111-116
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	117-123
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	124-126
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.	127-131

Sources

Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports for the current year.

CITY OF LODI

NET ASSETS BY COMPONENT LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:										
Invested in capital assets, net of related debt	\$ 107,587	\$ 114,165	\$ 113,308	\$ 115,036	\$ 107,874	\$ 110,815	\$ 111,572	\$ 106,293	\$ 100,749	\$ 94,681
Restricted	16,176	14,894	13,233	13,492	15,043	15,044	14,526	13,465	11,205	12,811
Unrestricted	(3,606)	(5,148)	(6,110)	(3,462)	(4,162)	(3,968)	(8,838)	(8,801)	(9,437)	(7,334)
Total governmental activities net assets	\$ 120,157	\$ 123,911	\$ 120,431	\$ 125,066	\$ 118,755	\$ 121,891	\$ 117,260	\$ 110,957	\$ 102,517	\$ 100,158
Business-type activities:										
Invested in capital assets, net of related debt	\$ 109,582	\$ 104,858	\$ 100,233	\$ 95,533	\$ 98,109	\$ 97,961	\$ 77,494	\$ 67,668	\$ 64,214	\$ 62,752
Restricted	6,533	5,303			8,657	8,711	10,969	2,351	2,578	240
Unrestricted	(34,563)	(34,129)	(28,591)	(35,448)	26,460	6,417	1,880	7,445	(7,511)	(10,270)
Total business-type activities net assets	\$ 81,552	\$ 76,032	\$ 71,642	\$ 60,085	\$ 133,226	\$ 113,089	\$ 90,343	\$ 77,464	\$ 59,281	\$ 52,722
Primary government:										
Invested in capital assets, net of related debt	\$ 217,169	\$ 219,023	\$ 213,541	\$ 210,569	\$ 205,983	\$ 208,776	\$ 189,066	\$ 173,961	\$ 164,963	\$ 157,433
Restricted	22,709	20,197	13,233	13,492	23,700	23,755	25,495	15,816	13,783	13,051
Unrestricted	(38,169)	(39,277)	(34,701)	(38,910)	22,298	2,449	(6,958)	(1,356)	(16,948)	(17,604)
Total primary government net assets	\$ 201,709	\$ 199,943	\$ 192,073	\$ 185,151	\$ 251,981	\$ 234,980	\$ 207,603	\$ 188,421	\$ 161,798	\$ 152,880

Source: City of Lodi Financial Services Division

CITY OF LODI

CHANGES IN NET ASSETS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
General government	\$ 9,381	\$ 8,262	\$ 8,749	\$ 9,451	\$ 8,307	\$ 7,853	\$ 9,746	\$ 9,958	\$ 13,167	\$ 12,238
Public protection	25,432	25,113	27,186	27,110	25,531	23,328	22,105	22,253	19,162	16,632
Public works	10,248	9,305	10,462	10,464	12,224	10,599	13,229	12,377	11,868	10,946
Community development	1,003	973	1,114	1,323	2,027	2,130	2,290			
Library	1,381	1,355	1,440	1,495	1,696	1,630	1,485	1,484	1,409	1,454
Parks and recreation	2,913	5,778	5,077	4,609	4,414	4,172	4,114	4,565	4,095	3,989
Interest and fiscal charges	1,033	1,075	1,105	1,134	1,166	1,201	1,234	1,617	1,267	1,214
Total governmental activities expenses	51,391	51,861	55,133	55,586	55,365	50,913	54,203	52,254	50,968	46,473
Business-type activities:										
Electric	62,599	63,399	64,364	73,358	65,201	67,534	63,780	57,308	55,943	51,388
Wastewater	17,441	11,687	11,289	10,940	12,227	9,271	8,574	10,653	6,297	6,141
Water	7,953	8,188	6,148	9,604	9,920	9,875	8,256	11,748	7,489	12,879
Transit	4,256	4,132	4,785	4,832	3,908	3,577	3,643	3,018	3,064	5,389
Total business-type activities expenses	92,249	87,406	86,586	98,734	91,256	90,257	84,253	82,727	72,793	75,797
Total primary government expenses	\$ 143,640	\$ 139,267	\$ 141,719	\$ 154,320	\$ 146,621	\$ 141,170	\$ 138,456	\$ 134,981	\$ 123,761	\$ 122,270
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,718	\$ 1,793	\$ 2,184	\$ 1,631	\$ 1,544	\$ 1,280	\$ 1,232	\$ 3,639	\$ 3,144	\$ 2,355
Public protection	500	643	714	844	837	582	563	623	525	541
Public works	166	356	326	358	755	295	320	461	430	335
Community development	993	1,601	786	749	1,085	1,174	1,630			
Library	43	47	48	44	53	53	54	49	50	57
Parks and recreation	1,241	1,245	1,269	1,158	851	1,007	918	833	679	586
Operating grants and contributions	2,300	2,236	1,927	1,951	2,305	2,589	2,587	2,195	2,321	3,315
Capital grants and contributions	5,025	6,737	5,122	10,822	4,717	6,975	14,631	17,559	13,894	6,814
Total governmental activities program revenues	11,986	14,658	12,376	17,557	12,147	13,955	21,935	25,359	21,043	14,003
Business-type activities:										
Charges for services:										
Electric	64,251	62,167	69,664	74,000	69,284	65,809	59,112	53,908	52,899	48,873
Wastewater	13,280	13,090	11,513	9,276	9,091	8,524	8,927	8,086	6,560	6,760
Water	12,083	11,940	11,716	11,787	11,350	10,040	8,343	7,713	6,007	5,532
Transit	186	195	217	251	278	401	386	340	244	293
Operating grants and contributions	4,214	3,983	3,449	3,653	3,381	2,621	3,377	2,731	2,547	1,772
Capital grants and contributions	3,206	5,150	1,408	5,774	8,064	19,984	11,146	3,401	8,268	6,566
Total business-type activities program revenues	97,220	96,525	97,967	104,741	101,448	107,379	91,291	76,179	76,525	69,796
Total primary government program revenues	\$ 109,206	\$ 111,183	\$ 110,343	\$ 122,298	\$ 113,595	\$ 121,334	\$ 113,226	\$ 101,538	\$ 97,568	\$ 83,799
Net (Expense)/Revenue										
Governmental activities	\$ (39,405)	\$ (37,203)	\$ (42,757)	\$ (38,029)	\$ (43,218)	\$ (36,958)	\$ (32,268)	\$ (26,895)	\$ (29,925)	\$ (32,470)
Business-type activities	4,971	9,119	11,381	6,007	10,192	17,122	7,038	(6,548)	3,732	(6,001)
Total primary government net expense	\$ (34,434)	\$ (28,084)	\$ (31,376)	\$ (32,022)	\$ (33,026)	\$ (19,836)	\$ (25,230)	\$ (33,443)	\$ (26,193)	\$ (38,471)

(Continued)

CITY OF LODI

CHANGES IN NET ASSETS (Continued) LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Taxes:										
Property	\$ 12,103	\$ 12,698	\$ 12,836	\$ 13,564	\$ 13,838	\$ 9,524	\$ 8,031	\$ 7,124	\$ 7,188	\$ 6,398
Franchise taxes	8,712	8,692	8,658	8,357	9,338	9,609	8,721	8,918	8,381	7,624
Business license tax	1,628	1,246	1,242	1,190	1,140	1,082	973	982	874	822
Transient occupancy tax	486	426	382	405	396	380	368	352	317	400
Grants and contributions not restricted to specific programs	9,277	8,954	7,064	8,249	9,593	14,772	14,215	13,193	11,895	12,069
Investment earnings	132	133	155	467	1,008	874	328	150	125	269
Other	2,052	1,556	1,917	2,382	1,077	621	1,012	608	590	137
Special item-gain on sale of parkland		321								
Transfers	1,261	6,657	5,868	5,368	3,693	4,727	4,923	4,008	2,915	2,981
Total governmental activities	35,651	40,683	38,122	39,982	40,083	41,589	38,571	35,335	32,285	30,700
Business-type activities:										
Investment earnings	566	575	731	1,385	2,028	2,380	2,008	1,880	2,242	6,457
Litigation- environmental lawsuits proceeds		-	300	2,010	8,892	6,222	6,700	9,150	865	2,728
Other	1,244	1,353	923	1,891	2,717	1,749	2,056	2,432	2,635	1,594
Special item-forgiveness of debt								15,277		
Special item-swap termination				(8,979)						
Transfers	(1,261)	(6,657)	(5,868)	(5,368)	(3,693)	(4,727)	(4,923)	(4,008)	(2,915)	(2,981)
Total business-type activities	549	(4,729)	(3,914)	(9,061)	9,944	5,624	5,841	24,731	2,827	7,798
Total primary government	\$ 36,200	\$ 35,954	\$ 34,208	\$ 30,921	\$ 50,027	\$ 47,213	\$ 44,412	\$ 60,066	\$ 35,112	\$ 38,498
Change in Net Assets										
Governmental activities	\$ (3,754)	\$ 3,480	\$ (4,635)	\$ 1,953	\$ (3,135)	\$ 4,631	\$ 6,303	\$ 8,440	\$ 2,360	\$ (1,770)
Business-type activities	5,520	4,390	7,467	(3,054)	20,136	22,746	12,879	18,183	6,559	1,797
Total primary government	\$ 1,766	\$ 7,870	\$ 2,832	\$ (1,101)	\$ 17,001	\$ 27,377	\$ 19,182	\$ 26,623	\$ 8,919	\$ 27

Source: City of Lodi Financial Services Division

CITY OF LODI

**FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund			\$ 389	\$ 383	\$ 1,150	\$ 1,144	\$ 1,321	\$ 1,185	\$ 1,296	\$ 927
Reserved	\$	\$			\$ 4,159	\$ 5,175	\$ 3,048	\$ 1,507	\$ 157	\$ 640
Unreserved			3,896	3,383						
Nonspendable	6	357								
Assigned	50	136								
Unassigned	6,233	5,654								
Total General Fund	\$ 6,289	\$ 6,147	\$ 4,285	\$ 3,766	\$ 5,309	\$ 6,319	\$ 4,369	\$ 2,692	\$ 1,453	\$ 1,567
All other governmental funds			\$ 7,801	\$ 1,487	\$ 1,932	\$ 1,874	\$ 1,138	\$ 4,942	\$ 3,778	\$ 6,405
Reserved	\$	\$								
Unreserved, reported in:										
Special revenue funds			963	6,540	7,433	6,651	6,271	1,400	534	2,322
Capital projects funds			3,649	5,217	5,504	6,200	5,663	5,650	5,720	7,655
Nonspendable	1									
Restricted	15,017	13,786								
Unassigned	(863)	(846)								
Total all other governmental funds	\$ 14,155	\$ 12,940	\$ 12,413	\$ 13,244	\$ 14,869	\$ 14,725	\$ 13,072	\$ 11,992	\$ 10,032	\$ 16,382
	\$ 20,444	\$ 19,087	\$ 16,698	\$ 17,010	\$ 20,178	\$ 21,044	\$ 17,441	\$ 14,684	\$ 11,485	\$ 17,949

Implemented GASB 54 during the 2011 fiscal year changing the presentation of fund balance.

