

CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017

DOUG KUEHNE, MAYOR
ALAN NAKANISHI, MAYOR PRO TEM
MARK CHANDLER, COUNCILMEMBER
BOB JOHNSON, COUNCILMEMBER
JOANNE MOUNCE, COUNCILMEMBER
STEVE SCHWABAUER, CITY MANAGER

Prepared by the Financial Services Division
Derrick Cotten, Financial Services Manager
Robin Xiang, Supervising Accountant

INTRODUCTORY SECTION

**CITY OF LODI
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2017**

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CITY COUNCIL

DOUG KUEHNE, Mayor
ALAN NAKANISHI,
Mayor Pro Tempore
COUNCILMEMBERS:
MARK CHANDLER
BOB JOHNSON
JOANNE MOUNCE

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

STEVE SCHWABAUER
City Manager

JENNIFER FERRAILOLO
City Clerk

JANICE MAGDICH
City Attorney

December 12, 2017

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

The Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017, 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, 2017, in conformity with accounting principles generally accepted in the United States of America (GAAP). 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 based on a comprehensive internal control framework established for this purpose. 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 and changes in financial position of the City. In addition, we believe that all disclosures necessary to enable the reader to gain a full understanding of the City's financial activities have been included.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's 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 No.14, as amended by GASB Statement Nos. 61 and 80.

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 protection (police and fire), public utilities services (electric, water, and wastewater), public works, transit services, parks and recreation, library, community development, and general government (City Manager, City Clerk, City Attorney, human resources, information systems, financial services, and budget and treasury).

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 of Lodi is located in California's fertile San Joaquin Valley, adjacent to State Highway Route 99, between Stockton, 10 miles to the south, and Sacramento, 35 miles to the north. The City population is estimated to be approaching 65,000 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 Management Allocation 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 diverse local economy. Lodi is best known for its Zinfandel wines; however, Lodi is an authentic and dynamic wine region with more than 80 wineries within 10 miles of downtown. The City's employment base is just as diverse with industry that includes agribusiness, biotechnology, distribution, food and beverage product manufacturing, general service, government, health care, heavy manufacturing, and ,of course, wine based tourism and lodging.

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.

The City is growing and over the last few years it has seen significant new commercial, industrial and residential development projects come to fruition. Hundreds of new homes have already been constructed and hundreds more are entitled. The City's first market rate apartment complex in over 25 years is being completed along with an age restricted apartment complex. Combined with the ever growing strength of the wine grape and tourism industries is a positive indicator for the City moving forward. The City's focus on economic development, compact development and quality of life has encouraged these investments within the City, collectively creating hundreds of new employment and housing opportunities.

The most difficult budget issue facing the City is the California Public Employees' Retirement System (CalPERS) funding crisis. The City is well aware of this challenge and is taking aggressive steps to address this concern. More details can be found in the Economic Factors and Next Year's Budget section of the Management's Discussion and Analysis in this report.

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 in the southeast corner of the City, and with a large retail development in the southwest corner of the City. In 2017, steady progress toward buildout and occupancy of the new retail development has occurred and that is expected to continue into 2018.

Tourism continues to be a major driving factor of the local economy. The City currently has three approved hotel sites, one with an issued building permit, and the two others with permits ready or near ready for issuance. Additional progress on all three projects is expected in 2018.

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 aspirational goals, objectives and major projects that support and re-enforce the City's mission statement. Council then set project specific goals at a series of workshops in 2016.

1.) Aspirational Goals

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 IT 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 and Adhere to Adopted Policies |
| Promote Commercial/Industrial Base | |

2.) Project Specific Goals

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. Council set the following priorities and categories in 2016:

- Economic development for “shovel ready” land
- Economic development and incentive program to focus on underutilized parcels
- Public Safety, Gang Reduction Intervention Program, training and increase in staffing
- Fiscal sustainability, asset preservation, CALPERS and Other Postemployment Benefits
- East side rehabilitation, incentive programs and infrastructure

Additional priorities that did not fit into the above categories include 1) addressing homelessness issues, 2) providing downtown Wi-Fi and music and 3) beautification of highway overpasses.

As discussed above, economic revitalization continued to be an active focal point of the City in fiscal year 2016-17. The following projects are underway and will see significant progress or be completed in 2018.

Harney Lane Union Pacific Railroad Grade Separation (UPRR)

This project consists of widening and realignment of Harney Lane including the construction of a new three-span approximately 248 feet long and 88 feet wide to grade separate Harney Lane at the Union Pacific Railroad track. It also includes signal modifications, drainage and utility installation, street lighting, landscaping, construction of raised medians, curb gutter and sidewalk. Estimated cost to complete this project is \$16.0 million and is funded by State and Federal grants.

Residential Development

The City has nine residential development projects that have been approved and total about 1,500 dwelling units. Dwelling units are fairly evenly divided among low, medium and high density units. Sales in four of the nine projects are ongoing. Construction is proceeding in seven of the nine projects this year and the remaining two are expected to begin construction in 2018. In addition, the City’s first market rate apartment complex in over 25 years and a new age restricted apartment complex should open in 2018.

Industrial Reuse

MHA construction, an international modular wall construction company in the multi-family segment recently acquired the majority of a long closed auto dealership bringing thirty to eighty new jobs to Lodi by full build out. Lodi is also seeing growth at the former Blue Shield call center which was acquired by Cepheid, a leader in infectious disease diagnosis products.

Water Meters and Water Infrastructure.

Under 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 an eight 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 fiscal year 2009-10 and will continue through fiscal year 2017-18. To date, approximately 14,400 meters have been installed. Estimated cost for the complete program is \$42.5 million.

Library Roof Repairs and Teen Scene Upgrade

The library's roof, installed in the mid 1980's, reached its useful life and needed replacement. The replacement project was approved and completed in November 2017. The repair of \$420,000 will enhance the usability and reduce liability at the library while ensuring it will be useful for years to come.

The library continues to remake itself into a modern space in an attempt to attract patrons from all demographics within the City. The Teen Scene is the first dedicated teen space (2,500 square feet) in the library. The project is estimated at just shy of \$1 million, with approximately \$300,000 donated by the Lodi Public Library Foundation, which continues to be a strong contributor to the success of the City's library.

FINANCIAL INFORMATION, MANAGEMENT AND CONTROL

A detailed understanding of the financial position and change in financial position 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 operating 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 GAAP. The concept of reasonable assurance recognizes that the cost of the controls should not exceed the benefits likely to be derived and that management estimates and judgments are required 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 fund balances. During fiscal year 2016-17, the City Council and City Manager made several supplemental appropriations for operating budgets and capital projects.

Long Term Financial Planning

The City has implemented a long-term financial planning practice to review the impact of current decisions on the City's General Fund. This analysis can be found in the City's budget document beginning in fiscal year 2017-18 and includes assumptions, revenue, expenditures, and fund balance

projections. In addition, there is discussion of risks and opportunities not modeled. The tool is a baseline projection that provides management and policy makers a view of what the City's financial condition may be if current operations are maintained and a reasonable set of economic assumptions are made. This plan is updated periodically as new information is available that will materially impact the projection.

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, and at least 25% of operating expenses. Based on a reserve policy adopted in March 2014, the target for the Electric enterprise fund working capital is \$22.8 million for fiscal year 2016-17. 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 \$11,447,985, or 25.89% of revenues at the end of fiscal year 2016-17.

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 one-year 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 fiscal year 2016-17, the City's appropriations subject to limit were \$37,281,365 and the appropriation limit was \$95,607,750, leaving appropriations at \$58,326,385 below the limit.

Debt Administration

At June 30, 2017, the City had outstanding Certificates of Participation and Revenue Bonds of \$156,945,920. These liabilities are discussed in Note 8 of the Basic Financial Statements and summarized below.

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

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. These bonds were partially refunded with the 2012 Refunding Wastewater Revenue Bonds, Series A.

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. These bonds were partially refunded with the 2016 Refunding Wastewater Revenue Bonds, Series A.

On July 24, 2008, the City issued the \$60,685,000 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 (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.

On September 1, 2012, the City issued \$19,080,000 Refunding Lease Revenue Bonds (2012 LRB) to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 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.

The City also issued the \$17,105,000 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) in September 2012 to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation (2004 COP). The 2004 COP were issued to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City.

On March 10, 2016, the City issued the \$20,295,000 2016 Refunding Wastewater Revenue Bonds, Series A (2016 Bonds) to partially refund \$21,415,000 outstanding principal of the 2007A COP.

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 changes in financial position. 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 the Uniform Guidance, which is a requirement of all local and state governments expending in excess of \$750,000 of federal financial awards annually. 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 fiscal year 2016-17 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, long-term disability, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance and long-term disability. Self-insurance transactions are accounted for under the Insurance Funds. At June 30, 2017, the Insurance Fund had a net position of \$4,571,274.

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 proper 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 auditor's 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 GAAP.

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 year ended June 30, 2016. These Certificates of Achievement are prestigious national award 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 twenty-four 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 Derrick Cotten, Financial Services Manager, Robin Xiang, Supervising Accountant, Harron Akbar, Accountant and the entire Finance Team. 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,



Andrew Keys
Deputy City Manager/Internal Services Director

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lodi
California**

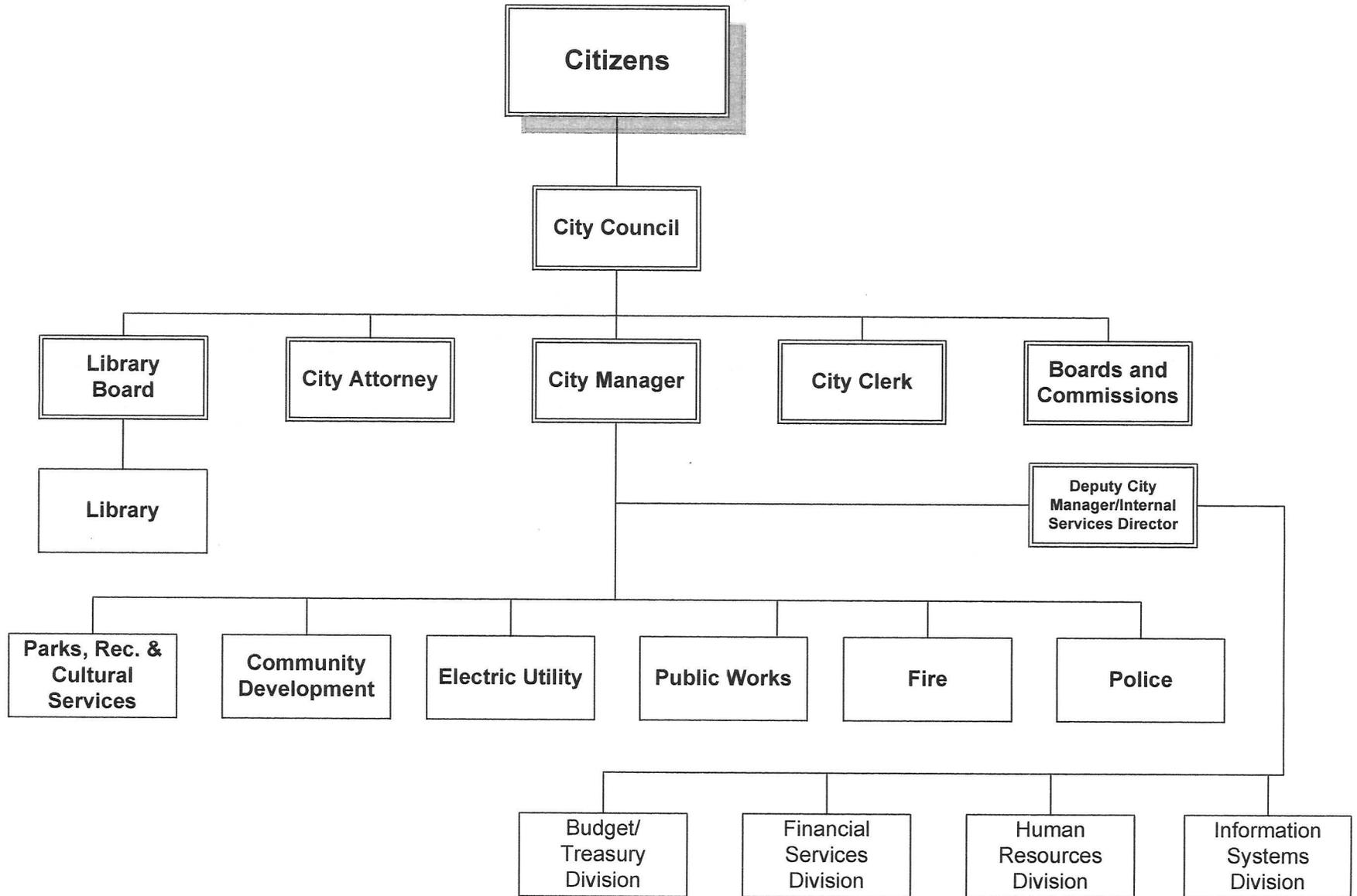
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

City of Lodi



DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Doug Kuehne
Alan Nakanishi
Mark Chandler
Bob Johnson
JoAnne Mounce

Mayor
Mayor Pro Tempore
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

Steve Schwabauer
Andrew Keys
Janice Magdich
Jennifer Ferraiolo
Dean Gualco
Larry Rooney
Jeff Hood

Charles Swimley
Elizabeth Kirkley
Steve Schwabauer
Tod Patterson

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

FINANCIAL SECTION

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



Certified
Public
Accountants

Independent Auditor's Report

The Honorable Members of City Council
City of Lodi, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedule of pension contributions, the schedule of funding progress for the OPEB plan, and the schedules of revenues, expenditures, and changes in fund balance – budget and actual – for the General and Streets funds 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, combining and individual fund statements and schedules, statistical section, and continuing disclosures section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory, statistical, and continuing disclosures 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



Sacramento, California
December 12, 2017

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 year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets and the deferred outflows of resources of the City exceeded its liabilities and the deferred inflows of resources at the close of the fiscal year by \$205,057,018 (net position). Of this amount, \$60,699,266 is unrestricted deficit.
- The City's total net position increased by \$17,086,030 in fiscal year 2017.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$30,232,042, an increase of \$3,117,069 in comparison with the prior year. Of this amount, \$11,447,985 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 \$14,968,357, of which \$11,447,985 is unassigned or 25.89% of total general fund revenues of \$44,221,656.
- The City's total long-term liabilities increased by \$14,262,311 (4.63%) 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 Basic Financial Statements. This report also includes **required supplementary information** and **combining and individual fund statements and schedules** 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 position** presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, 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, parks and recreation. 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 (general, 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 and Streets Fund which are considered major funds. 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 schedules 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 non-major enterprise fund.

- **Internal Service funds** are used to report activities that account for various employee benefits, 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 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-Purpose Trust and the Hutchins Street Square 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 Basic Financial Statements

The notes to the basic 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 changes in net pension liability and related ratios for the City's Miscellaneous and Safety pension plans, contributions to the pension plans the City's progress in funding its obligation to provide other postemployment benefits (OPEB) to its employees, and schedules comparing budget to actual amounts for the General Fund and Streets Fund.

Combining Statements and Schedules

The combining statements and schedules in connection with non-major governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$205,057,018 at the close of the current fiscal year.

City of Lodi's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 53,240,280	48,517,710	87,988,072	86,936,283	\$ 141,228,352	135,453,993
Capital assets	136,432,091	131,759,274	241,202,789	238,195,394	377,634,880	369,954,668
Total assets	<u>189,672,371</u>	<u>180,276,984</u>	<u>329,190,861</u>	<u>325,131,677</u>	<u>518,863,232</u>	<u>505,408,661</u>
Deferred outflows of resources	<u>17,821,434</u>	<u>7,165,075</u>	<u>11,812,878</u>	<u>9,090,899</u>	<u>29,634,312</u>	<u>16,255,974</u>
Liabilities:						
Long-term net OPEB obligation	8,939,061	7,560,300			8,939,061	7,560,300
Long-term net pension liability	95,864,664	81,024,186	22,155,886	17,099,298	118,020,550	98,123,484
Other long-term liabilities	36,067,833	37,183,278	159,181,909	165,079,980	195,249,742	202,263,258
Other liabilities	8,215,297	7,098,373	9,572,998	10,485,032	17,788,295	17,583,405
Total liabilities	<u>149,086,855</u>	<u>132,866,137</u>	<u>190,910,793</u>	<u>192,664,310</u>	<u>339,997,648</u>	<u>325,530,447</u>
Deferred inflows of resources	<u>2,828,147</u>	<u>6,392,888</u>	<u>614,731</u>	<u>1,770,312</u>	<u>3,442,878</u>	<u>8,163,200</u>
Net position:						
Net investment in capital assets	117,196,121	111,255,993	129,085,926	121,468,454	246,282,047	232,724,447
Restricted	15,545,059	13,911,366	3,929,138	3,892,388	19,474,197	17,803,754
Unrestricted	<u>(77,162,377)</u>	<u>(76,984,325)</u>	<u>16,463,151</u>	<u>14,427,112</u>	<u>(60,699,226)</u>	<u>(62,557,213)</u>
Total net position	\$ <u>55,578,803</u>	<u>48,183,034</u>	<u>149,478,215</u>	<u>139,787,954</u>	\$ <u>205,057,018</u>	<u>187,970,988</u>

Assets. The City's total assets increased by \$13,454,571. The increase is primarily due to the following:

Governmental activities. Total assets for the governmental activities had an increase of \$9,395,387 or 5.21%. Current and other assets increased by \$4,722,570 primarily resulting from the increase in cash and investments, \$7,881,471; offset by the decrease in due from other

governmental agencies, \$2,621,133, and accounts receivables, \$738,621. Capital assets increased by \$4,672,817 largely from construction in progress. Other insignificant activities make up the difference.

Business-type activities. Total assets for the business-type activities had an increase of \$4,059,184. Current and other assets increased by \$1,051,789 primarily due to increases in advance receivable of \$1,252,823. Capital assets increased by \$3,007,395 largely from machinery and equipment. Other insignificant activities contributed to the difference.

Deferred outflows of resources. The increase in deferred outflows of resources of \$13,378,338 is primarily from changes in various pension components related to the Miscellaneous and Safety Plans per the CalPERS valuation reports and current pension contributions made after the measurement date of June 30, 2016.

Liabilities. The City's total liabilities increased by \$14,467,201 or 4.44%. The increase is primarily due to the following:

Governmental activities. Total liabilities for the governmental activities had a significant increase of \$16,220,718 or 12.21%, primarily from the net pension liability and the net OPEB obligation.

Business-type activities. Total liabilities for the business-type activities decreased by \$1,753,517 or 0.91%. The decrease is primarily attributable to the principal payments on long-term debt offset by an increase in pension liability. Other insignificant activities offset the difference.

Deferred inflows of resources. The decrease in deferred inflows of resources of \$4,720,322 represents changes in various pension components related to the Miscellaneous and Safety Plans per the CalPERS valuation reports.

Net position. The City's overall financial position increased by \$17,086,030, or 9.09%, during the fiscal year.

The largest portion (\$246,282,047) of the City's net position 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 plus debt related deferred outflows of resources. 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 and deferred outflows of resources, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$19,474,197 (9.50%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounts to a deficit of \$60,699,226. At the end of the current fiscal year, the City is able to report positive balances in two categories of net position for the City as a whole. Unrestricted net position is negative for the governmental-type activities primarily due to recording a net OPEB obligation and a net pension liability.

City of Lodi's Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program revenues:						
Charges for services	\$ 9,775,083	6,956,105	93,647,907	94,838,592	\$ 103,422,990	101,794,697
Operating grants and contributions	2,391,015	2,595,874	4,513,922	5,088,818	6,904,937	7,684,692
Capital grants and contributions	12,830,462	10,558,743	7,972,612	2,860,171	20,803,074	13,418,914
General revenues:						
Property taxes	14,859,923	13,919,218			14,859,923	13,919,218
Other taxes	11,684,301	11,407,984			11,684,301	11,407,984
Grants and contributions not restricted to specific programs	11,777,544	11,834,331			11,777,544	11,834,331
Litigation – environmental lawsuits proceeds				100,000		100,000
Rent		1,954,385		4,200		1,958,585
Other	978,931	1,043,915	3,601,914	4,908,960	4,580,845	5,952,875
Total revenues	<u>64,297,259</u>	<u>60,270,555</u>	<u>109,736,355</u>	<u>107,800,741</u>	<u>174,033,614</u>	<u>168,071,296</u>
Expenses						
General government	9,650,423	10,368,800			9,650,423	10,368,800
Public protection	33,238,886	31,394,604			33,238,886	31,394,604
Public works	10,614,158	10,326,560			10,614,158	10,326,560
Community development	1,709,246	1,792,520			1,709,246	1,792,520
Library	1,252,743	1,389,105			1,252,743	1,389,105
Parks and recreation	3,663,013	4,262,128			3,663,013	4,262,128
Interest on long-term debt	824,021	821,768			824,021	821,768
Electric			62,790,906	61,764,151	62,790,906	61,764,151
Wastewater			16,317,764	14,023,975	16,317,764	14,023,975
Water			11,960,786	10,967,387	11,960,786	10,967,387
Transit			4,925,638	4,414,594	4,925,638	4,414,594
Total expenses	<u>60,952,490</u>	<u>60,355,485</u>	<u>95,995,094</u>	<u>91,170,107</u>	<u>156,947,584</u>	<u>151,525,592</u>
Changes in net position before transfers	3,344,769	(84,930)	13,741,261	16,630,634	17,086,030	16,545,704
Transfers	4,051,000	4,469,495	(4,051,000)	(4,469,495)		
Changes in net position	7,395,769	4,384,565	9,690,261	12,161,139	17,086,030	16,545,704
Net position at beginning of year	48,183,034	43,798,469	139,787,954	127,616,815	187,970,988	171,425,284
Net position at end of year	\$ <u>55,578,803</u>	<u>48,183,034</u>	<u>149,478,215</u>	<u>139,787,954</u>	\$ <u>205,057,018</u>	<u>187,970,988</u>

Analysis of Changes in Net Position

Governmental activities

Net position for the governmental activities increased by \$7,395,769 in the current fiscal year, which is an increase of \$3,011,204 relative to last year's increase of \$4,384,565.

The key factors impacting this increase are:

Revenues increased \$4,026,704 from the prior fiscal year. Key elements of this increase are:

- Capital grants and contributions increased by \$2,271,719 or 21.52% from the prior fiscal year. The increase in capital contributions was mainly attributable to state and federal funds used for the Harney Lane grade separation project, \$3,242,603; offset by a decrease in development impact fees collected, \$963,121. The difference is offset by other insignificant increases.
- Property taxes increased by \$940,705 or 6.76% compared to prior year. The economy continues to show evidence of positive movement particularly in the housing market. Home prices continue to rise coupled with record low mortgage rates are helping the process to generate sales, resulting in an increase in property tax revenues in the current year.
- Charges for services increased by \$2,818,978 from the prior fiscal year. The increase is due to \$2,135,227 of rent previously recorded as general revenues. The difference is due to various fees and services provided during the fiscal year.

Expenses for governmental functions totaled \$60,952,490, an increase of \$597,005 or 0.99% relative to the prior fiscal year.

Transfers from business-type activities decreased by \$418,495, primarily due to contributions from the enterprise funds for various capital projects in prior year.

Business-type activities

Business-type activities increased the City's net position by \$9,690,261 in the current year, which is a decrease of \$2,470,878 from last year's increase of \$12,161,139. The key elements of this decrease are:

- Transfers to the governmental activities for various capital projects decreased by \$418,495 in comparison to the prior year.
- Charges for services in the Electric Fund decreased by \$1,659,598 primarily from the decline in commercial customer revenue, offset by the increase in Wastewater Fund by \$146,676, and the increase in the Water Fund by \$312,490.
- Increase in the greenhouse gas allowance (GHG) of \$798,871 in the Electric Fund related to Assembly Bill 32: Global Warming Act, which set the 2020 greenhouse gas emissions reduction into law and also adopted a regulation that established a system of market-based declining annual aggregate emission limits for sources or categories of sources that emit greenhouse gases. In 2011, the California Air Resources Board (ARB) adopted the cap-and-trade regulation. This program covers major sources of GHG emissions in the State such as refineries, power plants, industrial facilities, and transportation fuels. The cap-and-trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances, which are tradable permits, equal to emissions allowed under the cap.
- Operating grants in the Transit fund declined by \$1,373,107 primarily from a decline in Article 8 operating funds.
- Capital contributions increased by \$5,112,441, primarily from the water meter project phase 5, Reynolds Ranch subdivision and the Lodi Shopping Center.
- Other revenues decreased by \$1,176,150 primarily from work for others in the Electric Fund triggered by new residential and commercial developments in the prior year.
- Increase in pension expense by \$2,889,123 as the result of increasing pension cost. Other salary and benefits increased by \$460,288.
- Bulk power cost decreased by \$2,138,616 compared to the prior year primarily attributable to overall decrease in generation and in third party revenues offset by an increase in transmission, management services costs paid to NCPA.
- Supplies, materials and services increased by \$4,071,668 primarily due to Wastewater and Transit maintenance and repair projects, the Public benefits program, and various increases in supplies and services.

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30,232,042. This represents an increase of \$3,117,069, an increase of \$438,457 in comparison to the prior year increase of \$2,678,612 resulting from the increase in total revenues, increase in total expenditures and decrease in net transfers in.

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 \$11,447,985 while total fund balance was \$14,968,357. 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 and total fund balance represent 28.80% and 37.66% of total General Fund expenditures, respectively.

The fund balance of the General Fund increased by \$1,721,164 during the current fiscal year, an increase of \$952,524 from last year's increase of \$768,640. Key factors in this increase are:

- Total revenues increased by \$1,078,435, primarily from the net increase in secured property tax of \$592,976, increase in vehicle license fee of \$331,980; and, increase in business license tax of \$140,585. Other insignificant increases and decreases offset the difference.
- Total expenditures increased by \$1,290,734 primarily from increase in salaries and wages for the vacancies filled during the current year and the increases approved in labor negotiations, and increases related to OPEB and pensions. Other insignificant increases and decreases offset the difference.
- Net transfers out decreased by \$1,164,823 primarily due to less transfers out to the Capital Outlay Reserve Fund for construction of fire station #2.

Total fund balance of the Streets Funds was \$5,223,958. Intergovernmental revenues of \$9,883,250 offset by capital expenditures of \$8,092,111 were the largest components that resulted in the increase of \$1,649,442 to fund balance.

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 position at the end of the year for the Electric Fund was \$5,072,853, Wastewater Fund was \$8,570,542, Water Fund was \$(419,781), Transit Fund was \$3,239,537, and the Internal Service Funds unrestricted net position was \$5,476,259.

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 budget and the final budget in the General Fund were a net increase in appropriations of \$2,871,141. The increase in appropriations can be briefly summarized as follows:

- \$2,841,486 increase in general government and \$40,931 increase in library are primarily the result of the City amending its budget to establish a pension stabilization account.

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

- Taxes – a favorable variance of \$780,549 was primarily due to positive variances in property tax (\$247,045), transient occupancy tax (\$198,735), business license tax (\$217,739), and sales and use tax (\$223,897), offset by a negative variance in in-lieu of vehicle license fees (\$20,307).
- For expenditures, a favorable variance between the final budget and actual expenditures of \$1,967,542 was primarily due to savings from 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, 2017, amounts to \$377,634,880 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, works of art, and construction in progress. The total increase in the City’s investment in capital assets for the current fiscal year was \$7,680,212, a 2.08% increase (a 3.55% increase in governmental activities and 1.26% 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 24,947,834	24,947,834	5,535,718	5,535,718	\$ 30,483,552	30,483,552
Construction in Progress	18,416,565	11,116,297	15,409,186	14,596,259	33,825,751	25,712,556
Buildings and Improvements	41,234,529	43,090,432	27,924,759	29,067,978	69,159,288	72,158,410
Machinery and Equipment	1,166,057	613,979	187,261,549	183,903,354	188,427,606	184,517,333
Vehicles	2,694,344	2,135,160	5,071,577	5,092,085	7,765,921	7,227,245
Infrastructure	47,667,855	49,550,665			47,667,855	49,550,665
Work of Art	304,907	304,907			304,907	304,907
Total	<u>\$ 136,432,091</u>	<u>131,759,274</u>	<u>241,202,789</u>	<u>238,195,394</u>	<u>\$ 377,634,880</u>	<u>369,954,668</u>

An increase in construction in progress compared to prior year was primarily from the Harney Lane grade separation project.

Additional information on the City’s capital assets can be found in Note 6 on pages 53-55 of this report.

Long-term debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$156,945,920. Of this amount, \$18,752,590 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 \$138,193,330 from the business-type activities consists of \$34,083,105 for the Water Fund; \$45,441,595 for the Wastewater Fund; and \$58,668,630 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 and Revenue Bonds	\$ 18,752,590	138,193,330	156,945,920

The City's total bonded debt decreased by \$6,107,968 during the current fiscal year due to principal payments and amortization of issuance premiums.

Bond Rating

There have been no changes to the City's bond ratings since the previous report.

In October 2016, Fitch Rating Services affirmed its 'A-' rating with a stable outlook on outstanding electric utility debt instruments given the improved financial profile in fiscal year 2016 as rate increases, relatively stable sales and reduction in debt service payments have bolstered operating margins and coverage levels.

In July 2016, Fitch Rating Services affirmed its rating of 'AA-' on the outstanding public improvement bonds with a stable outlook. Fitch also affirmed the issuer default rating (IDR) for the City of Lodi at 'AA'. The 'AA' IDR reflects the City's solid expenditure control, low long-term debt, strong reserves and gap-closing capacity. Revenue performance has steadily increased in recent years, but the City's limited legal ability to raise revenues presents an ongoing challenge.

In February 2016, Fitch Rating Services also assigned an 'AA-' to the 2016 refunding wastewater revenue bonds and in addition, affirmed the 'AA' ratings with a stable outlook on the 2004 and 2007 wastewater system revenue certificates, and the 2012 refunding wastewater revenue bonds. The system continues to demonstrate sound debt service coverage, strong liquidity, and reasonable multi-year projections.

Standard & Poor's Rating Services also raised its long-term rating and underlying rating to 'AA-' from 'A+' on the wastewater system parity-lien obligations and assigned its 'AA-' long-term rating to the 2016 refunding wastewater revenue bonds with a stable outlook. The raised ratings reflect the City's comprehensive management practices, good transparency and disclosure, and consistently strong and improved financial performance.

Additional information on the City's long-term debt can be found in Note 8 on pages 56-62 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic indicators continue to be positive, leading to growth in sales and tourism occupancy taxes. General Fund revenue growth is projected at 7.4% from the fiscal year 2016/17 budgeted revenue and transfers in, totaling \$50,388,780. The City added to its reserve balance again in fiscal year 2016/17 and is projecting a balanced budget in the General Fund in fiscal year 2017/18. The City's General Fund reserves are healthy for now, but there is a projected CalPERS contribution increase of approximately \$10 million City-wide and over \$7 million in the General Fund between now and 2022/23, it is apparent that caution is required.

The General Fund continues to be of the greatest focus. It funds all of the core municipal services including police, fire, administration, economic development, transfers to the parks and library funds and other essential public services. The General Fund houses the great majority of City employees. It is also the most impacted by the cost increases imposed on the City by CalPERS (see below).

The City has maintained its workforce over the past three years with strategic reductions to capture cost savings and recognize efficiencies. The City reduced a net of 4 positions this year, adding a new accountant and eliminating the following full time equivalents: two in the library, one in Parks, Recreation and Cultural Services, one in the electric utility and one in the water/wastewater utility.

The City will continue its capital efforts in the coming year. Significant projects expected to be undertaken include various electrical system maintenance projects, water meter and water system maintenance projects, various wastewater system maintenance projects, including a recycled wastewater storage facility that is funded by a state grant, and street maintenance.

Balancing the fiscal year 2017/18 budget involves balancing several critical issues: employee costs and retirement contributions; capital programs; and cost increases beyond the City's control that were either imposed by external entities.

Employee costs and retirement contributions – The primary challenge facing the City stems from the CalPERS funding crisis. The City's combined funded status for the Safety and Miscellaneous employee plans is approximately 63% as of the most recent June 30, 2016, actuarial report. Staff estimates that the City's combined CalPERS bill will increase from approximately \$10 million per year in fiscal year 2015/16 to between \$16.5 million and \$17.8 million by fiscal year 2022/23 when CalPERS implements the phased discount rate reduction from 7.5% to 7.0% as is the current policy. The funded status of the City's plans is expected to decrease over that span, despite the increased contribution requirements as the discount rate drops. The City has already taken four major steps to address these increased pension funding demands. They are as follows:

- 1.) The City Council created a Pension Stabilization Fund (PSF) via a Section 115 Trust with Public Agency Retirement Services (PARS) at the close of fiscal year 2016/17. Initial General Fund funding for the PSF came in the form of reserves over policy of \$2.8 million.
- 2.) The City acted again during fiscal year 2017/18 budgeting for additional monthly contributions from the General Fund to the City's PSF totaling \$2,019,230.
- 3.) The City acted a third time in fiscal year 2017/18 by electing to make its Unfunded Accrued Liability (UAL) payment in full in July 2017, realizing a 3.6% savings on the annual CalPERS UAL bill as compared to the monthly billing option, which was used as the basis for the fiscal year 2017/18 budget.
- 4.) The fourth major action on pension stabilization came in the form of Council adopting a Pension Stabilization policy on December 6, 2017, that invests all General Fund reserves in excess of the 16% reserve policy in the PSF until such time as the City's pension system is 80% funded. Funded status is calculated by comparing total accrued liabilities to combined CalPERS and PSF

assets. Other funds are similarly required to make contributions to the PSF on a prorated basis to the General Fund contribution based on the current year's total CalPERS budget for that fund. Implementation of that policy will result in additional funding to the PSF of \$3.4 million from the General Fund in fiscal year 2017/18 and another \$1.3 million from operations outside the General Fund.

Based on a combination of these actions, by the end of fiscal year 2017/18, total funding in the PSF is estimated as follows: General Fund: \$8.2 million; Other Funds \$2.9 million.

Current labor agreements with all City bargaining units expire on December 31, 2017. Current negotiations are proceeding favorably, maintaining the tradition of strong labor-management relationships. There are no tentative agreements at this time.

Capital programs – The City continues to utilize one-time funds for capital maintenance, rather than ongoing operations. The Library and Parks, Recreation and Cultural Services (PRCS), are strategically using resources from vacant positions to add to fund balances and deploying reserves to capital projects as necessary. This strategy resulted in funding for the roof repair and teen center project at the library that will be completed in late 2017. With the failure of Measure R, a 1/8 cent sales tax measure for PRCS capital, the PRCS department has begun scrutinizing operations and capturing budget savings caused primarily by vacancy and utilizing that funding for needed capital replacement and repairs at various facilities City wide.

Imposed costs – The primary concern to the City's budget is the imposed cost increases by CalPERS related to the discount rate reduction from 7.5% to 7.0%. CalPERS' board is currently considering its Asset Liability Management and Amortization policies, which may have an impact on the discount rate or on the phased in approach currently adopted by the board to implement the discount rate reduction. Management is aggressively implementing solutions to counter the imposed costs from the currently approved reduction. A further discount rate reduction or modification to the amortization policy would have significant impacts on the City's ability to fund current operations and require difficult service level and service priority discussions.

Rapidly increasing health care costs continue to be a concern. 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 and possibly the City's competitiveness in the labor marketplace. Staff has managed the impact of the Affordable Care Act, and through prudent management of part-time hours, has allowed the City to avoid an economic impact.

A third cost increase that is a cause of concern is worker's compensation. The City is self-funded for worker's compensation costs. Lodi's claim experience has ebbed and flowed since a spike in fiscal year 2008/09. Current loss experience is relatively level with costs trending upward with the settlement of old claims. The City has funded its actuarial liability at more than the 90 percent confidence level. Staff continues to manage the program and provide education to employees to minimize injuries and work time losses.

Economic Development

The City continues its commitment to promoting economic development (business retention and attraction) and expanding the tax base to fund City 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 in the southeast corner of the City, and with a large retail development in the southwest corner of the City. In 2017, steady progress toward buildout and occupancy of the new retail development has occurred and that is expected to continue into 2018.

Tourism continues to be a major driving factor of the local economy. The City currently has three approved hotel sites, one with an issued building permit, and the two others with permits ready or near ready for issuance. Additional progress on all three projects is expected in 2018.

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.

The City is growing and over the last few years it has seen significant new commercial, industrial and residential development projects come to fruition. Hundreds of new homes have already been constructed and hundreds more are entitled. The City's first market rate apartment complex in over 25 years is being completed along with an age restricted apartment complex. The combined ever-growing strength of the wine grape and tourism industries is a positive indicator for the City moving forward. The City's focus on economic development, compact development and quality of life has encouraged these investments within the City, collectively creating hundreds of new employment and housing opportunities.

The City's unemployment rate is roughly 0.5 percent lower than that of San Joaquin County. The City's diversified economic base contributes to this relatively stronger employment market and continues to help the City maintain its revenue base. Lodi is best known for its Zinfandel wines; however, Lodi is an authentic and dynamic wine region with more than 80 wineries within 10 miles of downtown. The City's employment base is just as diverse with industry that includes agribusiness, biotechnology, distribution, food and beverage product manufacturing, general service, government, health care, heavy manufacturing, and, of course, wine based tourism and lodging.

Lodi Unified School District, Adventist Health Lodi Memorial Hospital, Pacific Coast Producers, Blue Shield and Tree House Foods have the highest year-round employment in the City. Large national and international manufacturers such as Dart Container Corporation and North American Specialty Products find the City an attractive base for their West Coast operations. Cepheid, a Sunnyvale, California-based biotech company with a growing manufacturing presence in Lodi since 2012, continues to invest in Lodi and increase production of its proprietary molecular diagnostic product and the expansion is expected to create hundreds of additional jobs over the next few years. Mitsui Home America (MHA) has begun tenant improvements at the former Plummer auto dealership/Calturas wine and beer center, and expects to open December 2017 with approximately 30 employees, with a build-out of approximately 80 employees. MHA provides pre-fabricated lumber wall systems for commercial buildings, including the Rubicon Apartment complex under construction in Reynolds Ranch. MHA's parent company is Japan's Mitsui, one of the world's largest conglomerates, that dates its origins to the 17th century.

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 Funds.

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 Position
June 30, 2017**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 45,533,596	\$ 37,089,489	\$ 82,623,085
Accounts receivable, net	6,274,726	8,244,517	14,519,243
Property tax receivable	41,462	-	41,462
Interest receivable	53,962	70,776	124,738
Internal balances	(1,088,311)	1,088,311	-
Due from other governmental agencies	2,176,149	1,375,170	3,551,319
Restricted cash and investments	-	27,805,247	27,805,247
Advance receivable	-	9,082,666	9,082,666
Inventory	145,776	3,231,896	3,377,672
Other assets	102,920	-	102,920
Capital assets:			
Nondepreciable	43,669,306	20,944,904	64,614,210
Depreciable, net	92,762,785	220,257,885	313,020,670
Total assets	<u>189,672,371</u>	<u>329,190,861</u>	<u>518,863,232</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized losses on defeasance	381,590	7,066,131	7,447,721
Related to pensions	17,439,844	4,746,747	22,186,591
Total deferred outflows of resources	<u>17,821,434</u>	<u>11,812,878</u>	<u>29,634,312</u>
LIABILITIES			
Accounts payable and accrued liabilities	7,056,501	6,358,186	13,414,687
Accrued salaries and wages	827,017	-	827,017
Accrued interest	207,343	2,063,378	2,270,721
Unearned revenue	124,436	1,151,434	1,275,870
Long-term liabilities:			
Due within one year	5,050,076	6,626,520	11,676,596
Due in more than one year	31,017,757	152,555,389	183,573,146
Other long-term obligations:			
Net OPEB obligation	8,939,061	-	8,939,061
Net pension liability	95,864,664	22,155,886	118,020,550
Total liabilities	<u>149,086,855</u>	<u>190,910,793</u>	<u>339,997,648</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	2,828,147	614,731	3,442,878
NET POSITION			
Net investment in capital assets	117,196,121	129,085,926	246,282,047
Restricted for:			
Road-related projects	5,286,754	-	5,286,754
Capital projects	5,071,616	-	5,071,616
Debt service	-	3,929,138	3,929,138
Home and CDBG program	69,932	-	69,932
Public safety	428,841	-	428,841
Community development	3,892,405	-	3,892,405
Parks, recreation, and community services	795,511	-	795,511
Unrestricted	(77,162,377)	16,463,151	(60,699,226)
Total net position	<u>\$ 55,578,803</u>	<u>\$ 149,478,215</u>	<u>\$ 205,057,018</u>

**City of Lodi
Statement of Activities
For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 9,650,423	\$ 3,246,136	\$ 60,464	\$ -	\$ (6,343,823)	\$ -	\$ (6,343,823)
Public protection	33,238,886	779,223	1,217,559	121,826	(31,120,278)	-	(31,120,278)
Public works	10,614,158	1,209,311	1,045,712	12,367,232	4,008,097	-	4,008,097
Community development	1,709,246	2,838,343	32,604	-	1,161,701	-	1,161,701
Library	1,252,743	42,616	34,676	-	(1,175,451)	-	(1,175,451)
Parks and recreation	3,663,013	1,659,454	-	341,404	(1,662,155)	-	(1,662,155)
Interest on long-term debt	824,021	-	-	-	(824,021)	-	(824,021)
Total governmental activities	<u>60,952,490</u>	<u>9,775,083</u>	<u>2,391,015</u>	<u>12,830,462</u>	<u>(35,955,930)</u>	<u>-</u>	<u>(35,955,930)</u>
Business-type activities:							
Electric	62,790,906	65,847,581	2,369,725	553,776	-	5,980,176	5,980,176
Wastewater	16,317,764	15,106,432	-	4,029,314	-	2,817,982	2,817,982
Water	11,960,786	12,473,676	616,366	1,427,149	-	2,556,405	2,556,405
Transit	4,925,638	220,218	1,527,831	1,962,373	-	(1,215,216)	(1,215,216)
Total business-type activities	<u>95,995,094</u>	<u>93,647,907</u>	<u>4,513,922</u>	<u>7,972,612</u>	<u>-</u>	<u>10,139,347</u>	<u>10,139,347</u>
Total	<u>\$ 156,947,584</u>	<u>\$ 103,422,990</u>	<u>\$ 6,904,937</u>	<u>\$ 20,803,074</u>	<u>(35,955,930)</u>	<u>10,139,347</u>	<u>(25,816,583)</u>
General revenues:							
Property taxes					14,859,923	-	14,859,923
Franchise taxes					9,099,494	-	9,099,494
Business license tax					1,736,072	-	1,736,072
Transient occupancy tax					848,735	-	848,735
Grants and contributions not restricted to specific programs					11,777,544	-	11,777,544
Investment earnings					257,356	816,433	1,073,789
Other					721,575	2,785,481	3,507,056
Transfers					4,051,000	(4,051,000)	-
Total general revenues and transfers					<u>43,351,699</u>	<u>(449,086)</u>	<u>42,902,613</u>
Change in net position					7,395,769	9,690,261	17,086,030
Net position - beginning					48,183,034	139,787,954	187,970,988
Net position - ending					<u>\$ 55,578,803</u>	<u>\$ 149,478,215</u>	<u>\$ 205,057,018</u>

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 Funds:

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.

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.

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 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.

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 Types**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.