Source: City of Lodi Financial Services Division

CITY OF LODI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Taxes	\$ 22,928	\$ 23,061	\$ 23,118	\$ 23,516	\$ 24,712	\$ 20,594	\$ 18,094	\$ 17,606	\$ 16,908	\$ 24,100
Licenses and permits	686	954	520	431	683	717	1,020	2,511	2,021	1,669
Intergovernmental revenues	15,289	16,865	12,579	13,229	14,980	19,892	25,491	22,834	16,657	7,385
Charges for services	3,427	3,946	4,116	3,329	4,757	4,696	3,848	9,404	4,479	6,272
Fines and forfeitures	1,357	1,407	1,444	1,416	1,321	1,245	1,173	1,190	1,085	803
Investment and rental income	1,264	817	923	922	1,312	998	707	753	537	832
Contributions and donations		689								
Miscellaneous revenue	813	799	1,093	1,762	822	304	653	458	473	453
Total revenues	45,764	48,538	43,793	44,605	48,587	48,446	50,986	54,756	42,160	41,514
Expenditures:										
Current:										
General government	8,820	7,667	7,666	8,431	9,545	8,893	8,345	10,858	10,815	10,874
Public protection	25,249	24,489	24,466	24,716	23,979	22,211	20,863	20,351	17,491	15,597
Public works	4,174	3,715	4,383	4,657	5,842	5,587	7,827	7,361	7,303	6,926
Community development	1,037	969	1,013	1,341	2,006	2,062	1,847			
Library	1,381	1,357	1,322	1,500	1,673	1,588	1,468	1,420	1,356	1,316
Parks and recreation	2,254	4,127	4,180	3,776	3,826	3,598	3,440	3,691	3,412	3,385
Capital outlay	2,961	9,377	5,108	6,791	4,207	3,526	7,232	9,508	10,041	12,943
Debt service:										
Interest and fiscal charges	1,039	1,081	1,110	1,139	1,170	1,205	1,238	1,645	1,245	1,220
Principal payments	630	752	725	789	898	900	892	855	759	730
Total expenditures	47,545	53,534	49,973	53,140	53,146	49,570	53,152	55,689	52,422	52,991
Excess (deficiency) of revenues										
Over (under) expenditures	(1,781)	(4,996)	(6,180)	(8,535)	(4,559)	(1,124)	(2,166)	(933)	(10,262)	(11,477)

(Continued)

CITY OF LODI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (continued) LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Other financing sources (uses):										
Transfers in	14,486	11,881	11,173	10,609	7,058	8,863	9,142	8,017	9,774	11,209
Transfers out	(11,348)	(5,224)	(5,305)	(5,242)	(3,365)	(4,136)	(4,219)	(4,009)	(6,859)	(8,228)
Proceeds from sale of land		98								
Capital lease proceeds								124	883	
Proceeds from bond refunding										
Payment to refunded bond escrow										
Proceeds of certificates of participation										
Total other financing sources (uses)	3,138	6,755	5,868	5,367	3,693	4,727	4,923	4,132	3,798	2,981
Special item- sale of parkland		630								
Net change in fund balances	1,357	2,389	(312)	(3,168)	(866)	3,603	2,757	3,199	(6,464)	(8,496)
Fund balances, beginning of year	19,087	16,698	17,010	20,178	21,044	17,441	14,684	11,485	17,949	26,445
Adjustment to fund balance as previously reported										
Fund balances, end of year	\$ 20,444	\$ 19,087	\$ 16,698	\$ 17,010	\$ 20,178	\$ 21,044	\$ 17,441	\$ 14,684	\$ 11,485	\$ 17,949
Debt service as a percentage of noncapital expenditures	3.9%	4.3%	4.3%	4.3%	4.4%	4.8%	4.9%	5.7%	5.0%	5.1%

Source: City of Lodi Finance Services Division

City of Lodi

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year										% Change 2003 to 2012
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Property	\$ 7,861	\$ 8,285	\$ 8,342	\$ 8,887	\$ 9,210	\$ 9,289	\$ 7,676	\$ 6,771	\$ 6,948	\$ 6,191	27%
Sales & Use	9,246	8,663	6,873	8,028	9,296	10,137	9,812	9,183	8,533	8,709	6%
Transient Occupancy	486	426	382	405	396	380	368	352	317	400	22%
Franchise	1,734	1,715	1,681	1,415	976	929	890	821	800	730	138%
Documentary Transfer	91	95	117	114	125	235	355	353	240	207	-56%
Motor Vehicle in Lieu	4,151	4,317	4,377	4,784	4,797	4,635	4,402	4,606	2,767	3,430	21%
Public Protection	295	250	267	296	338	390	310	304	264	247	19%
Business License	1,182	958	962	1,038	1,140	1,082	973	982	874	822	44%
In Lieu Franchise	6,977	6,977	6,977	6,942	8,362	8,680	7,831	8,097	7,581	6,894	1%
Totals	\$ 32,023	\$ 31,686	\$ 29,978	\$ 31,909	\$ 34,640	\$ 35,757	\$ 32,617	\$ 31,469	\$ 28,324	\$ 27,630	16%

Note: General governmental tax revenues are included in taxes, licenses and permits, intergovernmental revenues and miscellaneous revenues.

CITY OF LODI

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Secured roll	\$ 4,738,823	\$ 4,907,588	\$ 4,986,693	\$ 5,156,706	\$ 5,069,788	\$ 4,799,141	\$ 4,254,184	\$ 3,877,398	\$ 3,619,116	\$ 3,381,945
Utility roll	2,382	2,423	2,423	2,031	2,035	2,773	3,654	3,782	3,893	3,352
Unsecured roll	226,651	270,600	270,315	263,648	258,687	242,082	216,065	215,469	202,785	207,095
Gross assessed value	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903	4,096,649	3,825,794	3,592,392
Less exemptions (1)	314,448	321,138	332,701	265,154	243,259	229,049	220,590	217,077	212,102	200,957
Net assessed value	<u>4,653,408</u>	<u>4,859,473</u>	<u>4,926,730</u>	<u>5,157,231</u>	<u>5,087,251</u>	<u>4,814,947</u>	<u>4,253,313</u>	<u>3,879,572</u>	<u>3,613,692</u>	<u>3,391,435</u>
Land	1,264,884	1,322,830	1,345,815	1,562,729	1,537,554	1,431,203	1,226,293	1,107,776	1,027,462	960,166
Improvements	3,401,792	3,534,778	3,600,824	3,577,741	3,503,186	3,327,453	2,989,575	2,739,061	2,549,860	2,366,887
Personal property	301,180	323,003	312,792	281,915	289,770	285,340	258,035	249,812	248,472	265,339
Gross assessed value	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903	4,096,649	3,825,794	3,592,392
Less exemptions (1)	314,448	321,138	332,701	265,154	243,259	229,049	220,590	217,077	212,102	200,957
Net assessed value	<u>\$ 4,653,408</u>	<u>\$ 4,859,473</u>	<u>\$ 4,926,730</u>	<u>\$ 5,157,231</u>	<u>\$ 5,087,251</u>	<u>\$ 4,814,947</u>	<u>\$ 4,253,313</u>	<u>\$ 3,879,572</u>	<u>\$ 3,613,692</u>	<u>\$ 3,391,435</u>
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - \$65,358 and other - \$249,090 = \$314,448

Note: In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only assessed at the time that it is sold to a new owner. At that point, the property being sold is reassessed at the purchase price. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI

DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS (Rate per \$100 of assessed value)

Fiscal Year	Basic Countywide Levy	School	All Other	Total
2012	1.0000	0.0658	0.0000	1.0658
2011	1.0000	0.0626	0.0000	1.0626
2010	1.0000	0.0575	0.0000	1.0575
2009	1.0000	0.0517	0.0000	1.0517
2008	1.0000	0.0478	0.0000	1.0478
2007	1.0000	0.0478	0.0000	1.0478
2006	1.0000	0.0570	0.0000	1.0570
2005	1.0000	0.0311	0.0000	1.0311
2004	1.0000	0.0475	0.0000	1.0475
2003	1.0000	0.0487	0.0000	1.0487

Source: San Joaquin County Tax Collector

CITY OF LODI

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO (Dollar amounts in thousands)

Taxpayer	Fiscal Year					
	2012			2003		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Lodi Memorial Hospital Assn	\$ 163,270	1	3.291 %			
General Mills	135,846	2	3.006	\$ 171,116	1	5.887 %
Pacific Coast Producers	87,000	3	1.820	59,325	2	2.041
Calif Physicians Service Corp	55,332	4	1.206			
Cottage Bakery Inc	40,669	5	0.889			
Westcore Vine LP	23,637	6	0.505			
Costco	19,776	7	0.447			
Dart Container Corp	18,480	8	0.382	13,486	4	0.464
Archer Daniels Midland Co Corp	16,844	9	0.367			
Wine & Roses LLC	15,810	10	0.340			
Certainteed Corp				15,532	3	0.534
King Video Cable Company				12,363	5	0.425
Edmund N. Richmond				11,852	6	0.408
Wal Mart Stores				10,894	7	0.375
Wallace Computer Service				10,855	8	0.373
Interlake Material Handling Inc				10,837	9	0.373
Dayton Hudson Corp				10,504	10	0.361
Principal Secured Property Valuation	576,664		13.034	326,764		10.271
Other Secured Taxpayers	4,162,159		94.073	3,055,181		96.045
Exemptions relative to secured tax roll	314,448		7.107	200,957		6.317
Total Secured Property Valuation	<u>\$ 4,424,375</u>		<u>100.000 %</u>	<u>\$ 3,180,988</u>		<u>100.000 %</u>

CITY OF LODI

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percent of Levy (1)	Amount	Percent of Levy
2012	\$ 7,754	\$ 7,754	100.0%	\$ 7,754	100.0%
2011	8,143	8,143	100.0%	8,143	100.0%
2010	8,291	8,291	100.0%	8,291	100.0%
2009	7,966	7,966	100.0%	7,966	100.0%
2008	8,167	8,167	100.0%	8,167	100.0%
2007	8,170	8,170	100.0%	8,170	100.0%
2006	7,815	7,815	100.0%	7,815	100.0%
2005	7,057	7,057	100.0%	7,057	100.0%
2004	6,570	6,570	100.0%	6,570	100.0%
2003	5,832	5,832	100.0%	5,832	100.0%

1) Per agreement with San Joaquin County, the County provides the City of Lodi with 100% of the amount owed to the City for secured properties, regardless of collection status. In exchange, the County is entitled to 100% of revenues collected for interest and penalties. This agreement is commonly referred to as the Teeter Plan.

Source: San Joaquin County Auditor/Controller's Office

CITY OF LODI
ELECTRICITY SOLD BY TYPE OF CUSTOMER
LAST SEVEN FISCAL YEARS

Type of Customer	Billed Accounts						
	2012	2011	2010	2009	2008	2007	2006
City Accounts	195	197	189	189	187	186	184
Contract Large Industrial					5	5	6
Contract Medium Industrial					1	1	2
Contract Small Industrial					1	0	1
Domestic Residential	22,361	22,360	22,525	22,506	22,510	22,938	22,860
Domestic Mobile Home Park	13	13	13	13	13	13	13
Dusk to Dawn	92	89	89	92	92	95	95
Large Commercial	336	350	357	377	380	375	359
Large Industrial	38	40	39	37	32	33	33
Medium Industrial	9	9	9	8	8	10	13
Residential Low Income	2,531	2,258	2,193	1,847	1,943	2,003	1,910
Small Commercial	3,340	3,324	3,280	3,249	3,199	3,241	3,279
Small Industrial	11	11	10	10	9	9	9
Total	28,926	28,651	28,704	28,328	28,360	28,909	28,764

Information prior to the implementation of GASB 44 is not available.