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**City of Lodi
Balance Sheet
Governmental Funds
June 30, 2017**

	General	Streets	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 15,550,701	\$ 4,091,482	\$ 11,564,016	\$ 31,206,199
Accounts receivable, net	5,253,103	735,748	253,367	6,242,218
Property tax receivable	41,462	-	-	41,462
Interest receivable	12,861	6,600	13,519	32,980
Due from other funds	-	-	195,698	195,698
Due from other governmental agencies	-	1,668,789	507,360	2,176,149
Inventory	-	-	1,355	1,355
Total assets	<u>\$ 20,858,127</u>	<u>\$ 6,502,619</u>	<u>\$ 12,535,315</u>	<u>\$ 39,896,061</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 4,716,588	\$ 1,222,421	\$ 940,641	\$ 6,879,650
Accrued salaries and wages	827,017	-	-	827,017
Due to other funds	-	-	195,698	195,698
Advances from other funds	-	-	1,088,311	1,088,311
Unearned revenue	78,632	-	45,804	124,436
Total liabilities	<u>5,622,237</u>	<u>1,222,421</u>	<u>2,270,454</u>	<u>9,115,112</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	267,533	56,240	225,134	548,907
FUND BALANCES				
Nonspendable				
Inventory	-	-	1,355	1,355
Restricted for:				
Road-related projects	-	5,223,958	6,556	5,230,514
Capital projects	-	-	4,891,259	4,891,259
Home and CDBG program	-	-	25,225	25,225
Public safety	-	-	428,841	428,841
Community development	-	-	3,892,405	3,892,405
Parks, recreation and community services	-	-	794,086	794,086
Committed				
Pension	2,941,844	-	-	2,941,844
Video - related capital projects	578,528	-	-	578,528
Unassigned	11,447,985	-	-	11,447,985
Total fund balances	<u>14,968,357</u>	<u>5,223,958</u>	<u>10,039,727</u>	<u>30,232,042</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,858,127</u>	<u>\$ 6,502,619</u>	<u>\$ 12,535,315</u>	<u>\$ 39,896,061</u>

City of Lodi
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Fund balances - total governmental funds	\$	30,232,042
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Nondepreciable capital assets		43,669,306
Depreciable capital assets, net		92,738,182
Deferred outflows of resources related to pensions are not reported in governmental funds.		
		17,439,844
Deferred inflows of resources related to pensions are not reported in governmental funds.		
		(2,828,147)
Long-term liabilities and related accounts are not due and payable in the current period and therefore are not reported in the governmental funds as follows:		
Compensated absences		(7,475,155)
Long-term debt		(18,854,970)
Issuance premium (to be amortized as interest expense)		(762,590)
Unamortized losses on defeasance (to be amortized as interest expense)		381,590
Accrued interest		(207,343)
Net pension liability		(95,864,664)
Net OPEB obligation		(8,939,061)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		548,907
Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, employee benefits 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 position		
		5,500,862
Net position of governmental activities	\$	55,578,803

City of Lodi
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Streets	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 26,490,919	\$ -	\$ -	\$ 26,490,919
Licenses and permits	86,844	-	1,928,188	2,015,032
Intergovernmental revenues	12,830,329	9,883,250	1,261,109	23,974,688
Charges for services	1,852,855	1,095,631	2,773,823	5,722,309
Fines, forfeits, and penalties	906,563	-	-	906,563
Investment and rental income	1,734,773	22,325	562,188	2,319,286
Miscellaneous revenue	319,373	156,149	342,105	817,627
Total revenues	<u>44,221,656</u>	<u>11,157,355</u>	<u>6,867,413</u>	<u>62,246,424</u>
EXPENDITURES				
Current:				
General government	6,926,368	-	2,572,511	9,498,879
Public protection	29,969,781	-	231,516	30,201,297
Public works	1,698,518	2,036,612	872,730	4,607,860
Community development	-	-	1,650,876	1,650,876
Library	1,152,721	-	-	1,152,721
Parks and recreation	-	-	2,377,753	2,377,753
Capital outlay	-	8,092,111	3,500,259	11,592,370
Debt service:				
Interest	-	-	858,182	858,182
Principal retirement	-	-	1,240,417	1,240,417
Total expenditures	<u>39,747,388</u>	<u>10,128,723</u>	<u>13,304,244</u>	<u>63,180,355</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,474,268</u>	<u>1,028,632</u>	<u>(6,436,831)</u>	<u>(933,931)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,952,000	620,810	7,149,774	11,722,584
Transfers out	(6,705,104)	-	(966,480)	(7,671,584)
Total other financing sources (uses)	<u>(2,753,104)</u>	<u>620,810</u>	<u>6,183,294</u>	<u>4,051,000</u>
Changes in fund balances	1,721,164	1,649,442	(253,537)	3,117,069
Fund balances - beginning	13,247,193	3,574,516	10,293,264	27,114,973
Fund balances - ending	<u>\$ 14,968,357</u>	<u>\$ 5,223,958</u>	<u>\$ 10,039,727</u>	<u>\$ 30,232,042</u>

City of Lodi
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

Changes in fund balances - total governmental funds	\$	3,117,069
<p>Amounts reported for governmental activities are different because:</p> <p>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. In addition, contributed capital assets do not impact the governmental funds however they are reported in the statement of activities.</p> <p>Capital outlays, capital asset contributions, and depreciation expense are as follows:</p>		
Capital outlays		11,592,370
Capital asset contributions		1,489,658
Depreciation expense		(8,391,791)
<p>The statement of activities reports gain and losses arising from the disposal of existing capital assets. However, in the governmental funds, any proceeds from the sale of disposed capital assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the disposed capital assets.</p>		
		(15,973)
<p>Repayments of the principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.</p>		
Principal payment		1,240,417
<p>Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, employee benefits and the cost of operating and maintaining the City's fleet to individual funds. The net loss of the internal service funds are reported with governmental activities.</p>		
		(383,166)
<p>Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.</p>		
Change in compensated absences		180,027
Amortization of loss on defeasance		(26,936)
Amortization of bond premium		53,830
Change in unavailable revenue		504,200
Change in accrued interest		7,267
Change in net pension liability and related amounts		(592,442)
Change in OPEB obligation		(1,378,761)
Change in net position of governmental activities	\$	<u><u>7,395,769</u></u>

**City of Lodi
Statement of Fund Net Position
Proprietary Funds
June 30, 2017**

	Business-type Activities				Governmental Activities	
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 14,037,173	\$ 16,381,062	\$ 4,558,222	\$ 2,113,032	\$ 37,089,489	\$ 14,327,397
Restricted cash and investments	-	-	13,844,773	-	13,844,773	-
Restricted cash and investments with fiscal agents	9,286,277	150,376	2,353,971	-	11,790,624	-
Accounts receivable, net	4,641,286	1,192,200	1,103,131	1,307,900	8,244,517	32,508
Interest receivable	20,173	23,307	24,207	3,089	70,776	-
Due from other funds	-	-	-	-	-	27,692
Due from other governmental agencies	-	-	55,170	1,320,000	1,375,170	-
Advance receivable	9,082,666	-	-	-	9,082,666	-
Inventory	2,853,310	86,412	292,174	-	3,231,896	144,421
Other assets	-	-	-	-	-	102,920
Total current assets	39,920,885	17,833,357	22,231,648	4,744,021	84,729,911	14,655,920
Noncurrent assets:						
Restricted assets with fiscal agents	-	2,169,850	-	-	2,169,850	-
Advances to other funds	-	64,286	1,024,025	-	1,088,311	-
Capital assets:						
Nondepreciable	763,785	9,960,740	6,793,737	3,426,642	20,944,904	-
Depreciable, net	39,064,648	79,079,382	88,712,787	13,401,068	220,257,885	24,603
Total noncurrent assets	39,828,433	91,274,258	96,530,549	16,827,710	244,460,950	24,603
Total assets	79,749,318	109,107,615	118,762,197	21,571,731	329,190,861	14,680,523
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized losses on defeasance	4,524,834	2,541,297	-	-	7,066,131	-
Related to pensions	2,576,364	1,820,983	216,508	132,892	4,746,747	-
Total deferred outflows of resources	7,101,198	4,362,280	216,508	132,892	11,812,878	-
LIABILITIES						
Current liabilities:						
Accounts payable and other liabilities	2,948,660	696,251	2,297,372	415,903	6,358,186	176,851
Accrued interest	1,437,118	458,122	168,138	-	2,063,378	-
Due to other funds	-	-	-	-	-	27,692
Unearned revenue	-	-	660,104	491,330	1,151,434	-
Loans payable	204,432	-	-	-	204,432	-
Self-insurance liability	-	-	-	-	-	2,365,077
Accrued compensated absences	322,597	207,201	19,760	18,392	567,950	29,371
Certificates of participation and revenue bonds payable	2,534,909	1,949,529	969,700	-	5,454,138	-
Pollution remediation obligation	-	-	400,000	-	400,000	-
Total current liabilities	7,447,716	3,311,103	4,515,074	925,625	16,199,518	2,598,991
Noncurrent liabilities:						
Self-insurance liability	-	-	-	-	-	6,477,321
Accrued compensated absences	791,348	900,695	-	74,258	1,766,301	103,349
Certificates of participation and revenue bonds payable	56,133,721	43,492,066	33,113,405	-	132,739,192	-
Loans payable	1,095,888	-	-	-	1,095,888	-
Net pension liability	12,025,422	8,499,611	1,010,570	620,283	22,155,886	-
Pollution remediation obligation	-	-	16,954,008	-	16,954,008	-
Total noncurrent liabilities	70,046,379	52,892,372	51,077,983	694,541	174,711,275	6,580,670
Total liabilities	77,494,095	56,203,475	55,593,057	1,620,166	190,910,793	9,179,661
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	333,654	235,828	28,039	17,210	614,731	-
NET POSITION						
Net investment in capital assets	20,776	48,460,050	63,777,390	16,827,710	129,085,926	24,603
Restricted for:						
Debt service	3,929,138	-	-	-	3,929,138	-
Unrestricted	5,072,853	8,570,542	(419,781)	3,239,537	16,463,151	5,476,259
Total net position	\$ 9,022,767	\$ 57,030,592	\$ 63,357,609	\$ 20,067,247	\$ 149,478,215	\$ 5,500,862

City of Lodi
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities				Total Enterprise Funds	Governmental
						Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit		
OPERATING REVENUES						
Charges for services	\$ 65,847,581	\$ 15,106,432	\$ 12,473,676	\$ 220,218	\$ 93,647,907	\$ 13,699,647
OPERATING EXPENSES						
Personnel services	7,591,106	4,501,156	2,998,026	407,518	15,497,806	1,669,133
Supplies, materials and services	13,955,262	4,828,494	3,468,229	3,023,866	25,275,851	8,935,742
Utilities	35,706,710	798,452	453,488	59,071	37,017,721	14,327
Depreciation	2,357,261	4,078,389	2,989,058	1,435,183	10,859,891	1,447
Claims	-	-	-	-	-	3,687,649
Total operating expenses	<u>59,610,339</u>	<u>14,206,491</u>	<u>9,908,801</u>	<u>4,925,638</u>	<u>88,651,269</u>	<u>14,308,298</u>
Operating income (loss)	<u>6,237,242</u>	<u>899,941</u>	<u>2,564,875</u>	<u>(4,705,420)</u>	<u>4,996,638</u>	<u>(608,651)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	151,112	510,079	132,364	22,878	816,433	72,950
Interest expense	(3,180,567)	(2,111,273)	(2,051,985)	-	(7,343,825)	-
Operating grants	-	-	616,366	1,527,831	2,144,197	-
Greenhouse gas allowance	2,369,725	-	-	-	2,369,725	-
Other revenues	1,732,614	511,689	395,390	145,788	2,785,481	152,535
Total nonoperating revenues (expenses)	<u>1,072,884</u>	<u>(1,089,505)</u>	<u>(907,865)</u>	<u>1,696,497</u>	<u>772,011</u>	<u>225,485</u>
Income (loss) before contributions and transfers	7,310,126	(189,564)	1,657,010	(3,008,923)	5,768,649	(383,166)
Capital contributions	553,776	4,029,314	1,427,149	1,962,373	7,972,612	-
Transfers out	(2,137,000)	(1,101,000)	(813,000)	-	(4,051,000)	-
Changes in net position	5,726,902	2,738,750	2,271,159	(1,046,550)	9,690,261	(383,166)
Total net position - beginning	3,295,865	54,291,842	61,086,450	21,113,797	139,787,954	5,884,028
Total net position - ending	<u>\$ 9,022,767</u>	<u>\$ 57,030,592</u>	<u>\$ 63,357,609</u>	<u>\$ 20,067,247</u>	<u>\$ 149,478,215</u>	<u>\$ 5,500,862</u>

**City of Lodi
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customers	\$ 65,920,109	\$ 15,584,448	\$ 12,780,899	\$ 366,006	\$ 94,651,462	\$ 168,737
Cash receipts from interfund services provided	110,921	-	-	-	110,921	13,699,647
Payments to suppliers	(49,808,279)	(4,702,935)	(5,037,345)	(2,844,072)	(62,392,631)	(12,280,677)
Payments to employees	(7,779,075)	(3,932,675)	(2,765,598)	(375,885)	(14,853,233)	(1,671,760)
Payments for interfund services provided	(4,543)	(723,228)	(429,573)	(48,231)	(1,205,575)	-
Net cash provided (used) by operating activities	<u>8,439,133</u>	<u>6,225,610</u>	<u>4,548,383</u>	<u>(2,902,182)</u>	<u>16,310,944</u>	<u>(84,053)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating grants	-	-	616,366	3,002,049	3,618,415	-
Repaid advance from other funds	(576,378)	-	-	-	(576,378)	-
Repaid advance to other funds	-	128,571	626,378	-	754,949	-
Received - greenhouse gas allowance	2,369,725	-	-	-	2,369,725	-
Transfers out	(2,137,000)	(1,101,000)	(813,000)	-	(4,051,000)	-
Net cash provided (used) by noncapital financing activities	<u>(343,653)</u>	<u>(972,429)</u>	<u>429,744</u>	<u>3,002,049</u>	<u>2,115,711</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Fees received for water meter installations	-	-	19,255	-	19,255	-
Acquisition and construction of capital assets	(1,057,594)	(2,038,749)	(4,477,695)	(1,445,603)	(9,019,641)	-
Fees received from developers	83,914	579,311	206,847	-	870,072	-
Capital grants received	-	273,267	-	1,956,104	2,229,371	-
Principal payments on debt	(2,589,680)	(1,575,000)	(915,000)	-	(5,079,680)	-
Interest payments on debt	(2,941,434)	(1,913,522)	(2,055,106)	-	(6,910,062)	-
Net cash provided (used) by capital and related financing activities	<u>(6,504,794)</u>	<u>(4,674,693)</u>	<u>(7,221,699)</u>	<u>510,501</u>	<u>(17,890,685)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	118,564	203,047	106,571	21,527	449,709	66,459
Net increase (decrease) in cash and cash equivalents	<u>1,709,250</u>	<u>781,535</u>	<u>(2,137,001)</u>	<u>631,895</u>	<u>985,679</u>	<u>(17,594)</u>
Balances - beginning of year	21,614,200	15,749,903	22,893,967	1,481,137	61,739,207	14,344,991
Balances - end of the year	<u>\$ 23,323,450</u>	<u>\$ 16,531,438</u>	<u>\$ 20,756,966</u>	<u>\$ 2,113,032</u>	<u>\$ 62,724,886</u>	<u>\$ 14,327,397</u>

(continued)

City of Lodi
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds					Governmental
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total Enterprise Funds	Internal Service Funds
Reconciliation to the statement of net position						
Cash and investments	\$ 14,037,173	\$ 16,381,062	\$ 4,558,222	\$ 2,113,032	\$ 37,089,489	\$ 14,327,397
Restricted cash and investments	-	-	13,844,773	-	13,844,773	-
Restricted assets with fiscal agents	9,286,277	150,376	2,353,971	-	11,790,624	-
Total cash and cash equivalents	<u>\$ 23,323,450</u>	<u>\$ 16,531,438</u>	<u>\$ 20,756,966</u>	<u>\$ 2,113,032</u>	<u>\$ 62,724,886</u>	<u>\$ 14,327,397</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (loss)	\$ 6,237,242	\$ 899,941	\$ 2,564,875	\$ (4,705,420)	\$ 4,996,638	\$ (608,651)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	2,357,261	4,078,389	2,989,058	1,435,183	10,859,891	1,447
Other revenues	1,732,614	511,689	395,390	145,788	2,785,481	152,535
Changes in assets and liabilities:						
Loans receivable	6,347	-	-	-	6,347	-
Accounts receivables, net	(306,546)	(78,302)	(89,157)	-	(474,005)	16,202
Due from other funds	-	-	-	-	-	(27,692)
Advance receivables	(1,252,823)	-	-	-	(1,252,823)	-
Due from other governmental agencies	-	15,000	-	-	15,000	-
Inventory	(63,989)	30,848	1,486	-	(31,655)	(5,101)
Other assets	10,204	29,629	990	-	40,823	(1,903)
Accrued compensated absences	16,361	(6,957)	(2,924)	(1,012)	5,468	(2,627)
Accounts payable and other liabilities	(93,208)	169,935	(1,066,966)	190,634	(799,605)	2,589
Due to other funds	-	-	-	-	-	27,692
Net pension liability and related amounts	(204,330)	575,438	235,352	32,645	639,105	-
Self-insurance liability	-	-	-	-	-	361,456
Pollution remediation obligation	-	-	(479,721)	-	(479,721)	-
Net cash provided (used) by operating activities	<u>\$ 8,439,133</u>	<u>\$ 6,225,610</u>	<u>\$ 4,548,383</u>	<u>\$ (2,902,182)</u>	<u>\$ 16,310,944</u>	<u>\$ (84,053)</u>
Noncash investing, capital and financing activities						
Capital asset contributions	\$ 469,862	\$ 3,176,736	\$ 1,201,047	\$ -	\$ 4,847,645	\$ -
Amortization of issuance premium	24,909	299,529	19,700	-	344,138	-
Amortization of losses on defeasance	301,655	238,268	-	-	539,923	-

City of Lodi
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private-Purpose Trust Funds	Agency Fund
ASSETS		
Cash and investments	\$ 236,118	\$ 406,729
Interest receivable	2	590
Total assets	236,120	407,319
LIABILITIES		
Agency obligations	-	407,319
NET POSITION - EXPENDABLE	\$ 236,120	\$ -

City of Lodi
Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2017

ADDITIONS	
Investment and rental income	\$ 10,301
 DEDUCTIONS	
Current:	
Library	<u>9,410</u>
Changes in net position	891
Net position -- beginning	<u>235,229</u>
Net position -- end	<u><u>\$ 236,120</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LODI
Notes to Basic Financial Statements
June 30, 2017

(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 Bonds Series A and B were issued in October 2010 to provide funds for a new water treatment facility. On September 1, 2012, the \$19,080,000 Refunding Lease Revenue Bonds (2012 LRB) were issued to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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. The \$17,105,000 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) were also issued in September 2012 to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation (2004 COP). The 2004 COP were issued to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. The 2016 Refunding Wastewater Revenue Bonds (2016 Bonds) were issued to refinance \$21,415,000 principal amount of the 2007 Wastewater System Revenue Certificates of Participation (2007 COP).

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

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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.

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 funds:

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 **Streets Fund** accounts for Gas Tax revenues apportioned to the City under the State Streets and Highway Code, impact fees charged to provide for the building of various storm drains and street improvements needed to serve new developments, and to account for funds apportioned to the City for sales tax collections under Measure K.

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 San Joaquin County (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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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.

Agency Fund account 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.

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.

(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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(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.

(f) Restricted Cash and Investments 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 Fund, restricted assets represent the proceeds of the 2008 Certificates of Participation restricted for debt service. In the Wastewater Fund, the restricted assets represent the proceeds of the 2004A, the 2007A Certificates of Participation and the 2016A Refunding Wastewater Revenue Bonds, 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 Revenue Bonds issued for the purpose of providing funds to pay the cost of a new Water Treatment Facility.

(g) Property Taxes

The 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 lien is 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, 2017, upon which the 2016-17 levy was based, was \$5,860,269,629.

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, 2017, are recorded as receivables. 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 governmental funds.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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 City receives 95% of the property taxes in advance from the County and the 5% remaining after reconciling the City's balance 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 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/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of fiscal year.

Reimbursements for expenditures/expenses, initially made by one fund that is properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. .

(j) Long-term Obligations

In the government-wide financial statements and in the proprietary fund 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 position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium. Losses occurring from advance refunding are reported as deferred outflows of resources and amortized as an expense for both governmental and business-type activities.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(k) Loans Receivable

Loans receivable reported in the HOME Program and Community Development Block Grants Special Revenue Fund represent 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.

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. At June 30, 2017, the outstanding balance of these loans amounted to \$44,707, which the City included in due from other governmental agencies.

In December 2012, the City increased the loan funds in its public benefits program from which G2, G3, G4, G5 or I1 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 \$150,000 per customer. As of June 30, 2017, a total of twenty-three loans to industrial and commercial customers have been approved. At June 30, 2017, there were no outstanding loans, however, twenty-three loans had 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 Outflows and Inflows of Resources

Unamortized Losses on Defeasance

Deferred outflows of resources reported in the Electric Enterprise Fund and business-type activities include the refunding loss incurred in connection with the issuance of the 2008 Certificates of Participation Series A amortized over 24 years. The deferred outflows of resources reported in the Wastewater Enterprise Fund and business-type activities include the refunding loss incurred on the issuance of the 2007A Certificates of Participation amortized over 20 years, the 2012 Refunding Revenue Bonds amortized over 11 years, and the 2016 Refunding

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

Revenue Bonds amortized over 21 years. Deferred outflows of resources reported in the governmental activities represent the refunding loss incurred with the issuance of the 2012 Refunding Lease Revenue Bonds.

Related to Pensions

Pension contributions made in the current year are reported as deferred outflows of resources per GASB Statement No. 71 as the CalPERS' valuation measurement date is June 30, 2016. Those contributions will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Plan earnings in excess of earnings projected, changes in assumptions, differences between expected and actual experience in the CalPERS actuarial report are reported as deferred outflows or inflows of resources.

Unavailable Revenue

The unavailable revenue in the governmental funds is related to the HCD's First-time Homebuyers Program, Development Impact Fees, Fines, forfeits, and penalties, and miscellaneous revenue for various projects. All fees are expected to be repaid in full.

(o) Capital Assets

Capital assets, which include land, works of art, 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 \$10,000 or more and have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition 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 position. 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

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(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) Pensions

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

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date:	June 30, 2015, rolled forward to June 30, 2016
Measurement Date:	June 30, 2016
Measurement Period:	July 1, 2015 to June 30, 2016

(r) 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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(s) Net Position

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

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

Restricted Net Position – Assets restricted by external creditors, grantors, contributors, enabling legislation or laws or regulations of other governments reduced by liabilities related to those assets.

Unrestricted Net Position – This category consists of all net position that does not meet the definition of net investment in capital assets or restricted net position.

(t) Fund Balance

Fund balances presented in the governmental fund financial statements represent the difference between assets, liabilities and deferred inflows of resources. 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 constraints imposed on the use of funds. The City evaluated each of its funds at June 30, 2017 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 City'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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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

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.

The City does not have a policy on the order of spending 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.

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 \$22.8 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 reported as unassigned fund balance. 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 reported as unassigned fund balance. 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.

(u) 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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(v) 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.

(w) Future Implementation of New Governmental Accounting Standards

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement are effective for the City's year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. It further requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. It also requires the recognition of revenue when the resources become applicable to the reporting period. The requirements of this statement are effective for the City's year ending June 30, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes criteria in determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for the City's year ending June 30, 2019.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for the City's year ending June 30, 2020.

In March 2017, GASB issued Statement No. 85, *Omnibus*. This statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the City's year ending June 30, 2018.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this statement are effective for the City's year ending June 30, 2018.

In June 2017, GASB issued Statement No. 87, *Leases*. This statement is to recognize in the financial statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for the City's year ending June 30, 2021.

(2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Government-wide statement of net position:	
Cash and investments	\$ 82,623,085
Restricted cash and investments	27,805,247
Fiduciary funds cash and investments:	
Private-purpose trust funds	236,118
Agency fund	406,729
Total cash and investments	\$ 111,071,179

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 3,496
Deposits with financial institutions	14,020,374
Investments	97,047,309
Total cash and investments	\$ 111,071,179

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(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), Certificate of Deposit Account Registry Service (CDARS), mutual funds that invest in eligible securities, supranationals and medium term notes as permitted by the Government Code. The City is not authorized to enter into reverse repurchase agreements and repurchase agreements, which are permitted by the Government Code. 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.

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%
Certificates of Deposit	5 years	100%	
Negotiable Certificates of Deposit	5 years	30%	
Commercial Paper	270 days	40%	
California State Local Agency Investment Fund (LAIF)	Indefinite	100%	\$50m per account
Passbook Deposits	Indefinite	100%	
Money Market Mutual Funds	Indefinite	20%	
Medium term Notes	5 years	30%	
Investment Trust of California (CALTRUST)	Indefinite	100%	
Certificate of Deposit Account Registry Service (CDARS)	5 years	30%	
Supranational Obligations	5 years	30%	

The City has established a pension stabilization account with Public Agency Retirement Services (PARS), which invests in a Balanced Index PLUS Fund.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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

<u>Investment as of June 30, 2017</u>	<u>Maturity Less than One Year</u>	<u>Maturity One to Five Years</u>	<u>Maturity Over 5 Years</u>	<u>Total</u>
LAIF	\$ 34,541,910			\$ 34,541,910
CALTRUST		44,372,255		44,372,255
PARS	3,938,615			3,938,615
Money Market Mutual Funds	110,845			110,845
Held by bond trustee:				
Negotiable Certificates of Deposit	1,357,233	3,185,093		4,542,326
U.S. Agency Securities		1,621,954		1,621,954
LAIF	969,760			969,760
Money Market Mutual Funds	4,656,592			4,656,592
Guaranteed investment contracts			2,169,850	2,169,850
Total investments subject to interest rate risk	<u>\$ 45,574,955</u>	<u>49,179,302</u>	<u>2,169,850</u>	96,924,107
Equities and options				123,202
Total investments			<u>\$</u>	<u>97,047,309</u>

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

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(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 U.S. Agency Securities have a rating by S&P of AA+. The money market mutual 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 “AAA-m.” The PARS Balanced Index PLUS fund, GICs, and LAIF do not have a rating provided by a nationally recognized statistical rating organization. The CALTRUST Short-term fund is rated “AAf” by S&P while the CALTRUST Medium-term fund is rated “A+f” by S&P. The negotiable certificates of deposit are all rated AAA.

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.

(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, CALTRUST, 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. \$14,213,135 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 Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to 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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(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, 2017 was \$22.8 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2017 had a balance of \$77.6 billion. Of this amount, 2.89% was 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 194 days as of June 30, 2017.