Source: City of Lodi Financial Services Division

CITY OF LODI

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS (Dollar amounts in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-type Activities				Percent of Personal Income (1)	Per Capita (1)
	Certificates of Participation	Loan Payable	Notes Payable	Total Governmental Activities	Certificates of Participation	Notes Payable	Total Business-type Activities	Total Primary Government		
2012	\$ 21,025	\$	\$ 245	\$ 21,270	\$ 171,675	\$	\$ 171,675	\$ 192,945	9.99 %	3,071
2011	21,655		245	21,900	177,150		177,150	199,050	10.58	3,186
2010	22,265		245	22,510	142,935	1,409	144,344	166,854	8.43	2,626
2009	22,855		245	23,100	147,175	1,585	148,760	171,860	8.74	2,714
2008	23,420	94	245	23,759	139,760	1,755	141,515	165,274	8.94	2,608
2007	23,975	187	245	24,407	121,675	1,918	123,593	148,000	8.12	2,335
2006	24,510	279	245	25,034	125,340	2,077	127,417	152,451	8.90	2,427
2005	25,030	368	245	25,643	126,615	2,230	128,845	154,488	9.43	2,473
2004	25,530	456	245	26,231	148,675	2,378	151,053	177,284	11.43	2,917
2003	26,015	543	245	26,803	117,515	2,521	120,036	146,839	9.85	2,427

Details regarding the City's outstanding debt can be found in the Note 8 of these financial statements.

(1) See Demographic and Economic Statistics table for personal income and population.

Source: City of Lodi Financial Services Division

CITY OF LODI

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

(Dollar amounts in thousands, except per capita)

Fiscal Year	Certificates of Participation	Less Amounts Available in Debt Service Fund	Net	Percent of Assessed Value (1) of Property	Per Capita
2012	\$ 21,025	\$ 1,692	\$ 19,333	0.4 %	307.73
2011	21,655	1,692	19,963	0.4	319.55
2010	22,265	1,692	20,573	0.4	323.73
2009	22,855	1,692	21,163	0.4	334.26
2008	23,420	1,692	21,728	0.4	342.92
2007	23,975	1,692	22,283	0.4	351.49
2006	24,510	1,692	22,818	0.5	363.25
2005	25,030	1,692	23,338	0.6	373.61
2004	25,530	1,692	23,838	0.6	392.27
2003	26,015	1,692	24,323	0.7	402.03

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Source: City of Lodi Financial Services Division

CITY OF LODI

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	FISCAL YEAR									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Assessed valuation (1)	\$ 4,718,766	\$ 4,926,130	\$ 4,995,362	\$ 5,227,580	\$ 5,159,269	\$ 4,887,074	\$ 4,325,000	\$ 3,951,862	\$ 3,686,227	\$ 3,464,195
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,179,692	1,231,533	1,248,841	1,306,895	1,289,817	1,221,769	1,081,250	987,966	921,557	866,049
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	176,954	184,730	187,326	196,034	193,473	183,265	162,188	148,195	138,234	129,907
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 176,954</u>	<u>\$ 184,730</u>	<u>\$ 187,326</u>	<u>\$ 196,034</u>	<u>\$ 193,473</u>	<u>\$ 183,265</u>	<u>\$ 162,188</u>	<u>\$ 148,195</u>	<u>\$ 138,234</u>	<u>\$ 129,907</u>
Total net debt applicable to the limit as a percent of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1982 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computation shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time the legal debt margin was enacted by the State of California for local governments located within the state.

(1) Reflects City assessed valuation with other exemptions of \$249,090 deducted for 2012.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2012

	Total Debt	Percentage Applicable (1)	City's Share of Debt
OVERLAPPING DEBT:			
San Joaquin Community College District	\$ 133,626,655	8.865 %	\$ 11,846,003
Lodi Unified School District	99,010,000	37.209	36,840,631
San Joaquin County Certificates of Participation	176,129,997	9.821	17,297,727
Lodi Unified School District Certificates of Participation	40,710,000	37.209	15,147,784
SUBTOTAL OVERLAPPING DEBT			81,132,145
DIRECT DEBT:			
City of Lodi Certificates of Participation	21,025,000	100.00	21,025,000
City of Lodi - Note payable	245,000	100.00	245,000
TOTAL DIRECT AND OVERLAPPING DEBT(2)			\$ 102,402,145

2011-12 Assessed Valuation \$ 4,967,856,000

2011-12 Population 62,825

		Per Capita	Value
DEBT RATIOS	Total Gross Debt \$ 102,402,145	\$ 1,630	2.06%

(1) Percent of overlapping agency's assessed valuation located within the boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

SOURCE: California Municipal Statistics, San Francisco, CA
San Joaquin County Auditors-Controller Office
State of California, Department of Finance, Demographic Research Unit

CITY OF LODI

PLEDGED-REVENUE COVERAGE LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less:	Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
		Principal			Interest	Total		
Electric Revenue Certificates of Participation								
2012	\$ 65,220	\$	50,164	\$ 15,056	\$ 3,270	\$ 4,021	\$ 7,291	2.07
2011	63,307		48,397	14,910	3,080	4,152	7,232	2.06
2010	70,288		49,949	20,339	2,920	4,274	7,194	2.83
2009	75,195		58,370	16,825	5,240	4,720	9,960	1.69
2008	74,923		54,437	20,486	2,305	3,961	6,266	3.27
2007	67,865		52,984	14,881	2,350	3,977	6,327	2.35
2006	61,066		51,131	9,935	-	3,613	3,613	2.75
2005	60,793		44,252	16,541	5,895	3,146	9,041	1.83
2004	56,347		45,045	11,302	2,150	3,261	5,411	2.09
2003	55,847		39,584	16,263	4,575	2,836	7,411	2.19

CITY OF LODI

PLEGGED-REVENUE COVERAGE (continued) LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less:	Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
		Principal			Interest	Total		
Wastewater Certificates of Participation								
2012	\$ 13,787	\$ 6,659	\$ 7,128	\$ 1,430	\$ 2,688	\$ 4,118	1.73	
2011	16,508	5,972	10,536	1,370	2,748	4,118	2.56	
2010	12,284	6,180	6,104	1,320	2,832	4,152	1.47	
2009	10,764	5,921	4,843	1,270	2,882	4,152	1.17	
2008	10,530	6,189	4,341	1,355	2,334	3,689	1.18	
2007	9,881	5,287	4,594	1,315	2,017	3,332	1.38	
2006	9,865	4,886	4,979	1,275	2,056	3,331	1.49	
2005	9,232	4,781	4,451	540	2,210	2,750	1.62	
2004	7,211	4,385	2,826	175	715	890	3.18	
2003	7,428	4,380	3,048	160	639	799	3.81	

CITY OF LODI

PLEDGED-REVENUE COVERAGE (continued) LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less:		Net Available Revenue	Debt Service			Coverage
		Adjusted Operating Expenses (2)			Principal	Interest (3)	Total	
Water Certificates of Participation								
2012	\$ 13,275	\$ 5,392		\$ 7,883	\$ 775	\$ 1,530	\$ 2,305	3.42
2011	14,051	5,662		8,389	1,409	874	2,283	3.67

Includes all nongeneral obligation long term debt backed by pledged revenues.

Details regarding the City's outstanding debt can be found in the Note 8 of these financial statements.

- (1) Total operating revenues including investment earnings, operating grants, capital contributions and other revenue.
- (2) Total operating expenses including cost of services paid to the General Fund and excluding in-lieu fees, depreciation and amortization.
- (3) Net of Build America Bonds interest subsidy.

CITY OF LODI

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Square Miles	City Population	Population Percent Change	San Joaquin County Population	Population Percent of County	Rank in Size of California Cities	Personal Income (millions of dollars)	Per Capita Personal Income	Unemployment Rate
2012	13.92	62,825	0.8%	695,750	9.0%	136	\$ 1,931	30,732	11.3%
2011	13.92	62,473	0.6%	690,899	9.0%	135	1,882	30,132	13.4%
2010	13.92	63,549	0.6%	694,293	9.2%	136	1,980	31,166	13.3%
2009	13.92	63,313	-0.1%	689,480	9.2%	135	1,967	31,071	12.2%
2008	13.92	63,362	-0.1%	685,600	9.2%	133	1,849	29,178	7.1%
2007	13.17	63,395	0.9%	679,687	9.3%	129	1,822	28,743	6.1%
2006	12.81	62,817	0.6%	668,265	9.4%	131	1,713	27,272	5.5%
2005	12.81	62,467	2.8%	653,333	9.6%	131	1,639	26,239	5.9%
2004	12.79	60,769	0.4%	630,600	9.6%	130	1,551	25,527	6.5%
2003	12.69	60,500	1.8%	613,500	9.9%	179	1,490	24,620	6.9%

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area. In computing per capita personal income, Bureau of Economic analysis uses the Census Bureau's annual midyear population estimates.

Source: State of California, Department of Finance, Demographic Research Unit and Department of Labor.

CITY OF LODI

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	Current			Nine Years Ago		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
Lodi Unified School District	3,687	1	14.11 %	2,800	1	10.72 %
Lodi Memorial Hospital	1,340	2	5.13	1,045	2	4.00
Pacific Coast Producers	1,000	3	3.83	500	4	1.91
Blue Shield	915	4	3.50			
Cottage Bakery	527	5	2.02			
General Mills	478	6	1.83	550	3	2.11
City of Lodi	383	7	1.47	457	5	1.75
Farmers & Merchants Bank	283	8	1.08	162	9	0.62
Walmart	240	9	0.92	330	7	1.26
Target	205	10	0.78	200	8	0.77
Valley Industries				335	6	1.28
CertainTeed				113	10	0.43
Total	<u>9,058</u>		<u>34.67</u>	<u>6,492</u>		<u>24.85</u>

Note: The City of Lodi implemented GASB 44 for the fiscal year ended June 30, 2006.

CITY OF LODI

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY DEPARTMENT LAST TEN FISCAL YEARS

	Fiscal Year									
	2012	2011*	2010	2009	2008	2007	2006	2005	2004	2003
Department:										
Administration	12	13	31	32	19	35	33	37	36	37
Community Development	9	13	13	13	14	18	17	17	17	18
Electric	40	41	51	50	48	64	65	52	52	52
Financial Services			24	26	39	30	28	38	38	38
Fire	54	64	64	64	64	64	61	68	61	68
Internal Services	29	35								
Library	12	14	14	14	14	16	14	15	15	15
Parks & Recreation			31	31	30	34	31	34	34	34
Parks, Recreation and Cultural Services	29	37								
Police	103	125	125	125	125	116	117	117	116	117
Public Works	93	98	102	102	107	114	99	111	110	110
Total	381	440	455	457	460	491	465	489	479	489

* Community Center, Human Resources and Information Systems were previously included in Administration. Budget, Financial Services, Human Resources and Information Services are now Internal Services. Community Center, Parks & Recreation are now Parks, Recreation and Cultural Services.