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 may be 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 value 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, 2017, the City's investment in CALTRUST is \$44.4 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, 11 months and CALTRUST Medium-term, 24 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, 2017 was divided among the following asset classes: CALTRUST Short-term was \$1.5 billion and CALTRUST Medium-term was \$1.1 billion.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(h) Fair Value Measurements

In accordance with GASB Statement 72, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability.

Valuation inputs are assumptions that market participants use in pricing an asset or liability. The hierarchy of inputs used to generate the valuation is classified into three different levels.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs include quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for an asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs from the asset or liability where there is very little market activity and they should be used only when relevant Level 1 and Level 2 inputs are unavailable.

The City has the following fair value measurements as of June 30, 2017:

Investment Type	Total	Fair Value Measurements	
		Using Level 1	Using Level 2
Negotiable Certificates of Deposit	\$ 4,542,326		\$ 4,542,326
U. S. Agency Securities	1,621,954		1,621,954
Money Market Mutual Funds	4,767,437		4,767,437
Equities and Options	123,202	123,202	
Total investments subject to fair value hierarchy	11,054,919	123,202	\$ 10,931,717
Investments not subject to fair value hierarchy:			
LAIF	35,511,670		
CALTRUST	44,372,255		
PARS	3,938,615		
Guaranteed Investment Contracts	2,169,850		
Total investments	\$ 97,047,309		

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(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	\$	24,527
Uncollectibles related to electric sales and services		179,865
Uncollectibles related to wastewater services		73,924
Uncollectibles related to water sales and services		<u>74,806</u>
Total uncollectibles of the current fiscal year	\$	<u><u>353,122</u></u>

(4) INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables at June 30, 2017 are as follows:

Due from	Due to	Amount
Other governmental	Other governmental	\$ 195,698
Internal Service	Internal Service	<u>27,692</u>
		\$ <u><u>223,390</u></u>

“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 \$195,698 and \$27,692 represents cash deficits in other governmental funds and internal service funds.

Advances from	Advances to	Amount
Wastewater	Other governmental	\$ 64,286
Water	Other governmental	<u>1,024,025</u>
		\$ <u><u>1,088,311</u></u>

The \$64,286 advance from the Wastewater Fund was used for the Grape Bowl Improvements – Phase 3 and is being repaid with annual payments through fiscal year 2017-18. The advances from the Water Fund were used for the construction of Fire Station #4, \$1,024,025 and have no defined repayment terms; however, the City is repaying as funds are available.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(5) TRANSFERS

Transfers for the year ended June 30, 2017, are summarized as follows:

<u>Transfers out:</u>	<u>Transfers in</u>			
	General	Streets	Other Governmental	Total
General	\$	620,810	6,084,294	\$ 6,705,104
Other governmental			966,480	966,480
Electric	2,104,000		33,000	2,137,000
Wastewater	1,068,000		33,000	1,101,000
Water	780,000		33,000	813,000
Total	\$ 3,952,000	620,810	7,149,774	\$ 11,722,584

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

Transfers out of \$2,104,000 from the Electric Fund, \$1,068,000 from the Wastewater Fund, and \$780,000 from the Water Fund represent operating contributions to the General Fund.

The transfer of \$6,084,294 from the General Fund to other governmental funds represents transfer of \$1,100,294 to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds; \$3,949,800 to Parks, Recreation, and Community Services Fund for operating costs; \$165,000 to Community Development Fund for operating costs; \$434,200 to the Vehicle and Equipment Fund for vehicle replacements and computer replacements; and \$435,000 to the Capital Outlay Reserve Fund for various capital projects.

The transfer of \$620,810 from the General Fund to the Streets Fund is for operations and for various streets projects.

The transfer out of \$966,480 from other governmental funds to other governmental funds includes \$655,750 transferred from Parks, Recreation, and Community Services Fund to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds, transfer of \$234,430 from Parks, Recreation, and Community Services Fund to Parks Capital Fund for park-related capital projects, and transfer of \$21,000 from the Community Development Fund, and \$55,300 from the Parks, Recreation, and Community Services Fund to the Vehicle and Equipment Fund for fleet replacement.

The transfer out from the Electric Fund of \$33,000, transfer out from Wastewater Fund for \$33,000, and Water Fund for \$33,000 to other governmental funds represent transfers to the Vehicle and Equipment Fund for the various projects.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(6) CAPITAL ASSETS

Capital assets activity of the primary government for the year ended June 30, 2017, was as follows:

<u>Governmental activities</u>	<u>Balance June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 24,947,834			\$ 24,947,834
Work of art	304,907			304,907
Construction in progress	11,116,297	8,416,011	(1,115,743)	18,416,565
Total capital assets, not being depreciated	<u>36,369,038</u>	<u>8,416,011</u>	<u>(1,115,743)</u>	<u>43,669,306</u>
Capital assets, being depreciated:				
Buildings and improvements	77,227,603	286,446		77,514,049
Machinery and equipment	11,982,247	806,383		12,788,630
Vehicles	10,775,826	1,156,008	(129,635)	11,802,199
Infrastructure	146,034,325	3,532,923		149,567,248
Total capital assets, being depreciated	<u>246,020,001</u>	<u>5,781,760</u>	<u>(129,635)</u>	<u>251,672,126</u>
Less accumulated depreciation for:				
Buildings and improvements	34,137,171	2,142,349		36,279,520
Machinery and equipment	11,368,268	254,305		11,622,573
Vehicles	8,640,666	580,851	(113,662)	9,107,855
Infrastructure	96,483,660	5,415,733		101,899,393
Total accumulated depreciation	<u>150,629,765</u>	<u>8,393,238</u>	<u>(113,662)</u>	<u>158,909,341</u>
Total capital assets, being depreciated, net	<u>95,390,236</u>	<u>(2,611,478)</u>	<u>(15,973)</u>	<u>92,762,785</u>
Governmental activities capital assets, net	<u>\$ 131,759,274</u>	<u>5,804,533</u>	<u>(1,131,716)</u>	<u>\$ 136,432,091</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

<u>Business-type activities</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 5,535,718			\$ 5,535,718
Construction in progress	14,596,259	2,904,670	(2,091,743)	15,409,186
Total capital assets, not being depreciated	<u>20,131,977</u>	<u>2,904,670</u>	<u>(2,091,743)</u>	<u>20,994,904</u>
Capital assets, being depreciated:				
Buildings and improvements	48,417,000	164,775		48,581,775
Machinery and equipment	274,314,918	11,620,723		285,935,641
Vehicles	12,187,896	1,268,861	(12,702)	13,444,055
Total capital assets, being depreciated	<u>334,919,814</u>	<u>13,054,359</u>	<u>(12,702)</u>	<u>347,961,471</u>
Less accumulated depreciation for:				
Buildings and improvements	19,349,022	1,307,994		20,657,016
Machinery and equipment	90,411,564	8,262,528		98,674,092
Vehicles	7,095,811	1,289,369	(12,702)	8,372,478
Total accumulated depreciation	<u>116,856,397</u>	<u>10,859,891</u>	<u>(12,702)</u>	<u>127,703,586</u>
Total capital assets, being depreciated, net	<u>218,063,417</u>	<u>2,194,468</u>	<u>(12,702)</u>	<u>220,257,885</u>
Business-type activities capital assets, net	<u>\$ 238,195,394</u>	<u>5,099,138</u>	<u>(2,091,743)</u>	<u>\$ 241,202,789</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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

Governmental activities:			
General government		\$	337,508
Public protection			974,205
Public works			5,742,488
Community development			14,881
Library			70,870
Parks and recreation			1,251,839
Internal service funds			<u>1,447</u>
Total depreciation expense - governmental activities		\$	<u><u>8,393,238</u></u>
Business-type activities:			
Electric		\$	2,357,261
Wastewater			4,078,389
Water			2,989,058
Transit			<u>1,435,183</u>
Total depreciation expense - business-type activities		\$	<u><u>10,859,891</u></u>

(7) OPERATING LEASES

The City is obligated under an operating lease for the use of facilities. Total costs for such lease was \$10,000 for the year ended June 30, 2017.

Future minimum lease payments required by this lease agreement that has a remaining noncancellable lease term of one year or more as of June 30, 2017, are as follows:

<u>Years Ending</u>		
2018	\$	10,000
Total minimum lease payments required under operating leases		<u><u>10,000</u></u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(8) LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2017:

	<u>Interest Rates</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Governmental activities:						
Compensated absences		\$ 7,790,529	2,361,031	(2,543,685)	\$ 7,607,875	\$ 1,602,385
2012 Revenue Bonds	2.0-5.0%	18,820,000		(830,000)	17,990,000	860,000
Issuance premium		816,420		(53,830)	762,590	53,830
Total		19,636,420		(883,830)	18,752,590	913,830
Note payable	6.00%	245,000		(245,000)		
Loan payable	1.93%	468,000		(89,989)	378,011	91,775
Capital lease	2.08%	562,387		(75,428)	486,959	77,009
Self-insurance liability		8,480,942	2,365,077	(2,003,621)	8,842,398	2,365,077
Governmental activities long-term liabilities		\$ 37,183,278	4,726,108	(5,841,553)	\$ 36,067,833	\$ 5,050,076

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

	Interest Rates	June 30, 2016	Additions	Reductions	June 30, 2017	Amounts Due Within One Year
Business-type activities:						
Compensated absences		\$ 2,328,783	988,580	(983,112)	\$ 2,334,251	\$ 567,950
Pollution remediation obligation		17,833,729		(479,721)	17,354,008	400,000
Loan payable	2.30%	1,500,000		(199,680)	1,300,320	204,432
Certificates of Participation and Revenue Bonds:						
2010 Revenue Bonds A & B	2.50-6.637%	34,545,000		(915,000)	33,630,000	950,000
Issuance premium		472,805		(19,700)	453,105	19,700
Total		35,017,805		(934,700)	34,083,105	969,700
2008 Certificates of Participation A	3.85-5.05%	60,685,000		(2,390,000)	58,295,000	2,510,000
Issuance premium		398,539		(24,909)	373,630	24,909
Total		61,083,539		(2,414,909)	58,668,630	2,534,909
2004 Certificates of Participation A	2.0-5.5%	2,070,000			2,070,000	
2007 Certificates of Participation A	4.0-5.0%	7,890,000		(160,000)	7,730,000	175,000
Issuance premium		47,538		(2,237)	45,301	2,237
Total		7,937,538		(162,237)	7,775,301	177,237
2012 Revenue Bonds A	2.0-5.0%	13,090,000		(1,415,000)	11,675,000	1,475,000
Issuance premium		1,205,773		(166,313)	1,039,460	166,313
Total		14,295,773		(1,581,313)	12,714,460	1,641,313
2016 Revenue Bonds A	2.0-3.25%	20,295,000			20,295,000	
Issuance premium		2,717,813		(130,979)	2,586,834	130,979
Total		23,012,813		(130,979)	22,881,834	130,979
Total Certificates of Participation and Revenue Bonds		143,417,468		(5,224,138)	138,193,330	5,454,138
Business-type activities long-term liabilities		\$ 165,079,980	988,580	(6,886,651)	\$ 159,181,909	\$ 6,626,520

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

Long-term debt payable at June 30, 2017, comprised of the following individual issues:

Loans Payables

In August 2015, the City obtained a loan in the amount of \$1.5 million to finance the Electric Enterprise Fund's LED Street Light Retrofit project. Annual principal and interest payment is approximately \$235,000 with final payment due December 1, 2022. The annual payments will be paid from the Greenhouse Gas Free Allowance proceeds.

In September 2015, the City obtained a loan in the amount of \$468,000 to finance the purchase of a fire engine. Annual principal and interest payment is \$99,172 with final payment due on December 1, 2020. The annual payments will be paid from Fire department appropriations.

Annual debt service requirements to maturity of the loans payables are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 91,775	\$ 7,397
2019	93,571	5,601
2020	95,402	3,770
2021	97,263	1,908
Total	\$ <u>378,011</u>	\$ <u>18,676</u>

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2018	\$ 204,432	\$ 30,323
2019	209,200	25,555
2020	214,078	20,677
2021	219,027	15,728
2022	224,178	10,577
Thereafter	229,405	5,350
Total	\$ <u>1,300,320</u>	\$ <u>108,210</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

Capital Lease

On June 22, 2016, the City entered into a lease-purchase agreement for the acquisition of Dispatch Console equipment for the Police Department. The new equipment will provide the City with a more flexible system for better connectivity between the Lodi Police Department dispatch operators and field personnel.

The present values of future minimum capital lease payments as of June 30, 2017, are as follows:

Year Ending, June 30		
2018	\$	86,540
2019		86,540
2020		86,540
2021		86,540
2022		86,540
and thereafter		86,540
Total minimum lease payments		519,240
Less amounts representing interest		(32,281)
Present value of minimum capital lease payments	\$	486,959

Certificates of Participation and Revenue Bonds

On May 12, 2004, the City issued **\$27,360,000** Certificates of Participation (2004A COP) 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 commencing 2024 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 \$2,758,275. Interest paid for the current year and total net revenues were \$98,326 and \$6,579,410, respectively.

On November 16, 2007, the City issued **\$30,320,000** Certificates of Participation (2007A COP) 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). The 2007 COP were partially refunded by the issuance of the 2016 Wastewater Refunding Revenue bonds. Principal is payable annually on October 1 in amounts ranging from \$50,000 to \$685,000 with final payment due October 1, 2037. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

certificates. The total principal and interest remaining to be paid on the unrefunded certificates is \$13,150,634. Principal and interest paid for the current year and total net revenues were \$547,613 and \$6,579,410, respectively.

On July 24, 2008, the City issued **\$60,685,000** Certificates of Participation (2008A COP) 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 ranging from \$2,390,000 to \$5,090,000 beginning in 2016 with final payment due in 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 \$82,714,350. Principal and interest paid for the current year and total net revenues were \$5,288,025 and \$15,556,473, respectively.

On October 1, 2010, the City issued **\$9,015,000** Water Revenue Bonds, 2010 Series A and **\$29,650,000** Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) (2010 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 ranging 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 \$63,328,484. Principal and interest paid for the current year and total net revenues were \$2,308,061 and \$6,111,155, respectively.

On September 1, 2012, the City issued **\$19,080,000** Refunding Lease Revenue Bonds (2012 LRB) to allow the City to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 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, 2016, 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 Square Conference and Performing Arts Center. The total principal and interest remaining to be paid on the 2012 LRB is \$24,700,482. Principal is payable annually on October 1 in amounts ranging from \$260,000 to \$1,605,000 beginning in 2016 with final payment due in 2031. Interest paid for the current year was \$824,562.

On August 16, 2012, the City issued **\$17,105,000** 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation. Principal is payable annually on October 1 in amounts ranging from \$1,280,000 to \$1,885,000 beginning in 2013 with final payment due in 2023. The City pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the 2012 Bonds is \$13,605,750. Principal and interest paid for the current year and total net revenues were \$1,947,100 and \$6,579,410, respectively.

On March 10, 2016, the City issued **\$20,295,000** 2016 Refunding Wastewater Revenue Bonds (2016 Bonds) for an advance refunding of the \$21,415,000 principal amount of the 2007 Wastewater Revenue Certificates of Participation. Principal is payable annually on October 1 in

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

amounts ranging from \$110,000 to \$2,175,000 beginning in 2018 with final payment due in 2037. The City pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the 2016 bonds is \$31,886,856. Interest paid for the current year and total net revenues were \$474,109 and \$6,579,410, respectively. At June 30, 2017, the remaining balance of the refunded debt is \$21,415,000.

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.

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 860,000	\$ 794,913	\$ 5,110,000	\$ 6,558,519
2019	900,000	755,213	5,285,000	6,332,319
2020	930,000	721,087	5,510,000	6,099,019
2021	965,000	685,337	5,745,000	5,852,969
2022	1,020,000	635,712	6,005,000	5,613,650
2023-2027	5,905,000	2,329,313	35,870,000	23,173,021
2028-2032	7,410,000	788,907	37,395,000	13,676,417
2033-2037			24,160,000	5,502,862
2038-2040			8,615,000	940,573
Total	\$ 17,990,000	\$ 6,710,482	\$ 133,695,000	\$ 73,749,349

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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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 the purchase of water from the 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.

(9) PENSION PLAN

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's separate Miscellaneous and Safety Plans (Plans), agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

Employees Covered

At June 30, 2016, the most recent actuarial valuation available, the following employees were covered by the benefits of the City's Plans:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Inactive employees or beneficiaries currently receiving benefits	395	183
Inactive employees entitled to but not yet receiving benefits	125	24
Active employees	<u>258</u>	<u>118</u>
Total	<u><u>778</u></u>	<u><u>325</u></u>

Contributions

For the year ended June 30, 2017, the City's actuarially determined contributions were as follows:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Actuarially determined contribution	\$ 3,880,495	\$ 5,136,610
Contributions in relation to the actuarially determined contribution	<u>(3,880,495)</u>	<u>(5,136,610)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Covered employee payroll	\$ 17,802,886	\$ 11,477,432
Contributions as a percentage of covered employee payroll	21.797%	44.754%

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures.

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan	Safety Plan
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Investment Rate of Return	7.65% (1)	7.65% (1)
Mortality	Based on rates of CalPERS Experience Study	

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10 ⁽¹⁾</u>	<u>Real Return Years 11 + ⁽²⁾</u>
Global Equity	47.0 %	5.25 %	5.71 %
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.50% used for this period

(2) An expected inflation of 3.00% used for this period

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2015 (1)	\$ 166,801,735	\$ 126,077,924	\$ 40,723,811
Changes in the year:			
Service cost	2,464,894		2,464,894
Interest on the total pension liability	12,565,553		12,565,553
Differences between expected and actual experience	542,177		542,177
Contribution - employer		3,500,179	(3,500,179)
Contribution - employee		1,241,136	(1,241,136)
Net investment income (2)		643,509	(643,509)
Benefit payments, including refunds of employee contributions	(8,641,550)	(8,641,550)	
Other changes in fiduciary net position		(76,838)	76,838
Net changes during measurement period	<u>6,931,074</u>	<u>(3,333,564)</u>	<u>10,264,638</u>
Balance at June 30, 2016	<u>\$ 173,732,809</u>	<u>\$ 122,744,360</u>	<u>\$ 50,988,449</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

Safety Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2015 (1)	\$ 163,858,600	\$ 106,458,927	\$ 57,399,673
Changes in the year:			
Service cost	2,890,607		2,890,607
Interest on the total pension liability	12,357,788		12,357,788
Differences between expected and actual experience	600,847		600,847
Contribution - employer		4,660,278	(4,660,278)
Contribution - employee		1,062,984	(1,062,984)
Net investment income (2)		558,434	(558,434)
Benefit payments, including refunds of employee contributions	(8,730,081)	(8,730,081)	
Other changes in fiduciary net position		(64,882)	64,882
Net changes during measurement period	7,119,161	(2,513,267)	9,632,428
Balance at June 30, 2016	\$ 170,977,761	\$ 103,945,660	\$ 67,032,101

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.

(2) Net of administrative expenses.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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

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

	Miscellaneous Plan	Safety Plan
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 73,487,124	\$ 90,056,143
Current Discount Rate	7.65%	7.65%
Net pension Liability	\$ 50,988,449	\$ 67,032,101
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 32,339,982	\$ 48,112,131

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$3,919,916 and \$6,247,800 for the Miscellaneous and Safety Plans, respectively.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,880,495	\$	\$ 5,136,610	\$
Changes of assumptions		901,089		1,539,493
Difference between expected and actual experience	355,219	513,624	457,788	488,672
Net differences between projected and actual earnings on plan investments	6,688,211		5,668,268	
Total	\$ 10,923,925	\$ 1,414,713	\$ 11,262,666	\$ 2,028,165

The \$3,880,495 and \$5,136,610 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Miscellaneous Plan	Safety Plan
2018	\$ (321,458)	\$ 1,537
2019	1,074,556	1,539
2020	3,110,803	2,577,085
2021	1,764,816	1,517,730
Total	\$ 5,628,717	\$ 4,097,891

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(10) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(a) Plan Description

The City sponsors a single-employer defined-benefit postemployment healthcare plan (Retiree Health 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 CalPERS healthcare program. Employees who retire from the City and receive a CalPERS 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 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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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 was still alive. Retirees are allowed to enroll in any of the available CalPERS medical plans. The CalPERS 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 Retiree Health Plan are based on pay-as-you-go financing. However the City Council authorized the City Manager to deposit an additional \$1,000,000 with CalPERS this year. For fiscal year 2016-17, the City contributed \$1,771,955, or 54.61%, 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 No. 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	\$ 3,244,557
Interest on net OPEB obligation	226,887
Adjustment to annual required contribution	<u>(320,728)</u>
Annual OPEB cost (expense)	3,150,716
Contributions made	<u>(1,771,955)</u>
Increase in net OPEB obligation	1,378,761
Net OPEB obligation - beginning of year	<u>7,560,300</u>
Net OPEB obligation - end of year	<u>\$ 8,939,061</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2015	\$ 1,276,201	54.83%	\$ 5,343,727
06/30/2016	3,024,169	26.70%	7,560,300
06/30/2017	3,150,716	56.24%	8,939,061

(d) Funding Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$ 39,041,375
Actuarial value of plan assets	\$ 39,041,375
Unfunded actuarial accrued liability (UAAL)	\$ 39,041,375
Funded ratio (actuarial value of plan assets/AAL)	0%
Annual covered payroll (active plan members)	\$ 35,498,642
UAAL as percentage of annual covered payroll	110%

The schedule of funding progress, presented as RSI following the notes to the basic 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.

(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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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 benefit costs between the employer and 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, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 3.5% discount rate to calculate the present value of future benefit payments; a 2.75% inflation rate; an annual healthcare cost trend rate of 7.25% for calendar year 2016, decreasing to 6.75% for calendar year 2017, then gradually decreasing to 5.3% for calendar year 2019 and beyond; the CalPERS minimum benefit will increase 4% per year; a 3.00% annual rate of increase in payroll; assumed that 100% of future eligible retirees will elect to maintain their enrollment in a CalPERS 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 percentage of expected payroll over a closed thirty year period. As of June 30, 2017, the remaining amortization period is 22 years.

The City's unfunded actuarial accrued liability (UAAL) increased from \$16,879,493 as of January 1, 2014 to \$39,041,375 as of June 1, 2016. Approximately \$18 million of this change was due to the addition of the implicit subsidy liability. When premiums for retirees are determined using a blend of active employee and retiree experience, it creates an implicit subsidy to the retirees. Revised Actuarial Standard Practice No. 6 (ASOP 6) effectively requires most public agencies to calculate an implicit subsidy liability whenever their retirees participate in the group medical plans but only pay the same premiums as active employees. ASOP 6 is effective for all actuarial valuations with a measurement date on or after March 31, 2015. Prior to this new standard, many public agencies did not report an implicit subsidy liability because of the "community rating" exemption for employers participating in large pooled health plans like CalPERS.

(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 Fund.

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 has not 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

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

coverage up to \$300,000,000 in the current year. The City has not 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.

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 \$8,842,398 at June 30, 2017, 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 GASB Statement No. 62, 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 the years ended June 30, 2017 and 2016 are as follows:

	<u>Beginning</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending</u>
FY 15-16	\$ 8,305,887	\$ 2,118,423	\$ (1,943,368)	\$ 8,480,942
FY 16-17	8,480,942	2,365,077	(2,003,621)	8,842,398

(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 three 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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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.

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, 2017, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is \$9,082,666.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

Project Participation

The NCPA members and their percentage share at June 30, 2017, which is the most recent available data, are as follows:

NCPA MEMBERS	<u>Geothermal Project</u>	<u>Hydro Electric Project</u>	<u>Combustion Turbine Project #1</u>	<u>Multiple Capital Facilities</u>	<u>Transmission Project</u>	<u>Lodi Energy Center</u>
Alameda	16.8825%	10.00%	21.820%	19.00%	30.7802%	
Bay Area Rapid Transit						6.6000%
Biggs	0.2270		0.197		0.3446	0.2679
Gridley	0.3360		0.350		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	0.7010	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
Ukiah	5.6145	2.04	9.090		10.2315	1.7857
OTHER PARTICIPANTS						
Azusa						2.7857
California Department of Water Resources						33.5000
Modesto Irrigation District						10.7143
Power & Water Resources Pooling Agency						2.6679
Turlock Irrigation District	6.3305				9.6106	

Bulk power purchased by the City through NCPA amounted to \$35,649,861 during the year ended June 30, 2017 and is reflected in utilities expense in the Electric Enterprise Fund.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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 (MW) steam powered plants, Project Number 2 and Project Number 3. Outstanding long-term debt related to this project was approximately \$33 million at June 30, 2017.

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 55 MW 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, 2017, approximately \$354 million in long-term debt used to finance this project was outstanding.

NCPA Combustion Turbine Project #1

The project consists of five combustion turbine units; each nominally rated at 25 MW. 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, 2017, there was no outstanding long-term debt related to this project.

Capital Facilities Project

The Project consists of one 49.9 MW 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, 2017, approximately \$38 million in long-term debt was outstanding.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

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, 2017, there was no outstanding long-term debt related to this project.

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) built in Lodi on city property.

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, 2017, approximately \$351 million in long-term debt was outstanding. The following are the most recent available audited condensed financial statements of NCPA:

Condensed Statement of Net Position
June 30, 2017
(in thousands)

Assets and Deferred Outflows of Resources		Liabilities, Deferred Inflows of Resources and Net Position	
Current assets	\$ 88,453	Long-term debt, net	\$ 737,022
Restricted assets	221,783	Current liabilities	101,550
Electric plant, net	559,841	Non-current liabilities	218,427
Other assets	236,269	Deferred inflows of resources	76,899
Total assets	1,106,346	Net position	34,060
Deferred outflows of resources	61,612	Total liabilities, deferred inflows of resources and net position	\$ 1,167,958
Total assets and deferred outflows of resources	\$ 1,167,958		

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

Condensed Statement of Revenues, Expenses and Changes in Net Position		Combined Statement of Cash Flows	
Year ended June 30, 2017		Year ended June 30, 2017	
(in thousands)		(in thousands)	
Sales for resale	\$ 466,738	Net cash from operating activities	\$ 78,989
Operating expenses	(418,307)	Net from investing activities	10,963
Other expenses	(21,561)	Net cash from capital and related	
Future recoverable costs	(13,274)	financing activities	(75,649)
Net revenues before refunds	13,596	Net cash from noncapital	
Refunds to participants	(7,499)	and related financing activities	5,430
Increase in net position	6,097	Increase in cash and cash equivalents	19,733
Net position, beginning of year	27,963	Cash and cash equivalents, beginning	
		of year	106,311
Net position, end of year	\$ 34,060	Cash and cash equivalents end of year	\$ 126,044

At June 30, 2017, NCPA's total net outstanding long-term debt was \$776,517,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2017, was \$39,495,000.

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

Northern California Power Agency
651 Commerce Drive
Roseville, CA 95678-6411

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 powers 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, 2017

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 each 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, 2016, approximately \$216 million in long-term debt was outstanding of which \$8 million is considered current.

Effective July 1, 2016, the City laid off and relinquished its interest and obligations in the California-Oregon Transmission Project to other TANC members for 25 years.

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

Transmission Agency of Northern California
35 Iron Point Circle, Suite 255
Folsom, CA 95630

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(13) MEMBERSHIP IN INSURANCE POOLS

California Joint Powers Risk Management Authority

The City is a member, along with sixteen other individual cities and 4 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 premiums to the CJPRMA. These premiums 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, 2017, premiums of \$148,370 were paid to CJPRMA for the liability program.

The participants at June 30, 2017, are as follows: Alameda, Chico, Fairfield, Fremont, Livermore, Lodi, Northern California Cities Self Insurance Fund, Petaluma, Redding, Redwood Empire Municipal Insurance Fund, Richmond, Roseville, San Leandro, San Rafael, 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-three 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'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 \$406,344 in premiums to LAWCX during the year ended June 30, 2017.

The participants at June 30, 2017, 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, Central Contra Costa County Transit Agency (CCCTA), California Housing

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

Workers' Compensation Authority (CHWCA), 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 the 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 up 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.

The City paid \$111,238 in premiums to CalTIP during the year ended June 30, 2017. 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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

	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

Internal Service Funds – Fleet Services Fund– A deficit in fund equity in the amount of \$24,033 at June 30, 2017, is attributed to the increase in personnel expenses. The City will evaluate the rates charged to departments to eliminate the deficit during the budget process.

(15) POLLUTION REMEDIATION OBLIGATION

The City 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 (RWQCB) in the early 1990's under the Well Investigation program revealed numerous areas where TCE was discharged, or where PCE from dry cleaning operations was discharged to the sewer system. In 1997, the Department of Toxic Substances Control (DTSC) 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's estimate of the pollution remediation obligation was \$70 million. The City has settled with all the involved parties.

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 Water Resources Control Board's (SWRCB) Resolution No. 92-49 Policies and Procedures for Investigation and Cleanup and Abatement of Discharges Under the Water Code Section 13304 and with the RWQCB's 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 SWRCB. The City's estimated total pollution remediation obligation as of June 30, 2017, is \$17,354,008. This amount is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(16) COMMITMENTS AND CONTINGENCIES

Litigation and claims – The City from time to time is a party to various claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of the City’s administration, the various claims, legal actions, and complaints resulting from such litigation not covered by the City’s self-insurance program (see Note 11) would not materially affect the financial position of 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. Effective January 1, 2010, 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, 2017, for any of the City’s outstanding Certificates of Participation and Revenue Bonds.

Construction and Other Significant Commitments – Commitments are existing arrangements to enter into future transactions or events, such construction contracts for ongoing projects and long-term contractual obligations with suppliers for future purchases at specified prices and sometimes specified quantities. Significant commitments as of June 30, 2017 are as follows:

Governmental Activities:		Business-type Activities:	
General Fund	\$ 37,669	Electric Fund	\$ 642,535
Other governmental funds	5,925,061	Wastewater Fund	1,409,378
		Water Fund	4,846,473
		Transit Fund	623,993
Total governmental activities	\$ 5,962,730	Total business-type activities	\$ 7,522,379

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2017

(17) SUBSEQUENT EVENTS

On December 6, 2017, the City Council formally approved the City's Pension Stabilization policy that invests all General Fund reserves in excess of the 16% reserve policy in the pension stabilization account until such time as the City's pension system is 80% funded. Funded status is calculated by comparing total accrued liabilities to combined CalPERS and pension stabilization account assets. Other funds are similarly required to make contributions to the pension stabilization account on a prorated basis to the General Fund contribution based on the current year's total PERS budget for that fund.

On December 6, 2017, the Lodi Public Financing Authority (PFA) of the City issued refunding bonds in an amount of \$7,555,000 for the purpose of refunding the outstanding Wastewater System Revenue Certificates of Participation, 2007 Series A.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LODI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MISCELLANEOUS PLAN**

Measurement Period	2015-16 ⁽¹⁾	2014-15 ⁽¹⁾	2013-14 ⁽¹⁾
Total Pension Liability			
Service Cost	\$ 2,464,894	\$ 2,358,112	\$ 2,478,901
Interest	12,565,553	12,061,399	11,705,179
Differences Between Expected and Actual Experience	542,177	(1,655,012)	
Changes of Assumptions		(2,903,507)	
Benefit Payments, Including Refunds of Employee Contributions	(8,641,550)	(8,208,103)	(7,729,680)
Net Change in Total Pension Liability	6,931,074	1,652,889	6,454,400
Total Pension Liability - Beginning	166,801,735	165,148,846	158,694,446
Total Pension Liability - Ending (a)	173,732,809	166,801,735	165,148,846
Plan Fiduciary Net Position			
Contributions - Employer	3,500,179	2,994,958	2,694,850
Contributions - Employee	1,241,136	1,183,452	1,237,916
Net Investment Income ⁽²⁾	643,509	2,829,910	19,249,151
Benefit Payments, Including Refunds of Employee Contributions	(8,641,550)	(8,208,103)	(7,729,680)
Other Changes in Fiduciary Net Position	(76,838)	(145,538)	
Net Change in Fiduciary Net Position	(3,333,564)	(1,345,321)	15,452,237
Plan Fiduciary Net Position - Beginning	126,077,924	127,423,245	111,971,008
Plan Fiduciary Net Position - Ending (b)	122,744,360	126,077,924	127,423,245
Plan Net Pension Liability - Ending (a) - (b)	\$ 50,988,449	\$ 40,723,811	\$ 37,725,601
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	75.59%	77.16%
Covered Payroll	\$ 17,423,446	\$ 16,572,579	\$ 16,669,363
Plan Net Pension Liability as a Percentage of Covered Payroll	292.64%	245.73%	226.32%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Net of administrative expenses.

Notes to Schedule:

Benefit Changes: There have been no changes in benefit terms. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers to Two Years Additional Service Credits (a.k.a. Golden Handshakes).

Changes of Assumptions: In fiscal year 2015-16, there were no changes. In fiscal year 2014-15, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

Information in this schedule is not available prior to fiscal year 2013-14 measurement period. Additional years will be added to this schedule until 10 years of data is presented.

**CITY OF LODI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SAFETY PLAN**

Measurement Period	2015-16 ⁽¹⁾	2014-15 ⁽¹⁾	2013-14 ⁽¹⁾
Total Pension Liability			
Service Cost	\$ 2,890,607	\$ 2,968,819	\$ 3,048,048
Interest	12,357,788	11,827,918	11,390,793
Changes of Benefit Terms			
Differences Between Expected and Actual Experience	600,847	(932,918)	
Changes of Assumptions		(2,939,033)	
Benefit Payments, Including Refunds of Employee			
Benefit Payments, Including Refunds of Employee Contributions	(8,730,081)	(8,134,067)	(7,448,361)
Net Change in Total Pension Liability	7,119,161	2,790,719	6,990,480
Total Pension Liability - Beginning	163,858,600	161,067,881	154,077,401
Total Pension Liability - Ending (a)	170,977,761	163,858,600	161,067,881
Plan Fiduciary Net Position			
Contributions - Employer	4,660,278	4,176,197	4,106,044
Contributions - Employee	1,062,984	1,007,876	1,058,376
Net Investment Income ⁽²⁾	558,434	2,397,191	16,070,261
Benefit Payments, Including Refunds of Employee Contributions	(8,730,081)	(8,134,067)	(7,448,361)
Other Changes in Fiduciary Net Position	(64,882)	(119,971)	-
Net Change in Fiduciary Net Position	(2,513,267)	(672,774)	13,786,320
Plan Fiduciary Net Position - Beginning	106,458,927	107,131,701	93,345,381
Plan Fiduciary Net Position - Ending (b)	103,945,660	106,458,927	107,131,701
Plan Net Pension Liability - Ending (a) - (b)	\$ 67,032,101	\$ 57,399,673	\$ 53,936,180
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.79%	64.97%	66.51%
Covered Payroll	\$ 11,106,615	\$ 11,293,867	\$ 11,194,123
Plan Net Pension Liability as a Percentage of Covered Payroll	603.53%	508.24%	481.83%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Net of administrative expenses.

Notes to Schedule:

Benefit Changes: There have been no changes in benefit terms. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers to Two Years Additional Service Credits (a.k.a. Golden Handshakes).

Changes of Assumptions: In fiscal year 2015-16, there were no changes. In fiscal year 2014-15, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

Information in this schedule is not available prior to fiscal year 2013-14 measurement period. Additional years will be added to this schedule until 10 years of data is presented.

**CITY OF LODI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS**

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Miscellaneous Plan:				
Actuarially Determined Contributions	\$ 3,880,495	\$ 3,500,179	\$ 2,994,958	\$ 2,694,850
Contributions in Relation to the Actuarially Determined Contributions	<u>(3,880,495)</u>	<u>(3,500,179)</u>	<u>(2,994,958)</u>	<u>(2,694,850)</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 17,802,886	\$ 17,423,446	\$ 16,572,579	\$ 16,669,363
Contributions as a Percentage of Covered Payroll	21.80%	20.09%	18.07%	16.17%
Safety Plan:				
Actuarially Determined Contributions	\$ 5,136,610	\$ 4,660,278	\$ 4,176,197	\$ 4,106,044
Contributions in Relation to the Actuarially Determined Contributions	<u>(5,136,610)</u>	<u>(4,660,278)</u>	<u>(4,176,197)</u>	<u>(4,106,044)</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 11,477,432	\$ 11,106,615	\$ 11,293,867	\$ 11,194,123
Contributions as a Percentage of Covered Payroll	44.75%	41.96%	36.98%	36.68%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2014 public agency funding valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over 30 years.
Asset Valuation Method	Market value of assets.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries.

Changes of Assumptions: In fiscal year 2016-17, the probabilities of mortality were updated to include the 2014 CalPERS Experience Study through 2011, and mortality rates were changed from 5 years of projected mortality improvement using Scale AA to 20 years of projected on-going mortality improvement using Scale BB. In fiscal year 2015-16, the asset valuation method was changed to market value of assets from actuarial value of assets. No change in assumptions for fiscal year 2014-15.

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (UAAL) [(B) - (A)]	Funded Ratio [(A) / (B)]	Annual Covered Payroll (C)	UAAL As a Percentage of Covered Payroll {[(B) - (A)]/(C)}
1/1/2012	\$ 0	\$ 17,011	\$ 17,011	0%	\$ 7,305	233%
1/1/2014	0	16,879	16,879	0%	5,697	296%
1/1/2016	0	39,041	39,041	0%	35,499	110%

City of Lodi
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 25,710,370	\$ 25,710,370	\$ 26,490,919	\$ 780,549
Licenses and permits	95,280	95,280	86,844	(8,436)
Intergovernmental revenues	12,582,190	12,582,190	12,830,329	248,139
Charges for services	1,296,580	1,296,580	1,852,855	556,275
Fines, forfeits, and penalties	1,489,500	1,489,500	906,563	(582,937)
Investment and rental income	1,562,360	1,562,360	1,734,773	172,413
Miscellaneous revenue	233,100	233,100	319,373	86,273
Total revenues	<u>42,969,380</u>	<u>42,969,380</u>	<u>44,221,656</u>	<u>1,252,276</u>
EXPENDITURES				
Current:				
General government:				
City Manager	1,067,720	1,067,720	1,029,783	37,937
City Clerk	686,170	686,170	640,511	45,659
City Attorney	530,830	539,830	532,270	7,560
Human Resources	505,040	540,836	533,195	7,641
Information Systems	1,249,800	1,249,800	1,069,401	180,399
Financial Services	1,805,250	1,795,250	1,781,234	14,016
Budget and Treasury	266,740	266,740	265,803	937
Non Departmental	1,140,130	3,946,820	3,904,381	42,439
Total general government	<u>7,251,680</u>	<u>10,093,166</u>	<u>9,756,578</u>	<u>336,588</u>
Public protection:				
Police	19,583,220	19,574,248	18,843,212	731,036
Fire	11,391,860	11,389,556	11,126,569	262,987
Total public protection	<u>30,975,080</u>	<u>30,963,804</u>	<u>29,969,781</u>	<u>994,023</u>
Public works	2,173,770	2,173,770	1,698,518	475,252
Library	1,314,400	1,355,331	1,193,652	161,679
Total expenditures	<u>41,714,930</u>	<u>44,586,071</u>	<u>42,618,529</u>	<u>1,967,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,254,450</u>	<u>(1,616,691)</u>	<u>1,603,127</u>	<u>3,219,818</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,952,000	3,952,000	3,952,000	-
Transfers out	(6,705,840)	(6,705,840)	(6,705,104)	736
Total other financing sources (uses)	<u>(2,753,840)</u>	<u>(2,753,840)</u>	<u>(2,753,104)</u>	<u>736</u>
Changes in fund balance (budgetary basis)	(1,499,390)	(4,370,531)	(1,149,977)	<u>\$ 3,220,554</u>
Basis adjustment:				
Pension set aside			2,871,141	
Changes in fund balance (GAAP basis)			1,721,164	
Fund balances - beginning	13,247,193	13,247,193	13,247,193	
Fund balances - ending	<u>\$ 11,747,803</u>	<u>\$ 8,876,662</u>	<u>\$ 14,968,357</u>	

City of Lodi
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Streets Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 13,297,940	\$ 13,297,940	\$ 9,883,250	\$ (3,414,690)
Charges for services	865,010	865,010	1,095,631	230,621
Investment and rental income	11,220	11,220	22,325	11,105
Miscellaneous revenue	40,000	40,000	156,149	116,149
Total revenues	<u>14,214,170</u>	<u>14,214,170</u>	<u>11,157,355</u>	<u>(3,056,815)</u>
EXPENDITURES				
Current:				
Public works	2,507,610	2,571,740	2,100,742	470,998
Capital outlay	1,380,000	12,826,651	8,092,111	4,734,540
Total expenditures	<u>3,887,610</u>	<u>15,398,391</u>	<u>10,192,853</u>	<u>5,205,538</u>
Excess (deficiency) of revenues over (under) expenditures	10,326,560	(1,184,221)	964,502	2,148,723
OTHER FINANCING SOURCES				
Transfers in	<u>620,810</u>	<u>620,810</u>	<u>620,810</u>	<u>-</u>
Changes in fund balance (budgetary basis)	10,947,370	(563,411)	1,585,312	<u>\$ 2,148,723</u>
Basis adjustment:				
Pension set aside			<u>64,130</u>	
Changes in fund balance (GAAP basis)			1,649,442	
Fund balances - beginning	3,574,516	3,574,516	3,574,516	
Fund balances - ending	<u>\$ 14,521,886</u>	<u>\$ 3,011,105</u>	<u>\$ 5,223,958</u>	

CITY OF LODI
Note to the Required Supplementary Information
June 30, 2017

Budgetary Data

The City adopts an annual budget for the General Fund and special revenue funds. These budgets are prepared in accordance with generally accepted accounting principles with the exception of deposits into the pension stabilization account that the City budgeted for as expenditures in the General; Streets; Parks, Recreation, and Community Services; and Community Development funds. 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 budgetary comparison schedules present budget and actual data only of funds for which an annual budget was adopted. The budgets for 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 combining and individual fund statements and schedules for capital projects and debt service funds.

The City Council follows the following procedures in establishing the budgetary data reflected in the accompanying required supplementary information and in the budgetary comparison schedules for nonmajor special revenue funds:

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 required supplementary information and in the budgetary comparison schedules for nonmajor special revenue funds 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.

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 or committed by law or administrative action to expenditures for specified purposes, other than those for major capital projects;

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

Capital Projects 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, 2017**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and investments	\$ 4,786,535	\$ 6,777,481	\$ 11,564,016
Accounts receivable, net	77,675	175,692	253,367
Interest receivable	7,169	6,350	13,519
Due from other funds	195,698	-	195,698
Due from other governmental agencies	507,360	-	507,360
Inventory	1,355	-	1,355
Total assets	<u>\$ 5,575,792</u>	<u>\$ 6,959,523</u>	<u>\$ 12,535,315</u>
LIABILITIES			
Accounts payable and other liabilities	\$ 141,045	\$ 799,596	\$ 940,641
Due to other funds	195,698	-	195,698
Advances from other funds	-	1,088,311	1,088,311
Unearned revenue	45,804	-	45,804
Total liabilities	<u>382,547</u>	<u>1,887,907</u>	<u>2,270,454</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>44,777</u>	<u>180,357</u>	<u>225,134</u>
FUND BALANCES			
Nonspendable			
Inventory	1,355	-	1,355
Restricted for:			
Road-related projects	6,556	-	6,556
Capital projects	-	4,891,259	4,891,259
Home and CDBG program	25,225	-	25,225
Public safety	428,841	-	428,841
Community development	3,892,405	-	3,892,405
Parks, recreation and community services	794,086	-	794,086
Total fund balances	<u>5,148,468</u>	<u>4,891,259</u>	<u>10,039,727</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,575,792</u>	<u>\$ 6,959,523</u>	<u>\$ 12,535,315</u>

City of Lodi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Other Governmental Funds</u>
REVENUES				
Licenses and permits	\$ 1,928,188	\$ -	\$ -	\$ 1,928,188
Intergovernmental revenues	1,261,109	-	-	1,261,109
Charges for services	2,669,401	-	104,422	2,773,823
Investment and rental income	535,792	-	26,396	562,188
Miscellaneous revenue	112,294	-	229,811	342,105
Total revenues	<u>6,506,784</u>	<u>-</u>	<u>360,629</u>	<u>6,867,413</u>
EXPENDITURES				
Current:				
General government	2,518,139	-	54,372	2,572,511
Public protection	231,516	-	-	231,516
Public works	872,730	-	-	872,730
Community development	1,650,876	-	-	1,650,876
Parks and recreation	2,377,753	-	-	2,377,753
Capital outlay	76,022	-	3,424,237	3,500,259
Debt service:				
Interest	11,112	836,055	11,015	858,182
Principal retirement	75,428	919,989	245,000	1,240,417
Total expenditures	<u>7,813,576</u>	<u>1,756,044</u>	<u>3,734,624</u>	<u>13,304,244</u>
Deficiency of revenues under expenditures	<u>(1,306,792)</u>	<u>(1,756,044)</u>	<u>(3,373,995)</u>	<u>(6,436,831)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,114,800	1,756,044	1,278,930	7,149,774
Transfers out	(966,480)	-	-	(966,480)
Total other financing sources (uses)	<u>3,148,320</u>	<u>1,756,044</u>	<u>1,278,930</u>	<u>6,183,294</u>
Changes in fund balances	1,841,528	-	(2,095,065)	(253,537)
Fund balances - beginning	3,306,940	-	6,986,324	10,293,264
Fund balances - ending	<u>\$ 5,148,468</u>	<u>\$ -</u>	<u>\$ 4,891,259</u>	<u>\$ 10,039,727</u>

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

NONMAJOR 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 along with State and Federal grants related to public safety operations.

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.

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.