Source: City of Lodi Budget Document

CITY OF LODI

OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
LAST SEVEN FISCAL YEARS

	Fiscal Year						
	2012	2011	2010	2009	2008	2007	2006
General government:							
Building permits issued	1,461	2,022	1,709	1,754	1,851	2,317	2,699
Business tax certificates:							
Retail sales and service	2,485	2,530	2,406	2,496	2,442	2,632	2,565
Manufacturers and processors	77	76	80	82	78	78	125
Professions	364	371	373	380	398	404	322
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1,362	1,357	1,312	1,411	1,063	1,127	533
Utility billing/customer service:							
Number of customers	23,761	23,575	25,573	25,555	25,555	25,712	25,655
Energy sales (KWH)	435,655,731	421,130,329	434,200,987	452,075,554	450,407,709	458,740,745	459,637,092
Peak demand (MW)	116	116	120	134	134	144	127
Public safety:							
Police:							
Major reported crimes	3,573	2,885	2,377	2,454	2,993	3,096	3,234
Total arrests	4,350	4,410	4,238	4,646	5,590	5,463	5,162
Dispatched calls for service	46,756	52,061	51,870	56,391	55,911	53,686	55,937
Fire:							
Interior structure fire calls	57	56	47	69	88	79	66
Non-structural fire calls	163	121	123	123	160	163	158
Hazardous materials calls	41	69	70	70	35	27	26
Emergency medical calls	3,820	3,752	3,494	3,364	3,420	3,213	2,912
Total emergency calls	5,620	5,753	5,385	5,392	5,346	5,000	4,447
Total number of units dispatched	7,855	7,835	7,390	7,038	7,841	7,005	6,055
Public works:							
Miles of streets resurfaced	6	6	3	6	5	4	33
Fleet job orders completed	1953	2,810	3,303	3,921	3,520	6,938	5,608
Trees planted				96	130	95	-
Water utility:							
New connections	7	8	17	17	35	110	266
Water main breaks	10	8	6	4	4	10	8
Wastewater utility:							
Average daily treatment (million gal/day)	6.5MG	6.5MG	6.5MG	6.5MG	6.5MG	6.9MG	6.7MG
Library:							
Registered borrowers	47,147	43,927	39,199	53,530	48,969	44,558	52,779
Circulation of library materials	217,742	248,250	251,967	219,711	280,466	273,270	281,216
Reference, research and informational questions answered	14,463	16,234	16,501	15,379	19,257	18,854	17,342
Annual attendance at libraries	222,148	210,279	207,123	n/a	296,793	288,070	287,986
Number of programs offered	432	388	344	316	348	339	320
Annual attendance at programs	12,993	13,133	10,676	8,765	11,242	10,700	10,872
Public access computer usage	47,428	58,990	52,124	38,388	38,999	35,260	29,896

(Continued)

CITY OF LODI

**OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
LAST SEVEN FISCAL YEARS**

	Fiscal Year						
	2012	2011	2010	2009	2008	2007	2006
Community center:							
Community center bookings	698	926	789	475	494	302	220
Instructional classes	307	536	583	507	530	478	509
Registered students	3,713	3,438	3,525	3,316	5,550	3,548	4,369
Yearly attendance	13,925	14,217	13,355	14,050	14,410	14,429	15,369
Parks and recreation:							
After school program registration (number of participants/sites)	3,232/20	1,920/4	1,920/4	1,920/4	3,014/4	145,000/12	135,000/12
Adult sports							
Program/Participation	2420	2,528	2,528	2,284	28,000	36,000	36,000
Programs offered	15	16	16	13	11	11	11
Partnerships	3	5	5	1	3	3	5
Tournaments	12	7	7	10	10	20	20
Youth/Teen sports							
Program attendance	3,889	4,251	4,251	215,000	195,000	200,000	200,000
Programs offered	24	16	16	24	14	14	20
Aquatics							
Program attendance	34,366	32,566	32,566	2,433	50,000	59,000	59,000
Number of programs	25	13	13	6	3	8	6

Note: The City of Lodi implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.

Source: City of Lodi

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
General government:								
Total square miles	13.92	13.92	13.92	13.92	13.92	13.17	12.81	12.81
Public safety:								
Police:								
Facilities:								
Stations	1	1	1	1	1	1	1	1
Animal control facility	1	1	1	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1	1	1	1
Vehicles:								
Marked patrol cars	23	23	23	25	25	25	28	28
Motorcycles and scooters	5	5	5	5	5	5	4	1
Animal control vehicles	2	2	2	2	2	2	3	3
Other automobiles	37	37	37	38	40	41	41	41
Fire:								
Facilities:								
Fire stations	4	4	4	4	4	4	4	4
Vehicles:								
Fire engines	6	7	7	7	6	6	5	5
Trucks/Trailers	5	5	6	6	9	8	7	7
Other automobiles	9	8	10	12	7	10	11	11
Public works:								
Miles of streets	202	202	202	202	200	184	198	100
Miles of alley ways	16	16	16	16	16	16	16	14
Traffic signals	67	67	62	62	64	66	64	60
Street lights	7,270	7,270	7,270	7,270	7,270	7,270	7,203	6,995

(Continued)

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
Parks and recreation:								
Parks and squares	26	26	26	26	23	23	23	23
Park acreage	373	373	373	371	275	275	275	275
Boating facilities - launch lanes	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1
Swimming pools	4	4	4	4	3	3	3	3
Baseball/softball diamonds	24	24	24	24	26	26	26	26
Tennis courts	11	11	11	11	11	11	11	11
Skateboard park	1	1	1	1	1	1	1	1
Playgrounds	22	25	25	25	22	22	22	22
Ballpark	24	24	24	24	26	26	26	26
Soccer Field	22	22	22	22	22	22	22	22
Football Field	1	1	1	1	3	3	3	3
Handball/Basketball/Volleyball Courts	10	10	10	10	8	8	8	8
Horseshoe Pits	8	6	6	6	7	10	10	10
Library:								
Central library	1	1	1	1	1	1	1	1
Total items in collection	135,113	134,804	130,530	135,197	142,885	142,098	134,129	137,673
Integrated library system	1	1	1	1	1	1	1	1
Microfilm readers	1	1	1	1	1	1	1	1
Microfilm readers/printers	1	1	1	1	1	1	1	1
Self check out machines	2	2	2	2	0	1	1	1
Electric utility:								
Overhead lines 12kv (miles)	133	133	130	130	130	129	129	129
Overhead lines 60kv (miles)	14	13	13	13	13	13	13	13
Underground lines (miles)	159	157	155	154	153	151	151	151

(Continued)

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
Water utility:								
Water main lines	236	236	237	233	233	238	235	230
Water storage capacity (gallons)	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Water wells	27	27	26	26	26	26	26	25
Water reservoirs	2	2	2	2	2	2	2	2
Wastewater utility:								
Wastewater main lines (miles)	196	196	191	194	194	189	182	182
Treatment capacity	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG
Wastewater treatment plant	1	1	1	1	1	1	1	1
Stormwater utility:								
Stormwater main drain lines (miles)	124	124	124	161	119	161	115	114
Stormwater pump stations	14	14	14	14	14	14	13	14
Central parking district:								
Parking structure	1	1	1	1	1	1	1	1
Parking spaces	2,453	2,453	2,453	2,453	2,453	2,453	2,453	2,453
Parking lots	25	25	25	25	25	25	25	25

Note: The City of Lodi implemented GASB 44 for the fiscal year ended June 30, 2006. Information prior to 2005 is not readily available.

Source: City of Lodi Departments

SINGLE AUDIT REPORTS

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor			
Pass-through Grantor or Direct	CFDA	Grant/Project	
Program Title	Number	Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-06-0038	\$ 202,493
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-06-0038	145,967
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-06-0038	<u>457,238</u>
Total Community Development Block Grants/Entitlement Grants			<u>805,698</u>
Passed through State of California Department of Housing and Community Development:			
Home Investment Partnerships Program	14.239	09-HOME-6271	54,054
Passed through California State University of Fresno:			
Sustainable Communities Planning Grant	14.703	CARIP0004-10	<u>25,735</u>
Total U.S. Department of Housing and Urban Development			<u>885,487</u>
U.S. Department of Justice			
Direct:			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0151	<u>450,877</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0138	10,126
Passed through City of Stockton:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0574	<u>36,743</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			46,869
Passed through San Joaquin County:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804	2009-SB-B9-0539	<u>22,343</u>
Total JAG Program Cluster			<u>69,212</u>
Total U.S. Department of Justice			<u>520,089</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor			
Pass-through Grantor or Direct	CFDA	Grant/Project	
Program Title	Number	Number	Expenditures
U.S. Department of Transportation			
Direct:			
Federal Transit - Formula Grants	20.507	CA-90-Y983-00	\$ 1,555,605
Federal Transit - Formula Grants	20.507	CA-90-Y565-00	42,584
ARRA - Federal Transit - Formula Grants	20.507	CA-96-X052-01	<u>498,737</u>
Total Federal Transit - Formula Grants			<u>2,096,926</u>
Passed through State of California Office of Traffic Safety			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	20564	<u>85,041</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1112	18,194
Passed through University of Berkeley:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC11230	10,432
Passed through City of Stockton:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1160	<u>29,628</u>
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>58,254</u>
Total U.S. Department of Transportation			<u>2,240,221</u>
U.S. Department of Energy			
Direct:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0002707	<u>23,796</u>
Total Federal Awards			<u>\$ 3,669,593</u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF LODI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2012, presents the activity of all federal award programs of the City of Lodi, California (City). The City reporting entity is defined in Note 1 of the City’s basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in governmental fund types and the full accrual basis of accounting for grants accounted for in proprietary fund types, as described in Note 1 of the City’s basic financial statements.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and Office of Management and Budget’s Catalog of Federal Domestic Assistance.

NOTE 4 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Federal Program</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 5,000
Federal Transit – Formula Grants	20.507	333,840
ARRA – Federal Transit – Formula Grants	20.507	29,560

The Honorable Members of City Council
City of Lodi, California

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2012. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2012-A that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

We noted certain matters that we reported to the City Council and others that we reported to management of the City of Lodi, in separate letters dated December 6, 2012.

This report is intended solely for the information and use of the City Council, management, federal and state grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maciea Gini & O'Connell LLP

Sacramento, California
December 6, 2012

The Honorable Members of City Council
City of Lodi, California

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of Lodi, California (City), with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2012. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City Council, management, federal and state grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Nini & O'Connell LLP

Sacramento, California
December 6, 2012

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA No.</u>
ARRA – Public Safety Partnership and Community Policing Grants	16.710
Federal Transit – Formula Grants (ARRA and non-ARRA)	20.507
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Reference Number: **2012-A**

Criteria:

Under generally accepted accounting principles, internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges.

Condition:

The City is not charging City funds their share of the City’s Other Post Employment Benefits (OPEB) costs accumulating in its Benefits Internal Service Fund.

Context:

The Benefits Internal Service Fund’s net deficit balance was \$1,078,724, \$1,930,874, \$2,934,664, and \$3,621,665 as of June 30, 2009, 2010, 2011, and 2012, respectively.

Effect:

This condition resulted in an increase of \$687,001 in the net deficit of the Benefits Internal Service Fund during the year ended June 30, 2012.

Cause:

The City is only charging City funds their share of the City’s OPEB costs that it has chosen to pay under a pay-as-you-go basis.

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Recommendation:

Under generally accepted accounting principles, the City needs to charge City funds their share of the OPEB cost incurred in its Benefits Internal Service Fund as opposed to limiting the charges to those costs actually paid.

Management Response and Corrective Action:

The City's practice of reflecting the total liability and expense of the Other Post Employment Benefits (OPEB) program in the Benefits Internal Services Fund enhances transparency in reporting by showing the impact of this reporting requirement in one location. The deficit net assets will continue until the City fully funds the actuarially calculated liability and expense that it is required to record. Staff will bring forward the deficit amount each budget cycle for Council consideration.

Section III – Federal Award Findings and Questioned Costs

Reference Number:	2012-1
Federal Program Title:	ARRA – Public Safety Partnership and Community Policing Grants
Federal Catalog Number:	16.710
Federal Award Number and Year:	2009-RK-WX-0151; 2009
Federal Agency:	U.S. Department of Justice
Category of Finding:	Reporting

Criteria:

OMB Circular A-102, the Common Rule – Subpart C – Post-Award Requirements; Section .41, Financial Reporting

(b) *Financial Status Report* –

- (1) *Form.* Grantees will use Standard Form 260 or 269A (SF-260 or SF-269A), Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with paragraph Section .41(e)(2)(iii) of this section.
- (4) *Due Date.* When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

The Office of Community Oriented Policing Services within the U.S. Department of Justice requires the financial status report (SF-425) to be submitted on a quarterly basis. The SF-425, *Federal Financial Report*, replaces SF-269 and SF-269A.

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Per OMB memorandum M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* dated June 22, 2009, Section 2.1, Section 1512 of the Recovery Act requires reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009) and for the Federal agency providing those funds to make the reports publicly available no later than the 30th day after the end of that quarter. Aimed at providing transparency into the use of these funds, the recipient reports are required to include the following detailed information:

- Total amount of funds received; and of that, the amount spent on projects and activities;
- A list of those projects and activities funded by name to include:
 - Description
 - Completion status
 - Estimates on jobs created or retained;
- Details on sub-awards and other payments.

Condition:

It was noted that expenditures reported in the Federal Financial Reports and Section 1512 reports were not for the periods reported. The reports covering the period of October 2011 through December 2011 reported expenditures to date of \$585,296, which were the cumulative expenditures through September 2011 as reported in the 2010 SEFA (\$73,112), plus reported in the 2011 SEFA (\$409,795), plus requested in the Drawdown Report for the period of July 2011 through September 2011 (\$102,389). The reports covering the period of January 2012 through March 2012 reported expenditures to date of \$697,431, which were the cumulative expenditures through December 2011 as reported in the 2010 SEFA (\$73,112), plus reported in the 2011 SEFA (\$409,795), plus requested in the Drawdown Report for the period of July 2011 through September 2011 (\$102,389), plus requested in the Drawdown Report for the period of October 2011 through December 2011 (\$112,135).

Questioned Costs:

There are no questioned costs.

Context:

The Federal Financial Reports and Section 1512 reports were submitted quarterly for the year ended June 30, 2012. The Drawdown Reports for the period of July 2011 through September 2011 (\$102,389) plus the period October 2011 through December 2011 (\$112,135) plus the period of January 2012 through March 2012 (\$108,270) plus the period of April 2012 through June 2012 (\$128,083) equals the expenditures reported in the SEFA of \$450,877.

Effect:

Reporting expenditures in arrears will provide for non-current data and could mislead readers of the reports and provide false annual expenditure amounts.

Cause:

Per the Support Services Manager at the City of Lodi Police Department, the cause of the delay in the reporting of expenditures is due to the Federal Financial Reports and Section 1512 reports being prepared and submitted at the end of a quarter before the Drawdown Reports are prepared and submitted.

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Recommendation:

It is recommended that the City prepare the Drawdown Reports prior to preparing the Section 1512 reports and Federal Financial Reports to report current expenditures for each quarter.

Management Response and Corrective Action:

Staff began implementing a corrective action as recommended, however, additional correction to rectify the reporting issue will be implemented in the immediate reporting period.

Reference Number:	2012-2
Federal Program Title:	ARRA – Energy Efficiency and Conservation Block Grants (EECBG)
Federal Catalog Number:	81.128
Federal Award Number and Year:	DE-SC0002707; 2009
Federal Agency:	U.S. Department of Energy
Category of Finding:	Reporting

Criteria:

OMB Circular A-102, the Common Rule – Subpart C – Post-Award Requirements; Section .40, Performance Reporting

(b) *Nonconstruction Performance Reports.*

- (1) Grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annually reports. However, performance reports will not be required more frequently than quarterly. Annual reports shall be due 90 days after the grant year, quarterly or semi-annual reports shall be due 30 days after the reporting period. The final performance report will be due 90 days after the expiration or termination of grant support. If a justified request is submitted by a grantee, the Federal agency may extend the due date for any performance report. Additionally, requirements for unnecessary performance reports may be waived by the Federal agency.

The award agreement terms and conditions require quarterly reports.

OMB Circular A-102, the Common Rule – Subpart C – Post-Award Requirements; Section .41, Financial Reporting

(b) *Financial Status Report –*

- (1) *Form.* Grantees will use Standard Form 260 or 269A (SF-260 or SF-269A), Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with paragraph Section .41(e)(2)(iii) of this section.
- (4) *Due Date.* When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

The award agreement terms and conditions require Standard Form 425 (SF-425) on a quarterly basis. The SF-425, *Federal Financial Report*, replaces SF-269 and SF-269A.

Per OMB memorandum M-09-21, Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009 dated June 22, 2009, Section 2.1, Section 1512 of the Recovery Act requires reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009).

Condition:

It was noted that the City submitted three Federal Financial Reports and two quarterly performance reports after their respective due dates. The City was also unable to provide two Section 1512 reports.

Questioned Costs:

There are no questioned costs.

Context:

Three of the four Federal Financial Reports, three of the four quarterly performance reports, and two of the four Section 1512 reports were sampled for the year ended June 30, 2012.

Effect:

Continued noncompliance could result in future EECBG grants being funding on a reimbursement basis or the City losing out on future EECBG grants.

Cause:

Per management, the City is short-staffed and was unable to complete the tasks on a timely basis.

Recommendation:

The City should strengthen procedures to ensure compliance with the reporting requirements over the EECBG program set forth by OMB Circular A-133, specifically procedures to submit quarterly performance reports and Federal Financial Reports no later than 30 days following the end of each quarter and Section 1512 reports no later than 10 days following the end of each quarter.

Management Response and Corrective Action:

All grant funds have been spent and the City is awaiting final instructions to close out the grant.

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Reference Number: 2011-1

Criteria:

Pursuant to Subpart C, section .310(b)(3) of Office of Management and Budget (OMB) Circular A-133, *Audits, of States, Local Governments, and Non-Profit Organizations*, auditees must complete the schedule of expenditures of federal awards (SEFA) and include catalog of federal domestic assistance (CFDA) numbers provided in federal awards/subawards and associated expenditures.

In addition, many Federal agencies began including requirements in their terms and conditions for American Recovery and Reinvestment Act (ARRA or Recovery Act) awards to ensure separate identification of ARRA awards. For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, recipients are to separately identify the expenditures for federal awards under the ARRA on the SEFA and the data collection form (SF-SAC) required by OMB Circular A-133. This shall be accomplished by identifying expenditures for federal awards made under the ARRA separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix "ARRA-" in identifying the name of the federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC.

Condition:

Several federal awards were noted as either omitted from or not accurately identified in the SEFA.

It was determined that the Public Safety Partnership and Community Policing Grants (CFDA no. 16.710) was a Recovery Act grant, but it was not identified in either the City's draft of the 2011 SEFA or its 2010 SEFA or SF-SAC as such. It was also determined that the Home Investment Partnerships Program (CFDA no 14.239), the State and Community Highway Safety (CFDA no. 20.600) program, the Occupant Protection Incentive Grants (CFDA no. 20.602), and the Minimum Penalties for Repeat Offenders for Driving While Intoxicated (CFDA no. 20.608) program were omitted from the City's draft of the 2011 SEFA.

Questioned Costs:

There are no questioned costs.

Context:

The Public Safety Partnership and Community Policing Grants expenditures reported in the 2011 SEFA are \$409,795, and the expenditures reported in the 2010 SEFA and SF-SAC were \$73,112. The Home Investment Partnerships Program expenditures reported in the 2011 SEFA are \$29,699. The State and Community Highway Safety, Occupant Protection Incentive Grants, and Minimum Penalties for Repeat Offenders for Driving While Intoxicated combined expenditures reported in the 2011 SEFA are \$139,760.

Effect:

The City exposes itself to the risk of inaccurately preparing the SEFA in accordance with the requirements of OMB Circular A-133 by not properly reporting all federal programs or identifying ARRA programs, which could result in the misidentification of major programs.

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Cause:

It appears that there is not adequate communication between City departments concerning the identification and measuring of federal awards.

Recommendation:

While federal funds are a valuable source of revenue for the City, the receipt of federal funds imposes very specific and stringent reporting requirements that can be complicated and consume considerable staff time related to administration and monitoring. It is recommend that the City develop written policies and procedures that document the process for measuring and reporting federal expenditures as it pertains to the SEFA and SF-SAC pursuant to the requirements of OMB Circular A-133. The new policies and procedures should provide current and new staff with the proper guidelines on the reporting requirements and provide a framework for ensuring consistency and continuity in the identification and reporting of federal award expenditures.

Management Response and Corrective Action:

As staff was made aware that some small grants were federal programs, not state programs as previously reported, the draft SEFA was corrected immediately. Management has since designated a point person to oversee all City grants to ensure that all grants are properly identified, monitored and reported.

Status:

The City has developed a process for measuring and reporting federal expenditures and no such errors were noted in the 2012 SEFA, therefore this recommendation is considered implemented.

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Reference Number: 2011-2
Federal Program Title: ARRA – Public Safety Partnership and Community Policing Grants
Federal Catalog Number: 16.710
Federal Award Number and Year: 2009-RK-WX-0151; 2009
Federal Agency: U.S. Department of Justice
Category of Finding: Reporting

Criteria:

OMB Circular A-102, the Common Rule – Subpart C – Post-Award Requirements; Section .41, Financial Reporting

(b) *Financial Status Report* –

- (1) *Form.* Grantees will use Standard Form 260 or 269A (SF-260 or SF-269A), Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with paragraph Section .41(e)(2)(iii) of this section.
- (4) *Due Date.* When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

The Office of Community Oriented Policing Services within the U.S. Department of Justice requires the financial status report (SF-425) to be submitted on a quarterly basis. The SF-425, *Federal Financial Report*, replaces SF-269 and SF-269A.

Per OMB memorandum M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* dated June 22, 2009, Section 2.1, Section 1512 of the Recovery Act requires reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009) and for the Federal agency providing those funds to make the reports publicly available no later than the 30th day after the end of that quarter. Aimed at providing transparency into the use of these funds, the recipient reports are required to include the following detailed information:

- Total amount of funds received; and of that, the amount spent on projects and activities;
- A list of those projects and activities funded by name to include:
 - Description
 - Completion status
 - Estimates on jobs created or retained;
- Details on sub-awards and other payments.

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Condition:

It was noted that expenditures reported in the Federal Financial Reports and Section 1512 reports were not for the periods reported. The reports covering the period of October 2010 through December 2010 reported expenditures to date of \$73,112, which were the cumulative expenditures through June 30, 2010 as reported in the 2010 SEFA. The reports covering the period of January 2011 through March 2011 reported expenditures to date of \$269,795, which were the cumulative expenditures through December 2010 as reported in the 2010 SEFA (\$73,112) plus requested in the Drawdown Report for the period of July 2010 through December 2010 (\$196,683).

Questioned Costs:

There are no questioned costs.

Context:

The Federal Financial Reports and Section 1512 reports were submitted quarterly for the year ended June 30, 2011. The Drawdown Reports for the period of July 2010 through December 2010 (\$196,683) plus the period of January 2011 through March 2011 (\$107,271) plus the period of April 2011 through June 2011 (\$105,841) equals the expenditures reported in the SEFA of \$409,795.

Effect:

Reporting expenditures in arrears will provide for non-current data and could mislead readers of the reports and provide false annual expenditure amounts.

Cause:

Per the Support Services Manager at the City of Lodi Police Department, the cause of the delay in the reporting of expenditures is due to the Federal Financial Reports and Section 1512 reports being prepared and submitted at the end of a quarter before the Drawdown Reports are prepared and submitted.

Recommendation:

It is recommended that the City prepare the Drawdown Reports prior to preparing the Section 1512 reports and Federal Financial Reports to report current expenditures for each quarter.

Management Response and Corrective Action:

The recommendation has been noted and the condition will be rectified in future reports.

Status:

For the year ended June 30, 2012, the City continued to report expenditures in the Federal Financial Reports and Section 1512 reports that are not for the periods reported, therefore our recommendation continues (see finding 2012-1 in the schedule of findings and questioned costs).

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Reference Number: 2011-3
Federal Program Title: ARRA – Energy Efficiency and Conservation Block Grants (EECBG)
Federal Catalog Number: 81.128
Federal Award Number and Year: DE-SC0002707; 2009
Federal Agency: U.S. Department of Energy
Category of Finding: Reporting

Criteria:

OMB Circular A-102, the Common Rule – Subpart C – Post-Award Requirements; Section .40, Performance Reporting

(b) *Nonconstruction Performance Reports.*

- (2) Grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annually reports. However, performance reports will not be required more frequently than quarterly. Annual reports shall be due 90 days after the grant year, quarterly or semi-annual reports shall be due 30 days after the reporting period. The final performance report will be due 90 days after the expiration or termination of grant support. If a justified request is submitted by a grantee, the Federal agency may extend the due date for any performance report. Additionally, requirements for unnecessary performance reports may be waived by the Federal agency.