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**City of Lodi
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
June 30, 2017**

	Parks, Recreation, and Community Services	Public Safety	Community Development	Transportation	HOME Program and Community Development Block Grants	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and investments	\$ 762,130	\$ 349,466	\$ 3,674,939	\$ -	\$ -	\$ 4,786,535
Accounts receivable, net	62,439	-	-	15,236	-	77,675
Interest receivable	963	592	5,545	(13)	82	7,169
Due from other funds	-	-	195,698	-	-	195,698
Due from other governmental agencies	-	93,585	32,604	-	381,171	507,360
Inventory	1,355	-	-	-	-	1,355
Total assets	<u>\$ 826,887</u>	<u>\$ 443,643</u>	<u>\$ 3,908,786</u>	<u>\$ 15,223</u>	<u>\$ 381,253</u>	<u>\$ 5,575,792</u>
LIABILITIES						
Accounts payable and other liabilities	\$ 31,376	\$ -	\$ 16,381	\$ -	\$ 93,288	\$ 141,045
Due to other funds	-	-	-	8,667	187,031	195,698
Unearned revenue	-	14,802	-	-	31,002	45,804
Total liabilities	<u>31,376</u>	<u>14,802</u>	<u>16,381</u>	<u>8,667</u>	<u>311,321</u>	<u>382,547</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	70	-	-	-	44,707	44,777
FUND BALANCES						
Nonspendable						
Inventory	1,355	-	-	-	-	1,355
Restricted for:						
Road-related projects	-	-	-	6,556	-	6,556
Public safety	-	428,841	-	-	-	428,841
Home and CDBG program	-	-	-	-	25,225	25,225
Community development	-	-	3,892,405	-	-	3,892,405
Parks, recreation and community services	794,086	-	-	-	-	794,086
Total fund balances	<u>795,441</u>	<u>428,841</u>	<u>3,892,405</u>	<u>6,556</u>	<u>25,225</u>	<u>5,148,468</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 826,887</u>	<u>\$ 443,643</u>	<u>\$ 3,908,786</u>	<u>\$ 15,223</u>	<u>\$ 381,253</u>	<u>\$ 5,575,792</u>

City of Lodi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2017

	Parks, Recreation, and Community Services	Public Safety	Community Development	Transportation	HOME Program and Community Development Block Grants	Total Nonmajor Special Revenue Funds
REVENUES						
Licenses and permits	\$ -	\$ -	\$ 1,928,188	\$ -	\$ -	\$ 1,928,188
Intergovernmental revenues	46,023	270,136	32,604	15,236	897,110	1,261,109
Charges for services	1,759,246	-	910,155	-	-	2,669,401
Investment and rental income	514,463	2,362	18,591	52	324	535,792
Miscellaneous revenue	25,914	-	86,380	-	-	112,294
Total revenues	<u>2,345,646</u>	<u>272,498</u>	<u>2,975,918</u>	<u>15,288</u>	<u>897,434</u>	<u>6,506,784</u>
EXPENDITURES						
Current:						
General government	2,518,139	-	-	-	-	2,518,139
Public protection	-	231,516	-	-	-	231,516
Public works	-	-	-	-	872,730	872,730
Community development	-	-	1,650,876	-	-	1,650,876
Parks and recreation	2,377,753	-	-	-	-	2,377,753
Capital outlay	46,023	-	-	29,999	-	76,022
Debt service:						
Interest	-	11,112	-	-	-	11,112
Principal retirement	-	75,428	-	-	-	75,428
Total expenditures	<u>4,941,915</u>	<u>318,056</u>	<u>1,650,876</u>	<u>29,999</u>	<u>872,730</u>	<u>7,813,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,596,269)</u>	<u>(45,558)</u>	<u>1,325,042</u>	<u>(14,711)</u>	<u>24,704</u>	<u>(1,306,792)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	3,949,800	-	165,000	-	-	4,114,800
Transfers out	(945,480)	-	(21,000)	-	-	(966,480)
Total other financing sources (uses)	<u>3,004,320</u>	<u>-</u>	<u>144,000</u>	<u>-</u>	<u>-</u>	<u>3,148,320</u>
Changes in fund balances	408,051	(45,558)	1,469,042	(14,711)	24,704	1,841,528
Fund balances - beginning	387,390	474,399	2,423,363	21,267	521	3,306,940
Fund balances - ending	<u>\$ 795,441</u>	<u>\$ 428,841</u>	<u>\$ 3,892,405</u>	<u>\$ 6,556</u>	<u>\$ 25,225</u>	<u>\$ 5,148,468</u>

City of Lodi
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Parks, Recreation, and Community Services Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ 46,000	\$ 46,023	\$ 23
Charges for services	1,820,180	1,822,180	1,759,246	(62,934)
Investment and rental income	463,920	481,920	514,463	32,543
Miscellaneous revenue	7,500	27,730	25,914	(1,816)
Total revenues	<u>2,291,600</u>	<u>2,377,830</u>	<u>2,345,646</u>	<u>(32,184)</u>
EXPENDITURES				
Current:				
General government	2,868,280	2,888,280	2,618,907	269,373
Parks and recreation	2,549,110	2,649,878	2,377,753	272,125
Capital outlay	-	49,289	46,023	3,266
Total expenditures	<u>5,417,390</u>	<u>5,587,447</u>	<u>5,042,683</u>	<u>544,764</u>
Deficiency of revenues under expenditures	<u>(3,125,790)</u>	<u>(3,209,617)</u>	<u>(2,697,037)</u>	<u>512,580</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,949,800	3,949,800	3,949,800	-
Transfers out	<u>(875,250)</u>	<u>(1,020,480)</u>	<u>(945,480)</u>	<u>75,000</u>
Total other financing sources (uses)	<u>3,074,550</u>	<u>2,929,320</u>	<u>3,004,320</u>	<u>75,000</u>
Changes in fund balance (budgetary basis)	(51,240)	(280,297)	307,283	<u>\$ 587,580</u>
Basis adjustment:				
Pension set aside			<u>100,768</u>	
Changes in fund balance (GAAP basis)			408,051	
Fund balances - beginning	387,390	387,390	387,390	
Fund balances - ending	<u>\$ 336,150</u>	<u>\$ 107,093</u>	<u>\$ 795,441</u>	

City of Lodi
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Public Safety Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 349,280	\$ 713,280	\$ 270,136	\$ (443,144)
Fines, forfeits, and penalties	3,000	3,000	-	(3,000)
Investment and rental income	1,700	1,700	2,362	662
Miscellaneous revenue	-	562,387	-	(562,387)
Total revenues	<u>353,980</u>	<u>1,280,367</u>	<u>272,498</u>	<u>(1,007,869)</u>
EXPENDITURES				
Current:				
Public protection	378,250	1,391,933	231,516	1,160,417
Debt service:				
Interest	11,112	11,112	11,112	-
Principal retirement	75,428	75,428	75,428	-
Total expenditures	<u>464,790</u>	<u>1,478,473</u>	<u>318,056</u>	<u>1,160,417</u>
Changes in fund balance	(24,270)	(111,566)	(45,558)	<u>\$ 66,008</u>
Fund balances - beginning	474,399	474,399	474,399	
Fund balances - ending	<u>\$ 450,129</u>	<u>\$ 362,833</u>	<u>\$ 428,841</u>	

City of Lodi
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Community Development Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 1,203,200	\$ 1,203,200	\$ 1,928,188	\$ 724,988
Intergovernmental revenues	362,000	362,000	32,604	(329,396)
Charges for services	529,300	529,300	910,155	380,855
Investment and rental income	8,640	8,640	18,591	9,951
Miscellaneous revenue	100,620	100,620	86,380	(14,240)
Total revenues	<u>2,203,760</u>	<u>2,203,760</u>	<u>2,975,918</u>	<u>772,158</u>
EXPENDITURES				
Current:				
Community development	<u>2,171,120</u>	<u>2,238,682</u>	<u>1,718,438</u>	<u>520,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,640</u>	<u>(34,922)</u>	<u>1,257,480</u>	<u>1,292,402</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	165,000	165,000	165,000	-
Transfers out	(21,000)	(21,000)	(21,000)	-
Total other financing sources (uses)	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>	<u>-</u>
Changes in fund balance (budgetary basis)	176,640	109,078	1,401,480	<u>\$ 1,292,402</u>
Basis adjustment:				
Pension set aside			<u>67,562</u>	
Changes in fund balance (GAAP basis)			1,469,042	
Fund balances - beginning	2,423,363	2,423,363	2,423,363	
Fund balances - ending	<u>\$ 2,600,003</u>	<u>\$ 2,532,441</u>	<u>\$ 3,892,405</u>	

City of Lodi
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Transportation Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 47,100	\$ 47,100	\$ 15,236	\$ (31,864)
Investment and rental income	-	-	52	52
Total revenues	<u>47,100</u>	<u>47,100</u>	<u>15,288</u>	<u>(31,812)</u>
EXPENDITURES				
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>29,999</u>	<u>1</u>
Changes in fund balance	17,100	17,100	(14,711)	<u>\$ (31,811)</u>
Fund balances - beginning	21,267	21,267	21,267	
Fund balances - ending	<u>\$ 38,367</u>	<u>\$ 38,367</u>	<u>\$ 6,556</u>	

City of Lodi
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - HOME Program and Community Development Block
Grants Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 1,128,620	\$ 1,128,620	\$ 897,110	\$ (231,510)
Investment and rental income	-	-	324	324
Total revenues	<u>1,128,620</u>	<u>1,128,620</u>	<u>897,434</u>	<u>(231,186)</u>
EXPENDITURES				
Current:				
Public works	<u>1,128,620</u>	<u>1,128,620</u>	<u>872,730</u>	<u>255,890</u>
Changes in fund balance	-	-	24,704	<u>\$ 24,704</u>
Fund balances - beginning	521	521	521	
Fund balances - ending	<u>\$ 521</u>	<u>\$ 521</u>	<u>\$ 25,225</u>	

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NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS

NONMAJOR 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.

Library

This fund is used to account for the acquisition, construction and installation of capital facilities for the Library.

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 which 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 through transfers from other funds and from State and Federal grants.

Parks Capital

This fund was established to account for the acquisition, construction and installation of capital facilities for the various City parks.

**City of Lodi
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects Funds
June 30, 2017**

	Vehicle and Equipment	Library	Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total Nonmajor Capital Projects Funds
ASSETS						
Cash and investments	\$ 2,092,941	\$ 14,567	\$ 3,290	\$ 3,725,303	\$ 941,380	\$ 6,777,481
Accounts receivable, net	-	-	-	175,692	-	175,692
Interest receivable	-	-	2	4,998	1,350	6,350
Total assets	<u>\$ 2,092,941</u>	<u>\$ 14,567</u>	<u>\$ 3,292</u>	<u>\$ 3,905,993</u>	<u>\$ 942,730</u>	<u>\$ 6,959,523</u>
LIABILITIES						
Accounts payable and other liabilities	\$ 57,038	\$ -	\$ -	\$ 713,268	\$ 29,290	\$ 799,596
Advances from other funds	-	-	-	1,024,025	64,286	1,088,311
Total liabilities	<u>57,038</u>	<u>-</u>	<u>-</u>	<u>1,737,293</u>	<u>93,576</u>	<u>1,887,907</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	180,357	-	180,357
FUND BALANCES						
Restricted for:						
Capital projects	<u>2,035,903</u>	<u>14,567</u>	<u>3,292</u>	<u>1,988,343</u>	<u>849,154</u>	<u>4,891,259</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,092,941</u>	<u>\$ 14,567</u>	<u>\$ 3,292</u>	<u>\$ 3,905,993</u>	<u>\$ 942,730</u>	<u>\$ 6,959,523</u>

City of Lodi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects Funds
For the Year Ended June 30, 2017

	Vehicle and Equipment	Library	Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total Nonmajor Capital Projects Funds
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ 104,422	\$ -	\$ 104,422
Investment and rental income	-	-	6	20,609	5,781	26,396
Miscellaneous revenue	91,366	-	-	-	138,445	229,811
Total revenues	<u>91,366</u>	<u>-</u>	<u>6</u>	<u>125,031</u>	<u>144,226</u>	<u>360,629</u>
EXPENDITURES						
Current:						
General government	54,372	-	-	-	-	54,372
Capital outlay	1,060,375	310,927	-	1,769,720	283,215	3,424,237
Debt service:						
Interest	-	-	-	11,015	-	11,015
Principal retirement	-	-	-	245,000	-	245,000
Total expenditures	<u>1,114,747</u>	<u>310,927</u>	<u>-</u>	<u>2,025,735</u>	<u>283,215</u>	<u>3,734,624</u>
Excess (deficiency) of revenues over (under) expenditures	(1,023,381)	(310,927)	6	(1,900,704)	(138,989)	(3,373,995)
OTHER FINANCING SOURCES						
Transfers in	609,500	-	-	435,000	234,430	1,278,930
Changes in fund balances	(413,881)	(310,927)	6	(1,465,704)	95,441	(2,095,065)
Fund balances - beginning	2,449,784	325,494	3,286	3,454,047	753,713	6,986,324
Fund balances - ending	<u>\$ 2,035,903</u>	<u>\$ 14,567</u>	<u>\$ 3,292</u>	<u>\$ 1,988,343</u>	<u>\$ 849,154</u>	<u>\$ 4,891,259</u>

INTERNAL SERVICE FUNDS

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

This fund is 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

This fund is used to account for the following insurances:

- General Liability
- Workers' Compensation
- Other Insurance

City of Lodi
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2017

	Fleet Services	Benefits	Insurance	Total Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 899,735	\$ 13,427,662	\$ 14,327,397
Accounts receivable, net	723	31,785	-	32,508
Interest receivable	(144)	1,320	19,806	20,982
Due from other funds	-	-	27,692	27,692
Inventory	144,421	-	-	144,421
Other assets	-	102,920	-	102,920
Noncurrent assets:				
Capital assets:				
Depreciable, net	24,603	-	-	24,603
Total assets	169,603	1,035,760	13,475,160	14,680,523
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	33,224	82,139	61,488	176,851
Due to other funds	27,692	-	-	27,692
Self-insurance liability	-	-	2,365,077	2,365,077
Accrued compensated absences	29,371	-	-	29,371
Noncurrent liabilities:				
Self-insurance liability	-	-	6,477,321	6,477,321
Accrued compensated absences	103,349	-	-	103,349
Total liabilities	193,636	82,139	8,903,886	9,179,661
NET POSITION				
Net investment in capital assets	24,603	-	-	24,603
Unrestricted	(48,636)	953,621	4,571,274	5,476,259
Total net position	\$ (24,033)	\$ 953,621	\$ 4,571,274	\$ 5,500,862

City of Lodi
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2017

	Fleet Services	Benefits	Insurance	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 1,590,782	\$ 8,015,168	\$ 4,093,697	\$ 13,699,647
OPERATING EXPENSES				
Personnel services	826,538	705,653	136,942	1,669,133
Supplies, materials and services	900,417	6,816,310	1,219,015	8,935,742
Utilities	13,657	-	670	14,327
Depreciation	1,447	-	-	1,447
Claims	34,200	1,288,372	2,365,077	3,687,649
Total operating expenses	<u>1,776,259</u>	<u>8,810,335</u>	<u>3,721,704</u>	<u>14,308,298</u>
Operating income (loss)	<u>(185,477)</u>	<u>(795,167)</u>	<u>371,993</u>	<u>(608,651)</u>
NONOPERATING REVENUES				
Investment income	(1,240)	7,380	66,810	72,950
Other revenues	43,209	31,811	77,515	152,535
Total nonoperating revenues	<u>41,969</u>	<u>39,191</u>	<u>144,325</u>	<u>225,485</u>
Changes in net position	(143,508)	(755,976)	516,318	(383,166)
Total net position - beginning	119,475	1,709,597	4,054,956	5,884,028
Total net position - ending	<u>\$ (24,033)</u>	<u>\$ 953,621</u>	<u>\$ 4,571,274</u>	<u>\$ 5,500,862</u>

City of Lodi
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	Fleet Services	Benefits	Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 59,411	\$ 31,811	\$ 77,515	\$ 168,737
Cash from interfund	1,618,474	8,015,168	4,066,005	13,699,647
Payments to suppliers	(984,909)	(8,102,474)	(3,193,294)	(12,280,677)
Payments to employees	(829,165)	(705,653)	(136,942)	(1,671,760)
Net cash provided (used) by operating activities	(136,189)	(761,148)	813,284	(84,053)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	(1,096)	7,772	59,783	66,459
Net increase (decrease) in cash and cash equivalents	(137,285)	(753,376)	873,067	(17,594)
Balances - beginning of year	137,285	1,653,111	12,554,595	14,344,991
Balances - end of the year	\$ -	\$ 899,735	\$ 13,427,662	\$ 14,327,397
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income (loss)	\$ (185,477)	\$ (795,167)	\$ 371,993	\$ (608,651)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,447	-	-	1,447
Other revenues	43,209	31,811	77,515	152,535
Changes in assets and liabilities:				
Accounts receivable, net	16,202	-	-	16,202
Due from other funds	-	-	(27,692)	(27,692)
Inventory	(5,101)	-	-	(5,101)
Other assets	-	(1,903)	-	(1,903)
Accrued compensated absences	(2,627)	-	-	(2,627)
Accounts payable and other liabilities	(31,534)	4,111	30,012	2,589
Due to other funds	27,692	-	-	27,692
Self-insurance liability	-	-	361,456	361,456
Net cash provided (used) by operating activities	\$ (136,189)	\$ (761,148)	\$ 813,284	\$ (84,053)

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 Position
Private-Purpose Trust Funds
June 30, 2017

	Library	Hutchins Street Square Bequest	Total
ASSETS			
Cash and investments	\$ 234,575	\$ 1,543	\$ 236,118
Interest receivable	-	2	2
Total assets	<u>234,575</u>	<u>1,545</u>	<u>236,120</u>
 NET POSITION - EXPENDABLE	 <u>\$ 234,575</u>	 <u>\$ 1,545</u>	 <u>\$ 236,120</u>

City of Lodi
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2017

	<u>Library</u>	<u>Hutchins Street Square Bequest</u>	<u>Total</u>
ADDITIONS			
Investment and rental income	\$ 10,293	\$ 8	\$ 10,301
DEDUCTIONS			
Current:			
Library	<u>9,410</u>	<u>-</u>	<u>9,410</u>
Changes in net position	883	8	891
Net position -- beginning	<u>233,692</u>	<u>1,537</u>	<u>235,229</u>
Net position -- end	<u><u>\$ 234,575</u></u>	<u><u>\$ 1,545</u></u>	<u><u>\$ 236,120</u></u>

City of Lodi
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2017

	Special Assessments			Balance June 30, 2017
	Balance July 1, 2016	Additions	Deductions	
ASSETS				
Cash and investments	\$ 422,207	\$ 36,575	\$ 52,053	\$ 406,729
Interest receivable	440	590	440	590
Total assets	<u>\$ 422,647</u>	<u>\$ 37,165</u>	<u>\$ 52,493</u>	<u>\$ 407,319</u>
 LIABILITIES				
Agency obligations	<u>\$ 422,647</u>	<u>\$ -</u>	<u>\$ 15,328</u>	<u>\$ 407,319</u>

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STATISTICAL SECTION

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.

Contents

Pages

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.

120-125

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.

126-131

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.

132-138

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.

139-141

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.

142-146

Sources

Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial report.

CITY OF LODI

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

	Fiscal Year									
	2017	2016	2015 ⁽¹⁾	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
Net investment in capital assets	\$ 117,196	\$ 111,256	\$ 105,944	\$ 105,462	\$ 106,828	\$ 107,587	\$ 114,165	\$ 113,308	\$ 115,036	\$ 107,874
Restricted	15,545	13,911	12,001	11,809	12,601	16,176	14,894	13,233	13,492	15,043
Unrestricted	(77,162)	(76,984)	(74,146)	2,551	1,157	(3,606)	(5,148)	(6,110)	(3,462)	(4,162)
Total governmental activities net position	<u>\$ 55,579</u>	<u>\$ 48,183</u>	<u>\$ 43,799</u>	<u>\$ 119,822</u>	<u>\$ 120,586</u>	<u>\$ 120,157</u>	<u>\$ 123,911</u>	<u>\$ 120,431</u>	<u>\$ 125,066</u>	<u>\$ 118,755</u>
Business-type activities:										
Net investment in capital assets	\$ 129,086	\$ 121,468	\$ 119,924	\$ 116,156	\$ 113,008	\$ 109,582	\$ 104,858	\$ 100,233	\$ 95,533	\$ 98,109
Restricted	3,929	3,893	6,810	6,703	6,600	6,533	5,303			8,657
Unrestricted	16,463	14,427	892	16,535	14,827	(34,563)	(34,129)	(28,591)	(35,448)	26,460
Total business-type activities net position	<u>\$ 149,478</u>	<u>\$ 139,788</u>	<u>\$ 127,626</u>	<u>\$ 139,394</u>	<u>\$ 134,435</u>	<u>\$ 81,552</u>	<u>\$ 76,032</u>	<u>\$ 71,642</u>	<u>\$ 60,085</u>	<u>\$ 133,226</u>
Primary government:										
Net investment in capital assets	\$ 246,282	\$ 232,724	\$ 225,868	\$ 221,618	\$ 219,836	\$ 217,169	\$ 219,023	\$ 213,541	\$ 210,569	\$ 205,983
Restricted	19,474	17,804	18,811	18,512	19,201	22,709	20,197	13,233	13,492	23,700
Unrestricted	(60,699)	(62,557)	(73,254)	19,086	15,984	(38,169)	(39,277)	(34,701)	(38,910)	22,298
Total primary government net position	<u>\$ 205,057</u>	<u>\$ 187,971</u>	<u>\$ 171,425</u>	<u>\$ 259,216</u>	<u>\$ 255,021</u>	<u>\$ 201,709</u>	<u>\$ 199,943</u>	<u>\$ 192,073</u>	<u>\$ 185,151</u>	<u>\$ 251,981</u>

(1) Fiscal year 2015 beginning net position was restated due to the implementation of GASB 68.