The award agreement terms and conditions require quarterly reports.

OMB Circular A-102, the Common Rule – Subpart C – Post-Award Requirements; Section .41, Financial Reporting

(b) *Financial Status Report –*

- (1) *Form.* Grantees will use Standard Form 260 or 269A (SF-260 or SF-269A), Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with paragraph Section .41(e)(2)(iii) of this section.
- (4) *Due Date.* When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

The award agreement terms and conditions require Standard Form 425 (SF-425) on a quarterly basis. The SF-425, *Federal Financial Report*, replaces SF-269 and SF-269A.

Per OMB memorandum M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* dated June 22, 2009, Section 2.1, Section 1512 of the Recovery Act requires reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009).

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Condition:

It was noted that the City submitted one Federal Financial Report for the entire year. This Federal Financial Report, four quarterly performance reports, and one Section 1512 report were submitted after their respective due dates.

Questioned Costs:

There are no questioned costs.

Context:

The City was required to submit four quarterly performance reports, four Federal Financial Reports, and four Section 1512 reports during the year ended June 30, 2011.

Effect:

Continued noncompliance could result in future EECBG grants being funding on a reimbursement basis or the City losing out on future EECBG grants.

Cause:

Per management, the City is short-staffed and was unable to complete the tasks on a timely basis.

Recommendation:

The City should strengthen procedures to ensure compliance with the reporting requirements over the EECBG program set forth by OMB Circular A-133, specifically procedures to submit quarterly performance reports and Federal Financial Reports no later than 30 days following the end of each quarter and Section 1512 reports no later than 10 days following the end of each quarter.

Management Response and Corrective Action:

The recommendation has been noted and the City will ensure that future reports will be submitted in a timely manner.

Status:

For the year ended June 30, 2012, the City continued to submit reports after due dates, therefore our recommendation continues (see finding 2012-2 in the schedule of findings and questioned costs).

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CONTINUING DISCLOSURES

UNAUDITED

CONTINUING DISCLOSURE REQUIREMENTS FOR THE CITY OF LODI, THE LODI PUBLIC IMPROVEMENT CORPORATION AND THE LODI PUBLIC FINANCING AUTHORITY Fiscal Year 2011-12

The City of Lodi has executed Continuing Disclosure Certificates associated with the various debt issues outstanding by the Electric Utility, Wastewater Utility and the Lodi Public Improvement Corporation. These Certificates were executed to satisfy provisions of Securities and Exchange Commission Rule 15c2-12(b) (5). The material provided herein applies to the various debt issues as noted. Data for each utility is shown separately.

This Bond Disclosure Section included within the City's Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Certificates. The CAFR, in turn, will be filed with the Municipal Securities Rulemaking Board. The CAFR may also be found on the City's website at www.lodi.gov.

ANNUAL REPORT FOR ELECTRIC UTILITY

The Lodi Electric Utility has Continuing Disclosure requirements associated with its 2008A Series A Certificates of Participation, 2002 Series C Certificates of Participation and 2002 Taxable Series D Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Electric Utility).

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the City's power supply resources for the most recently completed fiscal year.
2. A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.
3. A table showing the outstanding debt of joint powers agencies in which Lodi participates and the City of Lodi share of that debt for the most recent fiscal year.
4. A table showing a summary of Operating Results for the past five fiscal years.
5. A table showing Lodi Electric Utility Department Rate Changes since November 1996 (applicable only to the 2002 Series C and D issues).

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2012, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table setting forth the City's power supply resources.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
POWER SUPPLY RESOURCES**

Source	Capacity Available (MW) ⁽¹⁾⁽⁴⁾	Actual Energy (MWh)	% of Total Energy
Purchased Power⁽²⁾:			
Western	4.7	18,459	3.70%
NCPA			
Geothermal Project	13.3	89,282	17.91
Hydroelectric Project	26.2	48,883	9.80
Combustion Turbine Project No. 1	9.4	122	0.02
Capital Facilities, Unit One	19.6	659	0.13
Contracts, Exchanges and Bilaterals ⁽³⁾	70.0	341,228	68.44
Total	143.2	498,633⁽⁴⁾⁽⁵⁾	100.00%
Total Capacity and Energy Sold at Wholesale	N/A	45,914	
City System Requirement for Retail Load	143.2	452,719	

(1) Non-coincident capacity available.

(2) Entitlements, firm allocations and contract amounts.

(3) Includes participation in NCPA/Seattle City Light exchange. See "OTHER NCPA PROJECTS—Power Purchase Contracts" in the forepart of Official Statement.

(4) Units at Backbone Output.

(5) Includes supply from exchanges and line losses.

Table 2 A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
CUSTOMER SALES, REVENUE AND DEMAND**

	Fiscal Years Ended June 30,				
	2008	2009	2010	2011	2012
Number of Customers:					
Residential	22,523	22,465	21,981	22,251	22,244
Commercial	2,714	2,696	3,163	2,865	2,834
Industrial	32	37	31	39	37
Other	187	188	194	229	235
Total Customers	25,456	25,386	25,369	25,384	25,350
Kilowatt-Hour (kWh) Sales:					
Residential	153,563,188	153,487,430	150,811,587	144,256,683	149,814,375
Commercial	155,146,983	155,206,324	146,644,990	137,584,723	138,735,487
Industrial	129,429,938	131,059,764	125,000,860	128,072,575	135,620,441
Other	12,267,600	12,322,036	11,563,550	11,216,348	11,485,428
Total kWh sales	450,407,709	452,075,554	434,020,987	421,130,329	435,655,731
Revenues from Sale of Energy:					
Residential	\$ 27,127,049	\$ 29,016,776	\$ 27,642,200	\$ 24,513,202	\$ 25,606,368
Commercial	25,173,286	26,883,557	24,901,257	21,870,624	21,814,073
Industrial	14,591,885	15,875,038	15,015,036	13,914,539	14,876,828
Other	2,132,120	2,224,567	2,105,196	1,868,985	1,954,099
Total Revenues from Sale of Energy:	\$ 69,024,340	\$ 73,999,939	\$ 69,663,689	\$ 62,167,350	\$ 64,251,368
Peak Demand (kW)	132.4	117.4	119.6	123.9	116.0

Excludes revenues from California Energy Commission Tax.

Sources: City of Lodi, audited annual financial statements and Customer Information System reports.

Table 3 A table showing the outstanding debt of joint powers agencies in which Lodi participates.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
OUTSTANDING DEBT OF JOINT POWERS AGENCIES
(Dollar Amounts in Millions)**

	<u>Outstanding Debt</u>	<u>Lodi's Participation⁽¹⁾</u>	<u>Lodi's Share of Outstanding Debt</u>
NCPA			
Hydroelectric Project	\$ 419.5	10.37% ⁽²⁾	\$ 43.5
Capital Facilities Project Unit One	54.9	39.50	21.7
Lodi Energy Center Project	255.0	17.03	43.4
TANC			
COTP	370.6	1.92 ⁽³⁾	7.1
TOTAL*	\$ 1,100.0	10.51%	\$ 115.7

* Columns may not add to totals due to independent rounding.

(1) Participation obligation is subject to increase upon default of another project participant.

Such increase shall not exceed, without the written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.

(2) Participant's project entitlement remains the same but share of debt has increased to 10.64% due to change in debt participation

(3) Lodi's actual obligation differs slightly from this percentage due to varying shares of certain series of TANC bonds relating to each TANC member-participant's taxable portion and each TANC member-participant's participation or non-participation in acquisition of assets from Vernon.

Source: City of Lodi.

Table 4 A table showing a summary of operating results for the past five fiscal years.

**CITY OF LODI
ELECTRIC SYSTEM
SUMMARY OF OPERATING RESULTS ⁽¹⁾
Ending Fiscal Year June 30 (Dollars in 000s)**

	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012
Operating Revenues					
Rate Revenue	\$ 65,110	\$ 65,229	\$ 62,613	\$ 59,676	\$ 61,658
ECA Revenue	4,174	8,771	7,050	2,491	2,593
Other Revenue ⁽²⁾	5,639	1,195	625	1,140	969
Total Operating Revenue	<u>74,923</u>	<u>75,195</u>	<u>70,288</u>	<u>63,307</u>	<u>65,220</u>
Operating Expenses					
Purchased Power	42,862	46,405	37,943	35,282	39,416
Non-Power Costs ⁽³⁾	11,575	11,965	12,006	13,115	10,748
Total Operating Expenses	<u>54,437</u>	<u>58,370</u>	<u>49,949</u>	<u>48,397</u>	<u>50,164</u>
Net Revenue Available for Debt Service	<u>20,486</u>	<u>16,825</u>	<u>20,339</u>	<u>14,910</u>	<u>15,056</u>
Parity Debt Service					
2002 C & D, 2008 A Bonds	6,266	9,960	7,194	7,232	7,291
Total Net Debt Service	<u>6,266</u>	<u>9,960</u>	<u>7,194</u>	<u>7,232</u>	<u>7,291</u>
Debt Service Coverage	3.27	1.69	2.83	2.06	2.07
Remaining Revenue Available for Other Purposes	14,220	6,865	13,145	7,678	7,765
Non-Operating Expenses					
In-Lieu Transfer to General Fund	(6,873)	(6,942)	(6,977)	(6,977)	(6,977)
Net Cash Flow Before Capital Expenditures	<u>7,347</u>	<u>(77)</u>	<u>6,168</u>	<u>701</u>	<u>788</u>
Beginning Operating Reserve	5,470	14,513	13,854	25,899	28,455
Changes in GOR	1,696	(582)	5,877	1,854	1,141
Net Deposit/Withdrawal from Reserves	7,347	(77)	6,168	701	788
Ending Operating Reserve	<u>\$ 14,513</u>	<u>\$ 13,854</u>	<u>\$ 25,899</u>	<u>28,454</u>	<u>30,384</u>

Source: City of Lodi

(1) As defined in the Installment Purchase Contract, which may or may not be on the same basis as Generally Accepted Accounting Principles.

(2) Other revenues for FY 08 include \$3.25 million for the sale of the City's rights to the NCPA Combustion Turbine #1 to Roseville.

(3) Non-power costs include cost of services provided by other departments and does not include depreciation and amortization expense.

Table 5 A table showing Lodi Electric Utility Department Rate Changes since November 1996.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
RATE CHANGES**

Effective Date	Percent Change
December 2007	Established Solar Initiative Surcharge of \$0.00125 per kilowatt-hour
August 2007	Implemented monthly Energy Cost Adjustment
December 2005	Average 17% increase across all rate classes
December 2002	4.5% average rate increase
August 2001	Increased MCA for all but contract customers: 10% to 12% rate change
June 2001	Implemented MCA for residential and small commercial: 8% to 10% rate change
December 1998	5.00% rate decrease for small commercial/industrial customers
May 1998	2.50% general rate increase to fund public benefit programs
September 1997	4.5 to 5.5 cents per kilowatt-hour, non-demand, non-time-use, contract rate available for new large commercial/industrial loads
December 1996	10% to 40% economic development discount on new small to medium commercial/industrial electric loads
November 1996	Economic Stimulus Rate Credit increased to 1.262 cents per kilowatt-hour from 0.4 cents per kilowatt-hour for largest primary service customers (estimated 19% reduction)

Source: City of Lodi.

ANNUAL REPORT FOR WASTEWATER UTILITY

The Lodi Wastewater Utility has Continuing Disclosure requirements associated with its 2007 Series A Certificates of Participation, 2004 Series A Certificates of Participation and the 2012 Refunding Lease Revenue Bonds. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Wastewater Utility).