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$ 9,650	\$ 10,369	\$ 9,109	\$ 9,580	\$ 8,943	\$ 9,381	\$ 8,262	\$ 8,749	\$ 9,451	\$ 8,307
Public protection	33,239	31,395	27,426	27,884	25,930	25,432	25,113	27,186	27,110	25,531
Public works	10,614	10,326	10,281	10,644	10,546	10,248	9,305	10,462	10,464	12,224
Community development	1,709	1,792	1,165	1,174	1,050	1,003	973	1,114	1,323	2,027
Library	1,253	1,389	1,324	1,282	1,342	1,381	1,355	1,440	1,495	1,696
Parks and recreation	3,663	4,262	3,116	3,164	2,933	2,913	5,778	5,077	4,609	4,414
Interest and fiscal charges	824	822	818	825	416	1,033	1,075	1,105	1,134	1,166
Total governmental activities expenses	60,952	60,355	53,239	54,553	51,160	51,391	51,861	55,133	55,586	55,365
Business-type activities:										
Electric	62,791	61,764	64,367	61,974	61,106	62,599	63,399	64,364	73,358	65,201
Wastewater	16,318	14,024	12,912	12,527	13,423	17,441	11,687	11,289	10,940	12,227
Water	11,961	10,967	9,905	11,014	(34,877)	7,953	8,188	6,148	9,604	9,920
Transit	4,925	4,415	4,134	3,834	4,141	4,256	4,132	4,785	4,832	3,908
Total business-type activities expenses	95,995	91,170	91,318	89,349	43,793	92,249	87,406	86,586	98,734	91,256
Total primary government expenses	\$ 156,947	\$ 151,525	\$ 144,557	\$ 143,902	\$ 94,953	\$ 143,640	\$ 139,267	\$ 141,719	\$ 154,320	\$ 146,621
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,246	\$ 1,490	\$ 1,971	\$ 1,955	\$ 2,337	\$ 1,718	\$ 1,793	\$ 2,184	\$ 1,631	\$ 1,544
Public protection	779	740	609	582	538	500	643	714	844	837
Public works	1,209	734	832	415	224	166	356	326	358	755
Community development	2,838	2,292	1,378	1,219	1,458	993	1,601	786	749	1,085
Library	43	63	43	43	44	43	47	48	44	53
Parks and recreation	1,660	1,637	1,360	1,479	1,404	1,241	1,245	1,269	1,158	851
Operating grants and contributions	2,391	2,596	3,369	2,686	2,341	2,300	2,236	1,927	1,951	2,305
Capital grants and contributions	12,830	10,559	3,131	5,359	4,216	5,025	6,737	5,122	10,822	4,717
Total governmental activities program revenues	24,996	20,111	12,693	13,738	12,562	11,986	14,658	12,376	17,557	12,147
Business-type activities:										
Charges for services:										
Electric	65,848	67,507	65,237	64,693	63,230	64,251	62,167	69,664	74,000	69,284
Wastewater	15,106	14,960	14,714	14,305	13,747	13,280	13,090	11,513	9,276	9,091
Water	12,474	12,161	12,723	12,756	12,441	12,083	11,940	11,716	11,787	11,350
Transit	220	210	230	203	185	186	195	217	251	278
Operating grants and contributions	4,514	5,089	5,186	4,431	5,178	4,214	3,983	3,449	3,653	3,381
Capital grants and contributions	7,972	2,860	5,284	2,846	4,715	3,206	5,150	1,408	5,774	8,064
Total business-type activities program revenues	106,134	102,787	103,374	99,234	99,496	97,220	96,525	97,967	104,741	101,448
Total primary government program revenues	\$ 131,130	\$ 122,898	\$ 116,067	\$ 112,972	\$ 112,058	\$ 109,206	\$ 111,183	\$ 110,343	\$ 122,298	\$ 113,595
Net (Expense)/Revenue										
Governmental activities	\$ (35,956)	\$ (40,244)	\$ (40,546)	\$ (40,815)	\$ (38,598)	\$ (39,405)	\$ (37,203)	\$ (42,757)	\$ (38,029)	\$ (43,218)
Business-type activities	10,139	11,617	12,056	9,885	55,703	4,971	9,119	11,381	6,007	10,192
Total primary government net expense	\$ (25,817)	\$ (28,627)	\$ (28,490)	\$ (30,930)	\$ 17,105	\$ (34,434)	\$ (28,084)	\$ (31,376)	\$ (32,022)	\$ (33,026)

(Continued)

CITY OF LODI

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
Property	\$ 14,860	\$ 13,919	\$ 13,502	\$ 12,758	\$ 12,218	\$ 12,103	\$ 12,698	\$ 12,836	\$ 13,564	\$ 13,838
Franchise taxes	9,099	9,073	8,976	8,838	8,735	8,712	8,692	8,658	8,357	9,338
Business license tax	1,736	1,552	1,486	1,528	1,524	1,628	1,246	1,242	1,190	1,140
Transient occupancy tax	849	783	666	594	546	486	426	382	405	396
Grants and contributions not restricted to specific programs	11,778	11,834	10,651	10,138	9,382	9,277	8,954	7,064	8,249	9,593
Investment earnings	257	326	145	203	44	132	133	155	467	1,008
Rent		1,954	1,942	1,906	1,370					
Other	722	719	605	528	610	2,052	1,556	1,917	2,382	1,077
Special item-gain on sale of parkland							321			
Transfers	4,051	4,469	7,514	4,792	5,682	1,261	6,657	5,868	5,368	3,693
Total governmental activities	43,352	44,629	45,487	41,285	40,111	35,651	40,683	38,122	39,982	40,083
Business-type activities:										
Investment earnings	816	952	632	757	497	566	575	731	1,385	2,028
Litigation- environmental lawsuits proceeds		100			1,107			300	2,010	8,892
Rent		4	4	4						
Other	2,786	3,957	2,745	2,370	1,258	1,244	1,353	923	1,891	2,717
Special item-swap termination									(8,979)	
Transfers	(4,051)	(4,469)	(7,514)	(4,792)	(5,682)	(1,261)	(6,657)	(5,868)	(5,368)	(3,693)
Total business-type activities	(449)	544	(4,133)	(1,661)	(2,820)	549	(4,729)	(3,914)	(9,061)	9,944
Total primary government	\$ 42,903	\$ 45,173	\$ 41,354	\$ 39,624	\$ 37,291	\$ 36,200	\$ 35,954	\$ 34,208	\$ 30,921	\$ 50,027
Change in Net Position										
Governmental activities	\$ 7,396	\$ 4,385	\$ 4,941	\$ 470	\$ 1,513	\$ (3,754)	\$ 3,480	\$ (4,635)	\$ 1,953	\$ (3,135)
Business-type activities	9,690	12,161	7,923	8,224	52,883	5,520	4,390	7,467	(3,054)	20,136
Total primary government	\$ 17,086	\$ 16,546	\$ 12,864	\$ 8,694	\$ 54,396	\$ 1,766	\$ 7,870	\$ 2,832	\$ (1,101)	\$ 17,001

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$ 389	\$ 383	\$ 1,150
Unreserved								3,896	3,383	4,159
Nonspendable		33		10	9	6	357			
Committed	3,520	465	345	301	277					
Assigned		1,564	26	29	65	50	136			
Unassigned	11,448	11,185	12,107	9,134	7,614	6,233	5,654			
Total General Fund	\$ 14,968	\$ 13,247	\$ 12,478	\$ 9,474	\$ 7,965	\$ 6,289	\$ 6,147	\$ 4,285	\$ 3,766	\$ 5,309
All other governmental funds										
Reserved	\$	\$	\$	\$	\$	\$	\$	\$ 7,801	\$ 1,487	\$ 1,932
Unreserved, reported in:										
Special revenue funds								963	6,540	7,433
Capital projects funds								3,649	5,217	5,504
Nonspendable		1	1	1	4	3	1			
Restricted	15,263	13,867	11,957	11,764	12,556	15,017	13,786			
Unassigned				(99)	(512)	(863)	(846)			
Total all other governmental funds	\$ 15,264	\$ 13,868	\$ 11,958	\$ 11,669	\$ 12,047	\$ 14,155	\$ 12,940	\$ 12,413	\$ 13,244	\$ 14,869
	\$ 30,232	\$ 27,115	\$ 24,436	\$ 21,143	\$ 20,012	\$ 20,444	\$ 19,087	\$ 16,698	\$ 17,010	\$ 20,178

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

CITY OF LODI

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Taxes	\$ 26,491	\$ 25,327	\$ 24,631	\$ 23,719	\$ 23,022	\$ 22,928	\$ 23,061	\$ 23,118	\$ 23,516	\$ 24,712
Licenses and permits	2,015	1,646	967	852	921	686	954	520	431	683
Intergovernmental revenues	23,975	21,083	17,557	17,392	14,625	15,289	16,865	12,579	13,229	14,980
Charges for services	5,722	5,830	3,827	3,558	3,880	3,427	3,946	4,116	3,329	4,757
Fines, forfeits, and penalties	906	1,495	1,573	1,557	1,632	1,357	1,407	1,444	1,416	1,321
Investment and rental income	2,319	2,155	2,029	2,025	1,389	1,264	817	923	922	1,312
Contributions and donations	818		282	1,003			689			
Miscellaneous revenue		1,116	538		1,078	813	799	1,093	1,762	822
Total revenues	62,246	58,652	51,404	50,106	46,547	45,764	48,538	43,793	44,605	48,587
Expenditures:										
Current:										
General government	9,499	9,360	9,151	9,019	8,522	8,820	7,667	7,666	8,431	9,545
Public protection	30,201	28,821	26,646	27,093	26,282	25,249	24,489	24,466	24,716	23,979
Public works	4,608	4,070	4,508	4,393	4,532	4,174	3,715	4,383	4,657	5,842
Community development	1,651	1,601	1,226	1,192	1,111	1,037	969	1,013	1,341	2,006
Library	1,153	1,153	1,311	1,268	1,411	1,381	1,357	1,322	1,500	1,673
Parks and recreation	2,378	2,369	2,145	2,299	2,370	2,254	4,127	4,180	3,776	3,826
Capital outlay	11,592	13,117	9,842	7,652	6,271	2,961	9,377	5,108	6,791	4,207
Debt service:										
Interest	858	847	845	851	483	1,039	1,081	1,110	1,139	1,170
Principal payments	1,240	260			245	630	752	725	789	898
Advance refunding escrow					1,689					
Total expenditures	63,180	61,598	55,674	53,767	52,916	47,545	53,534	49,973	53,140	53,146
Excess (deficiency) of revenues over (under) expenditures	(934)	(2,946)	(4,270)	(3,661)	(6,369)	(1,781)	(4,996)	(6,180)	(8,535)	(4,559)

(Continued)

CITY OF LODI

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Other financing sources (uses):										
Transfers in	11,723	13,310	15,599	11,596	12,546	14,486	11,881	11,173	10,609	7,058
Transfers out	(7,672)	(8,716)	(8,036)	(6,804)	(6,864)	(11,348)	(5,224)	(5,305)	(5,242)	(3,365)
Proceeds from sale of land							98			
Refunding bonds issued					20,103					
Payment to refunded bond escrow agent					(19,848)					
Capital lease proceeds		563								
Loan proceeds		468								
Total other financing sources (uses)	4,051	5,625	7,563	4,792	5,937	3,138	6,755	5,868	5,367	3,693
Special item- sale of parkland							630			
Net change in fund balances	3,117	2,679	3,293	1,131	(432)	1,357	2,389	(312)	(3,168)	(866)
Fund balances, beginning of year	27,115	24,436	21,143	20,012	20,444	19,087	16,698	17,010	20,178	21,044
Fund balances, end of year	<u>\$ 30,232</u>	<u>\$ 27,115</u>	<u>\$ 24,436</u>	<u>\$ 21,143</u>	<u>\$ 20,012</u>	<u>\$ 20,444</u>	<u>\$ 19,087</u>	<u>\$ 16,698</u>	<u>\$ 17,010</u>	<u>\$ 20,178</u>
Debt service as a percentage of noncapital expenditures	4.1%	2.3%	1.8%	1.8%	5.2%	3.7%	4.2%	4.1%	4.2%	4.2%

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 2008 to 2017
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	
Property	\$ 9,744	\$ 9,151	\$ 8,810	\$ 8,314	\$ 7,955	\$ 7,861	\$ 8,285	\$ 8,342	\$ 8,887	\$ 9,210	6%
Sales and Use	11,750	11,809	10,625	10,111	9,350	9,246	8,663	6,873	8,028	9,296	26%
Transient Occupancy	849	783	666	594	545	486	426	382	405	396	114%
Franchise	1,915	1,990	1,942	1,862	1,758	1,734	1,715	1,681	1,415	976	96%
Documentary Transfer	240	223	159	155	120	91	95	117	114	125	92%
Motor Vehicle in Lieu	4,904	4,572	4,533	4,289	4,143	4,151	4,317	4,377	4,784	4,797	2%
Public Protection	378	365	362	341	325	295	250	267	296	338	12%
Business License	1,736	1,552	1,133	1,220	1,187	1,182	958	962	1,038	1,140	52%
In Lieu Franchise	7,131	7,082	7,033	6,977	6,977	6,977	6,977	6,977	6,942	8,362	-15%
Totals	\$ 38,647	\$ 37,527	\$ 35,263	\$ 33,863	\$ 32,360	\$ 32,023	\$ 31,686	\$ 29,978	\$ 31,909	\$ 34,640	12%

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Secured roll	\$ 5,603,023	\$ 5,394,659	\$ 5,156,704	\$ 4,895,091	\$ 4,737,807	\$ 4,738,823	\$ 4,907,588	\$ 4,986,693	\$ 5,156,706	\$ 5,069,788
Utility roll	2,300	3,490	3,490	3,490	2,382	2,382	2,423	2,423	2,031	2,035
Unsecured roll	254,946	250,160	257,856	230,827	233,398	226,651	270,600	270,315	263,648	258,687
Gross assessed value	5,860,269	5,648,309	5,418,050	5,129,408	4,973,587	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510
Less exemptions (1)	334,485	331,562	326,833	324,439	327,783	314,448	321,138	332,701	265,154	243,259
Net assessed value	<u>\$ 5,525,784</u>	<u>\$ 5,316,747</u>	<u>\$ 5,091,217</u>	<u>\$ 4,804,969</u>	<u>\$ 4,645,804</u>	<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>
Land	\$ 1,711,208	\$ 1,601,581	\$ 1,469,347	\$ 1,364,401	\$ 1,227,969	\$ 1,264,884	\$ 1,322,830	\$ 1,345,815	\$ 1,562,729	\$ 1,537,554
Improvements	3,854,604	3,736,867	3,610,391	3,443,266	3,445,328	3,401,792	3,534,778	3,600,824	3,577,741	3,503,186
Personal property	294,457	309,861	338,312	321,741	300,290	301,180	323,003	312,792	281,915	289,770
Gross assessed value	5,860,269	5,648,309	5,418,050	5,129,408	4,973,587	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510
Less exemptions (1)	334,485	331,562	326,833	324,439	327,783	314,448	321,138	332,701	265,154	243,259
Net assessed value	<u>\$ 5,525,784</u>	<u>\$ 5,316,747</u>	<u>\$ 5,091,217</u>	<u>\$ 4,804,969</u>	<u>\$ 4,645,804</u>	<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>
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 - \$59,458 and other - \$275,027 = \$334,485

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 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
2017	1.0000	0.0551	0.0000	1.0551
2016	1.0000	0.0599	0.0000	1.0599
2015	1.0000	0.0658	0.0000	1.0658
2014	1.0000	0.0574	0.0000	1.0574
2013	1.0000	0.0646	0.0000	1.0646
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

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					
	2017			2008		
	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	\$ 151,223	1	2.867 %	\$ 65,562	2	1.353 %
Pacific Coast Producers	105,902	2	2.007	35,095	3	0.724
California Physicians Service Corp	54,978	3	1.042			
Big Box Property	36,873	4	0.699			
ConAgra/Cottage Bakery	35,072	5	0.665	14,851	10	0.306
Walmart	30,781	6	0.583			
Winterfell Vintage	28,094	7	0.533			
Costco	19,845	8	0.376			
Archer Daniels Midland Co Corp	17,555	9	0.333	16,744	8	0.346
North American Specialty Products LLC	17,527	10	0.332			
General Mills				144,376	1	2.981
Pacific Coast Producers Corp.				27,092	4	0.559
Parinehs Exchange 2004 LLC				19,704	5	0.407
Certainteed Corp				19,700	6	0.407
Dart Container Corp				18,395	7	0.380
Lodi Memorial Hospital Assn				16,164	9	0.334
Principal Secured Property Valuation	497,850		9.437	377,683		7.797
Other Secured Taxpayers	5,105,173		96.773	4,692,105		96.869
Exemptions relative to secured tax roll	327,605		6.210	226,041		4.666
Total Secured Property Valuation	<u>\$ 5,275,418</u>		<u>100.000 %</u>	<u>\$ 4,843,747</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		
2017	\$	9,821	\$	9,821	100.0%	\$	9,821	100.0%
2016		9,117		9,117	100.0%		9,117	100.0%
2015		8,742		8,742	100.0%		8,742	100.0%
2014		8,353		8,353	100.0%		8,353	100.0%
2013		7,865		7,865	100.0%		7,865	100.0%
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%

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 TEN FISCAL YEARS**

<u>Type of Customer</u>	<u>Billed Accounts</u>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
City Accounts	217	213	212	207	204	195	197	189	189	187
Contract Large Industrial										5
Contract Medium Industrial										1
Contract Small Industrial										1
Domestic Residential	21,917	22,497	22,393	22,623	22,541	22,361	22,360	22,525	22,506	22,510
Domestic Mobile Home Park	13	13	13	13	13	13	13	13	13	13
Dusk to Dawn	85	85	88	89	88	92	89	89	92	92
Large Commercial	355	348	337	339	344	336	350	357	377	380
Large Industrial	35	44	41	39	40	38	40	39	37	32
Medium Industrial	10	11	12	11	11	9	9	9	8	8
Residential Low Income	2,669	2,688	2,798	2,788	2,582	2,531	2,258	2,193	1,847	1,943
Small Commerical	3,434	3,416	3,332	3,367	3,358	3,340	3,324	3,280	3,249	3,199
Small Industrial	10	11	7	8	9	11	11	10	10	9
Total	28,745	29,326	29,233	29,484	29,190	28,926	28,651	28,704	28,328	28,380

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					
	Lease Revenue Bonds	Loan Payable	Notes Payable	Capital Lease	Total Governmental Activities	Certificates of Participation and Revenue Bonds	Notes/ Loan Payable	Total Business-type Activities	Total Primary Government	Percent of Personal Income (1)	Per Capita (1)
2017	\$ 18,753	\$ 378		\$ 487	\$ 19,618	\$ 138,193	\$ 1,300	\$ 139,493	\$ 159,111	6.41 %	\$ 2,484
2016	19,637	468	245	562	20,912	143,417	1,500	144,917	165,829	7.49	2,603
2015	19,950		245		20,195	149,767		149,767	169,962	7.67	2,667
2014	20,004		245		20,249	157,297		157,297	177,546	8.45	2,789
2013	20,058		245		20,303	167,743		167,743	188,046	9.63	2,988
2012	21,025		245		21,270	173,241		173,241	194,511	10.07	3,096
2011	21,655		245		21,900	178,827		178,827	200,727	10.67	3,213
2010	22,265		245		22,510	144,165	1,409	145,574	168,084	8.49	2,645
2009	22,855		245		23,100	148,529	1,585	150,114	173,214	8.81	2,736
2008	23,420	94	245		23,759	140,640	1,755	142,395	166,154	8.99	2,622

Details regarding the City's outstanding debt can be found in 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	Lease Revenue Bonds	Less Amounts Available for Debt Service	Net	Percent of Assessed Value (1) of Property	Per Capita
2017	\$ 18,753		\$ 18,753	0.3 %	\$ 292.74
2016	19,637		19,637	0.4	310.62
2015	19,950		19,950	0.4	313.09
2014	20,004		20,004	0.4	314.28
2013	20,058	\$ 10	20,048	0.4	318.58
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

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assessed valuation (1)	\$ 5,585,242	\$ 5,377,266	\$ 5,152,666	\$ 4,867,731	\$ 4,709,916	\$ 4,718,766	\$ 4,926,130	\$ 4,995,362	\$ 5,227,580	\$ 5,159,269
Conversion percentage	<u>25%</u>									
Adjusted assessed valuation	1,396,311	1,344,317	1,288,167	1,216,933	1,177,479	1,179,692	1,231,533	1,248,841	1,306,895	1,289,817
Debt limit percentage	<u>15%</u>									
Debt Limit	209,447	201,647	193,225	182,540	176,622	176,954	184,730	187,326	196,034	193,473
Total net debt applicable to limit	<u>18,753</u>	<u>19,637</u>	<u>19,950</u>	<u>20,004</u>	<u>20,048</u>	<u>19,333</u>	<u>19,963</u>	<u>20,573</u>	<u>21,163</u>	<u>21,728</u>
Legal debt margin	<u>\$ 190,694</u>	<u>\$ 182,010</u>	<u>\$ 173,275</u>	<u>\$ 162,536</u>	<u>\$ 156,574</u>	<u>\$ 157,621</u>	<u>\$ 164,767</u>	<u>\$ 166,753</u>	<u>\$ 174,871</u>	<u>\$ 171,745</u>
Total net debt applicable to the limit as a percent of debt limit	9.0%	9.7%	10.3%	11.0%	11.4%	10.9%	10.8%	11.0%	10.8%	11.2%

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 \$275,027 deducted for 2017.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2017

	Total Debt	Percentage Applicable (1)	City's Share of Debt
OVERLAPPING DEBT:			
San Joaquin Community College District	\$ 126,614,970	7.695 %	\$ 9,743,022
Lodi Unified School District	161,955,000	35.945	58,214,725
San Joaquin County Certificates of Participation	124,925,000	8.402	10,496,199
Lodi Unified School District Certificates of Participation	24,735,000	35.945	<u>8,890,996</u>
SUBTOTAL OVERLAPPING DEBT			<u><u>87,344,941</u></u>
DIRECT DEBT:			
City of Lodi Lease Revenue Bonds	18,752,590	100.00	18,752,590
City of Lodi - Loan payable	378,011	100.00	378,011
City of Lodi -Capital lease	486,959	100.00	<u>486,959</u>
SUBTOTAL DIRECT DEBT			<u><u>19,617,560</u></u>
TOTAL DIRECT AND OVERLAPPING DEBT(2)			<u><u>\$ 106,962,501</u></u>
2016-17 Gross Assessed Valuation	\$ 5,860,269,000		
2016-17 Population	64,058		
DEBT RATIOS	Total Gross Debt	\$ 106,962,501	\$ <u>1,670</u> <u>1.83%</u>

(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

PLEGGED-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								
2017	\$ 67,815	\$	52,259	\$ 15,556	\$ 2,390	\$ 2,898	\$ 5,288	2.94
2016	70,440		51,205	19,235	5,195	3,094	8,289	2.32
2015	67,132		52,116	15,016	4,960	3,358	8,318	1.81
2014	67,144		50,349	16,795	4,750	3,606	8,356	2.01
2013	63,974		51,209	12,765	4,575	3,839	8,414	1.52
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

(continued)

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 and Revenue Bonds							
2017	\$ 16,707	\$ 10,128	\$ 6,579	\$ 1,575	\$ 1,492	\$ 3,067	2.15
2016	16,941	7,237	9,704	1,535	2,131	3,666	2.65
2015	15,845	6,335	9,510	1,500	2,172	3,672	2.59
2014	15,186	6,003	9,183	4,610	2,294	6,904	1.33
2013	14,305	5,674	8,631	1,500	2,560	4,060	2.13
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

(continued)

CITY OF LODI

PLEGDED-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 (3)	Total	
Water Revenue Bonds							
2017	\$ 13,844	\$ 7,733	\$ 6,111	\$ 915	\$ 1,393	\$ 2,308	2.65
2016	13,025	6,801	6,224	870	1,482	2,352	2.65
2015	13,370	5,815	7,555	850	1,506	2,356	3.21
2014	14,166	6,835	7,331	825	1,530	2,355	3.11
2013	13,367	6,899	6,468	800	1,535	2,335	2.77
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 Note 8 to the basic 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
2017	13.98	64,058	0.7%	746,868	8.6%	139	\$ 2,483	\$ 38,769	6.9%
2016	13.98	63,219	0.7%	733,383	8.6%	139	2,284	36,136	7.8%
2015	13.98	63,719	0.4%	719,511	8.9%	138	2,215	34,755	7.8%
2014	13.98	63,651	0.2%	710,731	9.0%	135	2,102	33,024	8.8%
2013	13.98	62,930	0.2%	698,414	9.0%	137	1,952	31,013	9.0%
2012	13.98	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%

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

Employer	Current			Nine Years Ago		
	Employees	Rank	Percent	Employees	Rank	Percent
			of Total City			of Total City
	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>
Lodi Unified School District	3,026	1	11.58 %	3,301	1	12.64 %
Pacific Coast Producers	1,630	2	6.24	1,200	3	4.59
Lodi Health Hospital	1,384	3	5.30	1,360	2	5.21
Blue Shield	858	4	3.28	850	4	3.25
Walmart	487	5	1.86	285	9	1.09
TreeHouse	485	6	1.86			
City of Lodi	393	7	1.51	460	7	1.76
Farmers & Merchants Bank	335	8	1.28	336	8	1.29
Costco	237	9	0.91			
Target	142	10	0.54	165	10	0.63
Cottage Bakery				700	5	2.68
General Mills				478	6	1.83
Total	<u>8,977</u>		<u>34.36</u>	<u>9,135</u>		<u>34.97</u>

CITY OF LODI

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011*	2010	2009	2008
Department:										
Administration	10	10	10	10	10	12	13	31	32	19
Community Development	11	11	11	9	9	9	13	13	13	14
Electric	51	49	44	43	40	40	41	51	50	48
Financial Services								24	26	39
Fire	54	54	57	53	53	54	64	64	64	64
Internal Services	32	31	31	31	31	29	35			
Library	7	10	11	10	11	12	14	14	14	14
Parks and Recreation								31	31	30
Parks, Recreation and Cultural Services	24	26	28	27	27	29	37			
Police	103	102	107	104	104	103	125	125	125	125
Public Works	101	100	97	95	92	93	98	102	102	107
Total	<u>393</u>	<u>393</u>	<u>396</u>	<u>382</u>	<u>377</u>	<u>381</u>	<u>440</u>	<u>455</u>	<u>457</u>	<u>460</u>