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the City's number of connections by user type for the past five fiscal years.
2. A table showing the proportion of service charge revenue by class of user for the most recent fiscal year (applicable only to the 2004 Series A issue).
3. A table showing the largest users by service charge revenues for the most recent fiscal year.
4. A table showing a schedule of service charges.
5. A table showing a summary of historic operating results and debt service coverage for the past five fiscal years.

Additionally, the Certificate for the 2007 Series A issue requires a description of any additional indebtedness incurred during the prior fiscal year which is payable from the system net revenues on a parity with the installment payments.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2012, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table setting forth the City's number of connections by user type for the past five fiscal years.

**City of Lodi
Wastewater System
Number of Connections by User Type
as of June 30
and Percentage of Fiscal Year 2010-12 Service Charge Revenue by User Type**

User Type	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>% of FY 11/12 Service Charge Revenue</u>
Residential	22,277	22,227	21,974	21,956	21,864	72.3%
Commercial/Industrial	<u>1,847</u>	<u>1,815</u>	<u>1,768</u>	<u>1,785</u>	<u>1,819</u>	<u>27.7%</u>
Total All Users	<u>24,124</u>	<u>24,042</u>	<u>23,742</u>	<u>23,741</u>	<u>23,683</u>	<u>100.0%</u>

Source: City of Lodi

Table 2 A table showing the proportion of service charge revenue by class of user for the most recent fiscal year.

**City of Lodi
Wastewater System
Proportion of Service Charge Revenues by Class of User
Fiscal Year 2011-12**

<u>User Type</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
Single Family Residential	58.3%
Multiple Family Residential	14.0%
Commercial/Industrial	27.7%
Total	100.0%

Source: City of Lodi

Table 3 A table showing the largest users by service charge revenue for the most recent fiscal year.

**City of Lodi
Wastewater System
Largest Users by Service Charge Revenues
Fiscal Year 2011-12**

<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
Cottage Bakery	Specialty bakery, frozen dough	\$ 374,881	2.82%
General Mills	Cereals, bread mixes, snack foods	293,758	2.21
Lodi Unified School District	K-12, adult education	236,173	1.78
City of Lodi	Government	63,158	.47
Pacific Coast Producers	Private label fruit canning	48,869	.36
Archer Daniels Midland	Agricultural processor	41,688	.31
Miller Packing Company	Hot dog producer	39,486	.29
Lodi Memorial Hospital	Health Care	38,908	.29
Blue shield of California	Health Insurance	36,155	.27
Armourstruxx	Armor producer	25,315	.19
Total top ten users		\$ 1,198,391	8.99%
Total System		\$ 13,280,216	100.00%

Table 4 A table showing the schedule of service charges.

**City of Lodi
Wastewater System
Schedule of Wastewater Service Charges**

	<u>Service Charge</u> <u>(effective July</u> <u>1, 2008)</u>	<u>Service Charge</u> <u>(effective July</u> <u>16, 2009</u>	<u>Service</u> <u>Charge</u> <u>(effective July</u> <u>16, 2010)</u>	<u>Service</u> <u>Charge</u> <u>(effective July</u> <u>1, 2011)</u>
For Residential Users (per month):				
1 Bedroom.....	\$16.65	\$20.81	\$23.30	\$24.47
2 Bedrooms.....	22.19	27.74	31.07	32.62
3 Bedrooms.....	27.74	34.68	38.84	40.78
4 Bedrooms.....	33.29	41.61	46.61	48.93
5 Bedrooms.....	33.84	48.55	54.37	57.09
6 Bedrooms.....	44.38	55.48	62.14	65.24
7 Bedrooms.....	49.93	62.42	69.91	73.40
For Commercial/Industrial Users:				
Moderate Strength (annual per Sewage Service Unit (SSU).....	\$266.28	\$332.88	\$372.84	\$391.44
High Strength:				
Flow (annual per MG).....	2,247.10	2,808.88	3,145.95	3,303.25
BOD (annual per 1,000 lbs.).....	370.83	463.54	519.16	545.12
SS (annual per 1,000 lbs.).....	231.86	289.83	324.61	340.84
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal.).....	196.35	245.44	274.89	288.63
Septic Holding Tank Waste Outside City Limits (per 1,000 gal.).....	416.82	521.03	583.55	612.73
Disposal to Storm Drain System (per MG).....	206.24	257.80	288.74	303.18
Disposal to Industrial System:				
Flow (per MG, annual basis).....	2,218.78	2,218.78	2,485.03	2,609.28
BOD (per 1,000 lbs., annual basis).....	20.34	20.34	22.78	23.92
Winery Waste (per 1,000 gallons).....	198.82	248.53	278.35	292.27

Table 5 A table showing historic operating results and debt service coverage for the past five fiscal years.

City of Lodi					
Wastewater System					
Historical Operating Results and Debt Service Coverage					
Fiscal Years 2007-08 through 2011-12					
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Operating Revenues					
Charges for Services	\$9,091,220	\$9,276,217	\$11,513,389	\$13,089,679	\$13,280,216
Non-Operating Revenues					
Interest Income	836,862	428,586	298,337	220,600	216,108
Rent	165,931	221,422			
Other	435,935	838,007	472,578	3,198,194	290,819
Total System Revenues	<u>10,529,948</u>	<u>10,764,232</u>	<u>12,284,304</u>	<u>16,508,473</u>	<u>13,787,143</u>
Operating Expenses					
Personnel services	2,996,028	2,984,049	2,800,891	3,257,618	3,130,012
Supplies, Materials and services	2,394,804	2,067,646	2,532,246	1,955,464	2,818,041
Utilities	798,652	869,129	847,167	758,934	710,622
Total Operating Expenses	<u>6,189,484</u>	<u>5,920,824</u>	<u>6,180,304</u>	<u>5,972,016</u>	<u>6,658,675</u>
System Net Revenues	4,340,464	4,843,408	6,104,000	10,536,457	7,128,468
Parity Debt Service					
1991 Installment Payments	311,127				
2003 Installment Payments	380,873	426,022	381,400	381,393	379,170
2004 Installment Payments	2,144,438	2,134,856	2,138,700	2,147,600	2,139,350
2007 Installment Payments	852,239	1,591,200	1,631,500	1,588,750	1,599,050
Total Parity Debt Service	<u>3,688,677</u>	<u>4,152,078</u>	<u>4,151,600</u>	<u>4,117,743</u>	<u>4,117,570</u>
Debt Service Coverage	1.18	1.17	1.47	2.56	1.73
Non-Operating Expenses					
Transfers (In)/Out	575,326	1,451,478	1,451,478	1,451,480	(778,092)
Total Non-Operating Expenses	<u>575,326</u>	<u>1,451,478</u>	<u>1,451,478</u>	<u>1,451,480</u>	<u>(778,092)</u>
Net Cashflow Before Capital Expenditures	\$76,461	\$(760,148)	\$500,922	\$4,967,234	\$3,788,990

Source: Financial Services Division

Additional Indebtedness

The Wastewater Utility did not incur any additional indebtedness during the 2011-12 fiscal year which is payable from the system net revenues on a parity with the installment payments.

ANNUAL REPORT FOR THE LODI PUBLIC IMPROVEMENT CORPORATION AND THE LODI PUBLIC FINANCING AUTHORITY

The Lodi Public Improvement Corporation and the Lodi Public Financing Authority have Continuing Disclosure requirements associated with its 2002 Certificates of Participation and the 2012 Refunding Lease Revenue Bonds. The annual report includes, by reference, the audited financial statement of the City of Lodi.

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the approved budget and actual results for the most recent fiscal year.
2. A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.
3. A table showing the assessed valuations for the last five fiscal years.
4. A table showing the secured property tax collections for the past ten fiscal years.
5. A table showing the ten largest locally secured taxpayers for the last fiscal year.
6. A table showing the Employee-paid and City-paid employee portion of the retirement plan.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2012, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

***Table 1* A table setting forth the approved budget and actual results for the most recent fiscal year.**

Please refer to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 77 of this Comprehensive Annual Financial Report.

Table 2 A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST FIVE YEARS**

	2008	2009	2010	2011	2012
Revenues:					
Taxes	\$ 24,712,405	23,516,164	23,118,461	23,061,164	22,928,438
Licenses and permits	80,925	61,783	72,171	83,395	79,745
Intergovernmental revenues	10,642,600	8,967,410	7,772,071	10,032,523	10,449,364
Charges for services	2,510,207	1,055,137	1,343,199	1,035,220	682,156
Fines, forfeits and penalties	1,317,407	1,415,174	1,441,354	1,404,307	1,355,101
Investment and rental income	662,164	231,181	516,304	455,923	807,270
Miscellaneous revenue	630,413	446,404	462,592	480,028	286,125
Total revenues	<u>40,556,121</u>	<u>35,693,253</u>	<u>34,726,152</u>	<u>36,552,560</u>	<u>36,588,199</u>
Expenditures:					
Current:					
General government	9,545,370	6,922,096	6,411,741	6,478,159	6,007,327
Public protection	23,771,574	24,463,771	23,854,905	24,091,472	24,923,155
Public works	3,935,366	2,967,402	1,471,779	1,421,238	1,112,569
Library	1,672,910	1,499,720	1,322,052	1,357,473	1,380,972
Parks and recreation	3,826,450	2,160,035	2,234,349	2,191,102	
Debt service:					
Interest and fiscal charges	29,724	18,516	12,578	6,427	
Principal payments	249,624	129,487	135,425	141,576	
Total expenditures	<u>43,031,018</u>	<u>38,161,027</u>	<u>35,442,829</u>	<u>35,687,447</u>	<u>33,424,023</u>
Deficiency of revenues under expenditures	<u>(2,474,897)</u>	<u>(2,467,774)</u>	<u>(716,677)</u>	<u>865,113</u>	<u>3,164,176</u>
Other financing sources (uses):					
Transfers in	4,040,166	5,367,983	5,867,983	5,379,186	5,370,230
Transfers out	(2,575,809)	(4,442,883)	(4,632,278)	(4,383,110)	(8,391,858)
Total other financing sources (uses)	<u>1,464,357</u>	<u>925,100</u>	<u>1,235,705</u>	<u>996,076</u>	<u>3,021,628</u>
Net change in fund balances	<u>(1,010,540)</u>	<u>(1,542,674)</u>	<u>519,028</u>	<u>1,861,189</u>	<u>142,548</u>
Fund balances, beginning of year	6,319,402	5,308,862	3,766,188	4,285,216	6,146,405
Fund balances, end of year	<u>\$ 5,308,862</u>	<u>3,766,188</u>	<u>4,285,216</u>	<u>6,146,405</u>	<u>6,288,953</u>

Table 3 A table showing the assessed valuations for the last five fiscal years.

Please refer to the table shown in the Statistical Section on page 112.

Table 4 A table showing the secured property tax collections for the past ten fiscal years.

Please refer to the table shown in the Statistical Section on page 115.

Table 5 A table showing the ten largest locally secured taxpayers for the last fiscal year.

Please refer to the table shown in the Statistical Section on page 114.

Table 6 A table showing the Employee-paid and City-paid employee portion of the retirement plan.

**Pension Contributions
As of Fiscal Year Ended June 30, 2012**

<u>Bargaining Units</u>	<u>Employee Paid</u>	<u>City Paid</u>	<u>Total Employee Share</u>
Council appointees	7.0%	%	7.0%
Executive management	7.0		7.0
Confidential mid-management	1.0	6.0	7.0
Confidential	3.3	3.7	7.0
Fire mid-management	3.0	6.0	9.0
Fire	5.3	3.7	9.0
Mid-management	3.3	3.7	7.0
General services	1.0	6.0	7.0
Maintenance and operators	1.0	6.0	7.0
IBEW		7.0	7.0
Police mid-management	9.0		9.0
Police	3.0	6.0	9.0
Dispatchers	3.0	4.0	7.0

ANNUAL REPORT FOR WATER UTILITY

The Lodi Water Utility has Continuing Disclosure requirements associated with its 2010 Series A and B Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Water Utility).

The annual report also contains the following four (4) tables as required in the Certificates:

1. A table setting forth the City's number of accounts and revenues by user type for the past five fiscal years.
2. A table showing the largest users by service charge revenues for the most recent fiscal year.
3. A table showing a schedule of selected rates effective January 1, 2012.
4. A table showing a summary of historic operating results and debt service coverage for the past five fiscal years.

Additionally, the Certificate for the 2010 Series A issue requires a description of any additional indebtedness incurred during the prior fiscal year which is payable from the system net revenues on a parity with the installment payments.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2012, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table showing number of accounts and revenues by user type.

**CITY OF LODI
WATER SYSTEM
Number of Accounts and revenues by User Type**

Year Ending December 31	Commercial/Industrial/ <u>Municipal</u>		<u>Residential</u>	
	Number of Accounts	Revenue	Number of Accounts	Revenue
2007	1,445	\$ 2,043,731	21,533	\$ 8,715,928
2008	1,470	2,184,496	21,449	9,429,594
2009	1,382	2,188,486	21,577	9,600,129
2010	1,383	2,097,001	21,622	9,604,412
2011	1,396	2,169,967	21,593	9,706,537

Source: City of Lodi

Table 2 A table showing the largest users by service charge revenue for the most recent fiscal year.

**City of Lodi
Water System
Largest Users by Service Charge Revenues
Fiscal Year 2011-12**

<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
Lodi Unified School District	K-12, adult education	\$ 246,189	2.03%
City of Lodi	Government	169,617	1.40
Pacific Coast Producers	Private label fruit canning	143,262	1.18
General Mills	Cereals, bread mixes, snack foods	74,536	0.61
Cottage Bakery	Specialty bakery, frozen dough	59,934	0.49
Lodi Memorial Hospital	Health care	41,635	0.34
Temple Baptist Church	Church	17,309	0.14
CalTrans	Government	15,971	0.13
Miller Packing Company	Hot dog producer	13,367	0.11
Wine Country Care Center	Nursing home	12,406	0.10
Subtotal Top Ten Users		\$ 794,226	6.53%
TOTAL SYSTEM		\$ 12,083,226	100.00%

Table 3 A table showing selected rates effective January 1, 2011.

CITY OF LODI WATER SYSTEM Selected Rates Effective January 1, 2012	
<u>Percent Increase</u>	<u>Current</u>
Flat Rates (\$/month)	
Single Family Residential Unit (\$/month)	
1 Bedroom	\$29.17
2 Bedroom	\$35.03
3 Bedroom	\$41.99
Metered Water Rates	
Service Charge (\$/month)	
<i>Single Family Residential</i>	
Up to 3/4" Meter	\$23.20
<i>Multi-Family and Non-Residential</i>	
1" Meter	\$37.66
1 1/2" Meter	\$58.77
2" Meter	\$73.43
Water Usage rates (\$/CCF)	
<i>Single Family Residential</i>	
Tier 1 - 0 to 10 CCF/month	\$0.90
Tier 2 - 11 to 50 CCF/month	\$1.35
Tier 3 - Over 50CCF/month	\$1.78
<i>Multi-Family and Non-Residential</i>	
All Water Usage	0.90

Source: City of Lodi.

Table 4 A table showing historic operating results and debt service coverage for the past five fiscal years.

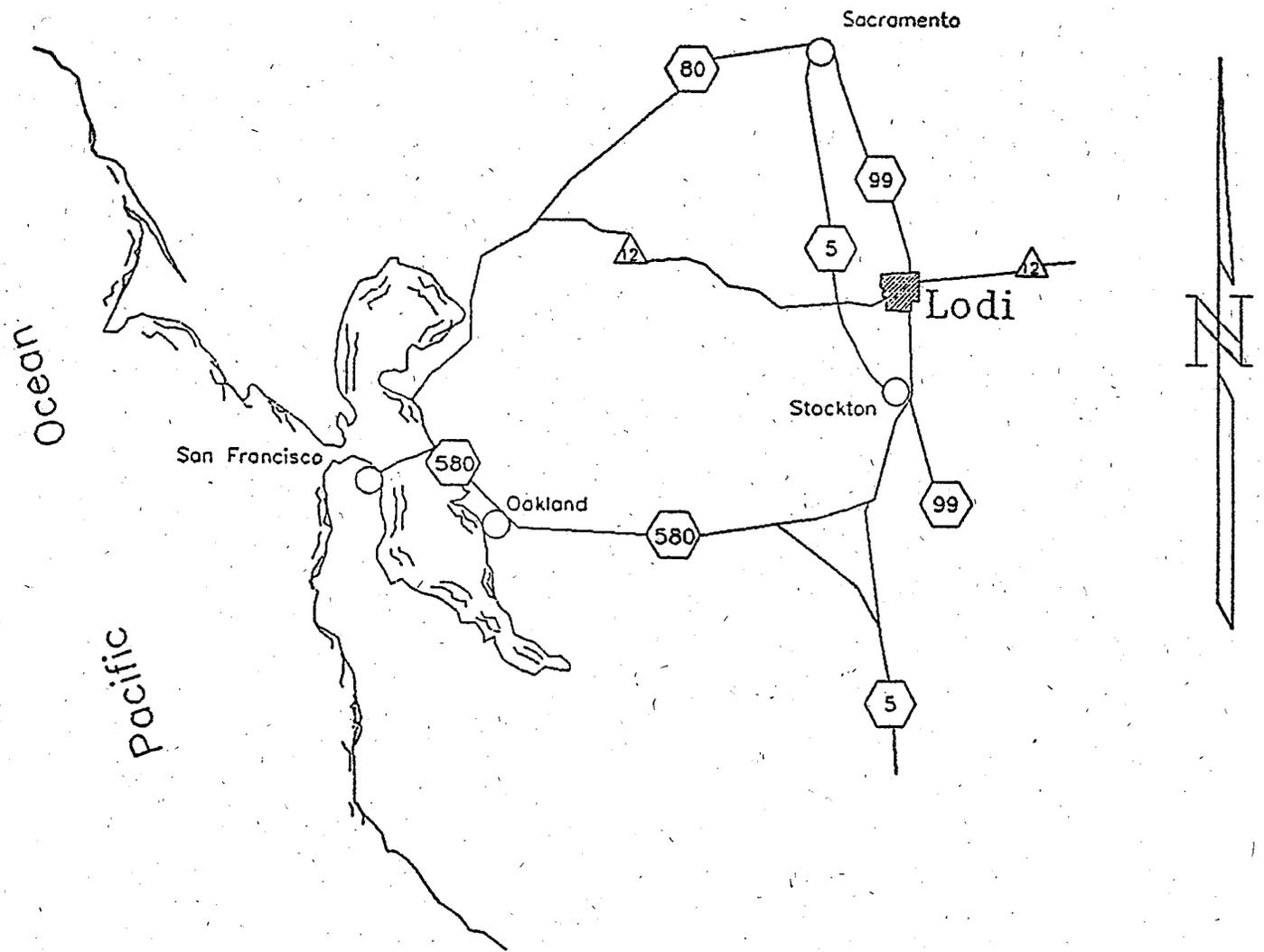
**CITY OF LODI
WATER SYSTEM
Historical Operating results and Debt Service Coverage
Fiscal Years 2007-08 through 2011-12**

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Gross Revenues					
Water Sales ⁽¹⁾	\$ 11,349,986	11,787,140	11,715,748	11,940,022	12,083,226
Investment Earnings	72,823	258,552	103,640	83,374	119,526
Water Impact Mitigation Fees	30,783	13,086	270,863	14,803	111,429
Meter Retrofit Installation Charges				1,653,399	675,815
Other Revenues ⁽²⁾	407,988	350,950	372,034	359,979	285,093
Total Gross Revenues	<u>11,861,580</u>	<u>12,409,728</u>	<u>12,462,285</u>	<u>14,051,577</u>	<u>13,275,089</u>
Operating and Maintenance Expenses					
Personnel Services ⁽³⁾	1,121,921	1,471,463	1,325,536	1,359,227	1,856,131
Supplies, Materials and Services ⁽³⁾	2,905,860	2,490,875	1,981,880	2,590,222	1,781,622
New Treatment Plant Operations (net)					
Utilities	779,845	804,767	733,653	652,296	693,657
Administrative Overhead	624,296	1,060,122	1,060,122	1,060,120	1,060,120
Total O & M Expenses	<u>5,431,922</u>	<u>5,827,227</u>	<u>5,101,191</u>	<u>5,661,865</u>	<u>5,391,530</u>
Net Revenue Available for Debt Service	<u>6,429,658</u>	<u>6,582,501</u>	<u>7,361,094</u>	<u>8,389,712</u>	<u>7,883,559</u>
Debt Service					
1991 California DWR SRF loan ⁽⁴⁾	228,012	228,012	228,025	1,433,395	
2010 Bonds ⁽⁵⁾				849,968	2,304,811
Total Net Debt Service	<u>228,012</u>	<u>228,012</u>	<u>228,025</u>	<u>2,283,363</u>	<u>2,304,811</u>
Debt Service Coverage ⁽⁶⁾					
Debt Service Coverage	28.20	28.87	32.28	3.67	3.42
Debt Service Coverage (excluding impact mitigation fees)	28.06	28.81	31.09	3.67	3.37
Net Remaining Revenues Available for Capital Capital Improvement Projects	6,201,646	6,354,489	7,133,069	6,106,349	5,578,748
Meter Retrofit Program ⁽⁷⁾		582,000		919,555	6,325,558
Other Water System Improvements ⁽⁸⁾	552,215	782,382	3,932,424	3,666,202	540,832

Total Capital Improvement Projects	552,215	1,364,382	3,932,424	4,585,757	6,866,390
Net Change in Reserve Water Enterprise Fund ⁽⁹⁾	5,649,431	4,990,107	3,200,645	1,520,592	(1,287,639)
Beginning Cash Balance	13,935,947	17,621,590	13,469,170	14,120,605	12,807,412
Ending Cash Balance	\$ 17,621,590	13,469,170	14,120,605	12,807,412	12,465,350

- (1) Water sales reflect Council-adopted rate increases of 2.2% effective January 1, 2012.
- (2) Includes rent, sales of City property, discounts, water reimbursements, and damage to property, water tap fees, DBCP reimbursements, and other miscellaneous revenues. DBCP reimbursements are expected to decline beginning in Fiscal Year 2012-13 as new plant becomes operational and groundwater draws diminish. PCE/TCE litigation revenues are excluded from Fiscal year 2005-06 through 2009-10. Fiscal year 2009-10 reflects one-time adjustments from prior years.
- (3) PCE/TCE litigation expenses are excluded from Fiscal Year 2006-07 through Fiscal year 2010-11.
- (4) Debt service on 1991 Loan was paid off in full on October 1, 2010.
- (5) Reflects total debt service for the 2010 Water Revenue Bonds net of the 35% interest rate subsidy for the Series 2010B bonds.
- (6) Coverage calculated based on Net Revenues divided by net Debt Service and Net Revenues less mitigation fees divided by Net Debt Service.
- (7) Annual capital costs of transition to water meters. Program expected to be completed in Fiscal Year 2017-18.
- (8) Excludes costs of the Project to be funded from proceeds of the Series 2010 Bonds.
- (9) Water Enterprise Fund balance includes both operating and capital reserves and is presented on a cash basis. Cash position is expected to increase substantially upon completion of the water meter installation program.

Source: City of Lodi



LOCATION MAP

No Scale