* 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 TEN FISCAL YEARS**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government:										
Building permits issued	2,447	2,482	2,404	2,404	1,578	1,461	2,022	1,709	1,754	1,851
Business tax certificates:										
Retail sales and service	2,443	2,288	2,281	2,281	2,526	2,485	2,530	2,406	2,496	2,442
Manufacturers and processors	76	78	23	23	78	77	76	80	82	78
Professions	308	316	323	323	362	364	371	373	380	398
Miscellaneous contractors, peddlers, delivery vehicles, etc.	949	1,268	1,256	1,256	1,456	1,362	1,357	1,312	1,411	1,063
Utility billing/customer service:										
Number of customers	26,018	26,034	25,912	25,912	23,927	23,761	23,575	25,573	25,555	25,555
Energy sales (KWH)	425,410,574	437,246,335	438,780,911	438,780,911	435,822,465	435,655,731	421,130,329	434,200,987	452,075,554	450,407,709
Peak demand (MW)	129	124	134	134	122	116	116	120	134	134
Public safety:										
Police:										
Major reported crimes	2,025	3,068	2,268	2,268	2,643	3,573	2,885	2,377	2,454	2,993
Total arrests	4,226	4,083	3,690	3,690	3,825	4,350	4,410	4,238	4,646	5,590
Dispatched calls for service	37,866	40,390	35,992	35,992	50,124	46,756	52,061	51,870	56,391	55,911
Fire:										
Interior structure fire calls	51	33	32	32	67	57	56	47	69	88
Non-structural fire calls	177	154	143	143	209	163	121	123	123	160
Hazardous materials calls	90	73	65	65	58	41	69	70	70	35
Emergency medical calls	3,572	3,123	3,418	3,418	3,882	3,820	3,752	3,494	3,364	3,420
Total emergency calls	5,869	5,238	3,666	3,666	5,823	5,620	5,753	5,385	5,392	5,346
Total number of units dispatched	7,225	7,430	5,727	5,727	7,954	7,855	7,835	7,390	7,038	7,841
Public works:										
Miles of streets resurfaced	6	6	6	6	6	6	6	3	6	5
Fleet job orders completed	2,129	2,162	2,500	2,500	1,803	1,953	2,810	3,303	3,921	3,520
Trees planted	135	135	135	135	131	131			96	130
Water utility:										
New connections	205	69	8	8	8	7	8	17	17	35
Water main breaks	2	3	16	16	14	10	8	6	4	4
Wastewater utility:										
Average daily treatment (million gal/day)	4.65MG	4.6MG	4.6MG	4.6MG	5.10MG	5.5MG	6.5MG	6.5MG	6.5MG	6.5MG
Library:										
Registered borrowers	64,742	60,362	58,824	58,824	51,594	47,147	43,927	39,199	53,530	48,969
Circulation of library materials	187,853	199,096	197,673	197,673	215,293	217,742	248,250	251,967	219,711	280,466
Reference, research and informational questions answered	9,695	11,109	13,189	13,189	16,270	14,463	16,234	16,501	15,379	19,257
Annual attendance at libraries	231,602	245,936			224,762	222,148	210,279	207,123	n/a	296,793
Number of programs offered	764	456	432	432	407	432	388	344	316	348
Annual attendance at programs	23,960	15,452	12,888	12,888	14,443	12,993	13,133	10,676	8,765	11,242
Public access computer usage	31,205	34,071	34,071	41,180	45,871	47,428	58,990	52,124	38,388	38,999

(Continued)

CITY OF LODI

**OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT - (continued)
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Community center:										
Community center bookings	597	758	794	769	718	698	926	789	475	494
Instructional classes	554	518	500	553	580	307	536	583	507	530
Registered students	3,010	2,744	2,586	3,269	2,819	3,713	3,438	3,525	3,316	5,550
Yearly attendance	13,925	13,925	13,925	13,925	13,925	13,925	14,217	13,355	14,050	14,410
Parks and recreation:										
After school program registration (number of participants/sites)	1,617/17	19,800/17	315,140/19	254,096/20	1,715/20	3,232/20	1,920/4	1,920/4	1,920/4	3,014/4
Adult sports										
Program/Participation	14,887	14,673	15,285	2,082	2,246	2,420	2,528	2,528	2,284	28,000
Programs offered	14	15	18	17	16	15	16	16	13	11
Partnerships	2	2	2	2	2	3	5	5	1	3
Tournaments	6	8	10	5	6	12	7	7	10	10
Youth/Teen sports										
Program attendance	3,496	3,652	3,621	3,672	3,643	3,889	4,251	4,251	215,000	195,000
Programs offered	18	18	18	18	19	24	16	16	24	14
Aquatics										
Program attendance	28,974	28,195	28,009	27,731	23,414	34,366	32,566	32,566	2,433	50,000
Number of programs	14	14	15	13	13	25	13	13	6	3

Source: City of Lodi

CITY OF LODI

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government:										
Total square miles	13.98	13.98	13.98	13.98	13.98	13.98	13.92	13.92	13.92	13.92
Public safety:										
Police:										
Facilities:										
Stations	1	1	1	1	1	1	1	1	1	1
Animal control facility	1	1	1	1	1	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1	1	1	1	1	1
Vehicles:										
Marked patrol cars	23	23	23	23	23	23	23	23	25	25
Motorcycles and scooters	7	7	7	5	5	5	5	5	5	5
Animal control vehicles	2	2	2	2	2	2	2	2	2	2
Other automobiles	37	37	37	37	37	37	37	37	38	40
Fire:										
Facilities:										
Fire stations	4	4	4	4	4	4	4	4	4	4
Vehicles:										
Fire engines	7	6	6	6	6	6	7	7	7	6
Trucks/Trailers	8	6	6	6	6	5	5	6	6	9
Other automobiles	5	11	11	11	11	9	8	10	12	7
Public works:										
Miles of streets	202	202	202	202	202	202	202	202	202	200
Miles of alley ways	16	16	16	16	16	16	16	16	16	16
Traffic signals	68	67	67	67	67	67	67	62	62	64
Street lights	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,270

(Continued)

CITY OF LODI

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT - (continued)
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Parks and recreation:										
Parks and squares	26	26	26	26	26	26	26	26	26	23
Park acreage	361	361	361	361	361	373	373	373	371	275
Boating facilities - launch lanes	1	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	4	4	4	4	4	4	4	4	4	3
Baseball/softball diamonds	20	20	20	20	20	24	24	24	24	26
Tennis courts	11	11	11	11	11	11	11	11	11	11
Skateboard park	1	1	1	1	1	1	1	1	1	1
Playgrounds	20	20	20	20	20	22	25	25	25	22
Ballpark	24	24	24	24	24	24	24	24	24	26
Soccer Field	22	22	22	22	22	22	22	22	22	22
Football Field	1	1	1	1	1	1	1	1	1	3
Handball/Basketball/Volleyball Courts/Bocce Courts	12	12	12	12	12	10	10	10	10	8
Horseshoe Pits	8	8	8	8	8	8	6	6	6	7
Library:										
Central library	1	1	1	1	1	1	1	1	1	1
Total items in collection	125,730	130,657	119,554	148,287	149,243	135,113	134,804	130,530	135,197	142,885
Integrated library system	1	1	1	1	1	1	1	1	1	1
Microfilm readers	0	0	1	1	1	1	1	1	1	1
Microfilm readers/printers	1	1	1	1	1	1	1	1	1	1
Self check out machines	3	3	2	2	2	2	2	2	2	0
Electric utility:										
Overhead lines 12kv (miles)	117	117	117	117	133	133	133	130	130	130
Overhead lines 60kv (miles)	14	14	14	14	14	14	13	13	13	13
Underground lines (miles)	123	121	118	115	159	159	157	155	154	153

(Continued)

CITY OF LODI

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT - (continued)
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Water utility:										
Water main lines	243	240	236	236	236	236	236	237	233	233
Water storage capacity (gallons)	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Water wells	28	28	28	28	28	27	27	26	26	26
Water reservoirs	3	3	3	3	3	2	2	2	2	2
Water Treatment Plant	1	1								
Wastewater utility:										
Wastewater main lines (miles)	196	196	196	196	196	196	196	191	194	194
Treatment capacity	8.5MG	8.5 MG								
Wastewater treatment plant	1	1	1	1	1	1	1	1	1	1
Wastewater Pump Stations	9	9								
Stormwater utility:										
Stormwater main drain lines (miles)	128	126	124	124	124	124	124	124	161	119
Stormwater pump stations	16	16	14	14	14	14	14	14	14	14
Central parking district:										
Parking structure	1	1	1	1	1	1	1	1	1	1
Parking spaces	2,450	2,450	2,450	2,450	2,453	2,453	2,453	2,453	2,453	2,453
Parking lots	25	25	25	25	25	25	25	25	25	25

Source: City of Lodi Departments

SINGLE AUDIT REPORTS



**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***

The Honorable Members of City Council
City of Lodi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of the Report

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

Macias Gini & O'Connell LLP

Sacramento, California
December 12, 2017



Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Honorable Members of City Council
City of Lodi, California

Report on Compliance for the Major Federal Program

We have audited the City of Lodi's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Sacramento, California
December 12, 2017

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor	Federal	Grant/Project	Passed	Federal
Pass-through Grantor or Direct Program or Cluster Title	CFDA Number	Number	Through to Subrecipients	Expenditures
U.S. Department of Housing and Urban Development				
Direct:				
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-06-0038	\$ -	\$ 48,275
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-06-0038	-	346,485
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-06-0038	-	316,035
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-06-0038	76,158	161,935
Total Community Development Block Grants/Entitlement Grants			<u>76,158</u>	<u>872,730</u>
U.S. Department of Transportation				
Direct:				
Federal Transit - Formula Grants	20.507	CA-2017-102	-	1,320,000
Passed through California Department of Transportation:				
Highway Planning and Construction	20.205	STPL-5154(040)	-	367,664
Passed through California Office of Traffic Safety:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1644	-	26,892
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1762	-	50,145
Passed through City of Stockton:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1642	-	1,757
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>-</u>	<u>78,794</u>
Total U.S. Department of Transportation			<u>-</u>	<u>1,766,458</u>
U.S. Environmental Protection Agency				
Direct:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	99T30201	-	32,604
Total Expenditures of Federal Awards			<u>\$ 76,158</u>	<u>\$ 2,671,792</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, 2017

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2017, 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 (CFDA)

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 – DE MINIMIS INDIRECT COST RATE

For non-federal entities who have never received a negotiated rate, a de minimis rate of 10 percent of modified total direct costs may be used indefinitely as defined in Uniform Guidance section 200.414. The City does not use the 10 percent de minimis indirect cost rate.

CITY OF LODI
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal program:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Community Development Block Grants/Entitlement Grants	14.218

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

CITY OF LODI
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

CITY OF LODI
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

There were no audit findings reported for the year ended June 30, 2016.

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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 2016-17**

The City of Lodi has executed Continuing Disclosure Certificates associated with the various debt issues outstanding by the Electric Utility, Wastewater Utility, Water Utility, the Lodi Public Improvement Corporation and the Lodi Public Financing Authority. 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 2008 Series A 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, 2017, 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	7.2	34,137	7.7%
NCPA			
Geothermal Project	11.5	83,576	19.0
Hydroelectric Project	26.2	95,710	21.7
Combustion Turbine Project No. 1	9.5	1,721	0.4
Capital Facilities, Unit One	19.6	1,836	0.4
Lodi Energy Center	26.6	28,554	6.5
Contracts and Exchanges ⁽³⁾	37.3	195,483	44.3
Total	137.8	441,017⁽⁴⁾	100.00%
Total Capacity and Energy Sold at Wholesale	N/A	3,355	
City System Requirement for Retail Load ⁽⁵⁾	128.7	437,662	

(1) Source: NCPA Annual Resource Adequacy Filings.

(2) Entitlements, firm allocations and contracts.

(3) Includes participation in Astoria 2 Solar Project, Seattle City Light Exchange, and NCPA contracts.

(4) Includes supply from exchanges and line losses.

(5) NCPA All Resources Bill.

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,

	2013	2014	2015	2016	2017
Number of Customers:					
Residential	22,369	22,547	22,355	22,459	22,870
Commercial	2,902	2,898	3,264	3,296	3,071
Industrial	39	38	40	44	41
Other	246	250	253	213	170
Total Customers	25,556	25,733	25,912	26,012	26,152
Kilowatt-Hour (kWh) Sales:					
Residential	151,814,834	148,762,783	148,950,428	151,137,940	146,192,111
Commercial	140,733,500	146,176,148	149,380,413	150,522,357	149,882,241
Industrial	131,473,405	130,333,102	128,814,673	125,018,845	118,900,040
Other	11,800,726	12,022,160	11,635,397	10,567,193	10,436,182
Total kWh sales	435,822,465	437,294,193	438,780,911	437,246,335	425,410,574
Revenues from Sale of Energy:					
Residential	\$ 25,377,978	\$ 25,270,075	\$ 25,165,194	\$ 26,525,558	\$ 26,021,916
Commercial	21,816,149	23,127,603	23,780,354	24,693,195	24,432,075
Industrial	14,173,951	14,381,296	14,418,921	14,469,390	13,852,860
Other	1,861,567	1,913,833	1,871,470	1,819,036	1,540,730
Total Revenues from Sale of Energy:	\$ 63,229,645	\$ 64,692,808	\$ 65,235,939	\$ 67,507,179	\$ 65,847,581
Peak Demand (MW)	123.3	128.7	134.0	124.3	128.7

Excludes revenues from California Energy Commission Tax.

Sources: City of Lodi Audited Annual Financial Statements and Customer Information System Reports (Lodi Electric).

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⁽¹⁾</u>	<u>Lodi's Participation⁽²⁾</u>	<u>Lodi's Share of Outstanding Debt</u>
NCPA			
Geothermal Project Three	\$ 32.8	10.28%	\$ 3.4
Hydroelectric Project	343.8	10.60 ⁽³⁾	36.4
Capital Facilities Project Unit One	37.4	39.50	14.8
Lodi Energy Center Project	<u>230.4</u>	<u>17.03</u>	<u>39.2</u>
TOTAL*	<u>\$ 644.4</u>	<u>14.56%</u>	<u>\$ 93.8</u>

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

- (1) Source: NCPA. Outstanding debt does not include unamortized premium/discount.
- (2) 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.
- (3) Participation obligation combined percentage of Generation Entitlement Share adjusted for other NCPA member opt-out and subsequent defeasance.

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 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017
Operating Revenues					
Rate Revenue	\$ 61,888	\$ 61,837	\$ 63,370	\$ 65,265	\$ 64,114
ECA Revenue	1,341	2,856	1,867	2,242	1,734
Other Revenue	745	2,451	1,895	2,933	1,967
Total Operating Revenue	<u>63,974</u>	<u>67,144</u>	<u>67,132</u>	<u>70,440</u>	<u>67,815</u>
Operating Expenses					
Purchased Power	39,191	37,303	38,512	37,788	35,650
Non-Power Costs ⁽²⁾	12,018	13,046	13,604	13,417	16,609
Total Operating Expenses	<u>51,209</u>	<u>50,349</u>	<u>52,116</u>	<u>51,205</u>	<u>52,259</u>
Net Revenue Available for Debt Service	<u>12,765</u>	<u>16,795</u>	<u>15,016</u>	<u>19,235</u>	<u>15,556</u>
Parity Debt Service					
2002 C & D, 2008 A Bonds	8,414	8,356	8,318	8,289	5,288
Total Net Debt Service	<u>8,414</u>	<u>8,356</u>	<u>8,318</u>	<u>8,289</u>	<u>5,288</u>
Debt Service Coverage	1.52	2.01	1.81	2.32	2.94
Remaining Revenue Available for Other Purposes	4,351	8,439	6,698	10,946	10,268
Non-Operating Revenue/Expenses					
Greenhouse gas allowance	2,018	453	2,323	1,571	2,370
In-Lieu Transfer to General Fund	<u>(6,977)</u>	<u>(6,977)</u>	<u>(7,033)</u>	<u>(7,082)</u>	<u>(7,131)</u>
Net Cash Flow Before Capital Expenditures	<u>(608)</u>	<u>1,915</u>	<u>1,988</u>	<u>5,435</u>	<u>5,507</u>
Beginning General Operating Reserve	30,384	31,082	33,850	36,583	42,891
Changes in General Operating Reserve	1,306	942	745	873	1,253
Net Deposit/Withdrawal from Reserve	<u>(608)</u>	<u>1,915</u>	<u>1,988</u>	<u>5,435</u>	<u>5,507</u>
Ending General Operating Reserve	<u>\$ 31,082</u>	<u>\$ 33,939</u>	<u>\$ 36,583</u>	<u>\$ 42,891</u>	<u>\$ 49,651</u>

Source: City of Lodi

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

(2) 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
July 2017	Average 2% increase across all rate classes Electric Vehicle rate restructure replacing minimum charge with customer charge; aligning energy charges with residential rates
November 2016	City rate restructure replacing minimum charge with customer charge Residential rate restructure replacing minimum charge with customer charge; reduction to 3 energy tiers Mobile home park rate restructure replacing minimum charge with customer charge; reduction to 3 energy tiers; reduction of pad discount
September 2015	Extended Economic Development Rates
January 2015	Average 5% increase across all rate classes
July 2013	Established Electric Vehicle and Industrial Equipment Charging Rates
April 2009	Established Economic Development Rates updated July 2013
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: Lodi Electric Utility

ANNUAL REPORT FOR WASTEWATER UTILITY

The Lodi Wastewater Utility has Continuing Disclosure requirements associated with its 2004 Series A Certificates of Participation, 2007 Series A Certificates of Participation, 2012 Refunding Wastewater Revenue Bonds and the 2016 Refunding Wastewater Revenue Bonds. The annual report includes, by reference, the audited financial statements 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.
6. A table showing historical reserve balances for the past four 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, 2017, 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 2016-17 Service Charge Revenue by User Type**

User Type	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>% of FY 16/17 Service Charge Revenue</u>
Residential	21,959	22,076	21,920	21,700	21,891	78%
Commercial/Industrial	<u>1,851</u>	<u>1,851</u>	<u>1,876</u>	<u>1,909</u>	<u>2,001</u>	<u>22%</u>
Total All Users	<u><u>23,810</u></u>	<u><u>23,927</u></u>	<u><u>23,796</u></u>	<u><u>23,609</u></u>	<u><u>23,892</u></u>	<u><u>100%</u></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 2016-17**

User Type	Percentage of Total Annual Service Charge Revenue
Single Family Residential	60%
Multiple Family Residential	18%
Commercial/Industrial	22%
Total	100%

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 2016-17**

<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
TreeHouse Foods	Specialty bakery, frozen dough	\$ 483,808	3.20%
Lodi Unified School District	K-12, adult education	336,671	2.23
City of Lodi	Government	68,305	.45
Pacific Coast Producers	Private label fruit canning	49,932	.33
Blue Shield of California	Health insurance	43,854	.29
Casa de Lodi	Mobile home park	40,749	.27
Lodi Memorial Hospital	Health care	38,112	.25
Archer Daniels Midland	Agricultural processor	35,876	.24
Miller Packing Company	Hot dog producer	34,419	.23
Tokay Villa Apartments	Apartment complex	25,947	.17
Total top ten users		\$ 1,157,603	7.66%
Total System		\$ 15,106,432	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 1,</u> <u>2013)</u>	<u>Service Charge</u> <u>(effective July 1,</u> <u>2014)</u>	<u>Service Charge</u> <u>(effective July 1,</u> <u>2015)</u>	<u>Service Charge</u> <u>(effective July 1,</u> <u>2016)</u>
For Residential Users (flat rate per month):				
1 Bedroom.....	\$25.83	\$26.48	\$27.22	\$27.90
2 Bedrooms.....	34.44	35.30	36.29	37.20
3 Bedrooms.....	43.05	44.13	45.36	46.49
4 Bedrooms.....	51.66	52.95	54.43	55.79
5 Bedrooms.....	60.27	61.78	63.51	65.09
6 Bedrooms.....	68.88	70.60	72.58	74.39
7 Bedrooms.....	77.49	79.43	81.65	83.69
For Residential Users (usage based rate per month):				
Monthly Usage Charge (\$/CCF) (1)	\$2.68	\$2.75	\$2.82	\$2.89
¾" Meter Charge	23.52	24.11	24.78	25.40
For Commercial/Industrial Users:				
Moderate Strength (annual per Sewage Service Unit (SSU).....	\$413.28	\$423.61	\$423.61	\$446.40
High Strength:				
Flow (annual per MG).....	3,487.41	3,574.60	3,674.68	3,730.00
BOD (annual per 1,000 lbs.).....	575.51	589.90	606.41	616.00
SS (annual per 1,000 lbs.).....	359.85	368.85	379.17	385.00
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal.).....	304.72	312.34	321.00	326.00
Septic Holding Tank Waste Outside City Limits (per 1,000 gal.).....	646.89	663.06	482.00	489.00
Disposal to Storm Drain System (per MG).....	320.09	328.09	328.09	
Disposal to Industrial System:				
Flow (per MG, annual basis).....				
BOD (per 1,000 lbs., annual basis).....				
Winery Waste (per 1,000 gallons).....	301.04	301.04	301.00	306.00

(1) Winter water usage determined as average monthly usage from December through February

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 2012-13 through 2016-17					
	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Operating Revenues					
Charges for Services	\$13,747,216	\$14,305,093	\$14,714,123	\$14,959,756	\$15,106,432
Non-Operating Revenues					
Interest Income	301,347	427,308	356,590	460,862	510,079
Rent					
Other	256,868	453,798	774,007	1,520,966	1,091,001
Total System Revenues	<u>14,305,431</u>	<u>15,186,199</u>	<u>15,884,720</u>	<u>16,941,404</u>	<u>16,707,512</u>
Operating Expenses					
Personnel services	3,089,930	3,215,190	3,116,493	2,923,572	4,501,156
Supplies, Materials and services	1,900,710	2,145,745	2,541,909	3,622,348	4,828,494
Utilities	683,509	642,508	676,838	691,632	798,452
Total Operating Expenses	<u>5,674,148</u>	<u>6,003,443</u>	<u>6,335,240</u>	<u>7,237,552</u>	<u>10,128,102</u>
System Net Revenues	8,631,283	9,182,756	9,509,480	9,703,852	6,579,410
Parity Debt Service					
2003 Installment Payments	381,122	3,280,111			
2004 Installment Payments	1,705,213	98,321	98,325	98,325	98,326
2007 Installment Payments	1,598,950	1,603,550	1,602,850	1,606,850	547,613
2012 Installment Payments	374,519	1,921,700	1,970,350	1,961,100	1,947,100
2016 Installment Payments					474,109
Total Parity Debt Service	<u>4,059,804</u>	<u>6,903,682</u>	<u>3,671,525</u>	<u>3,666,275</u>	<u>3,067,148</u>
Debt Service Coverage	2.13	1.33	2.59	2.65	2.15
Non-Operating Expenses					
Transfers (In)/Out	1,451,480	1,318,000	1,068,000	1,068,000	1,101,000
Total Non-Operating Expenses	1,451,480	1,318,000	1,068,000	1,068,000	1,101,000
Net Cashflow Before Capital Expenditures	\$3,119,999	\$961,072	\$4,769,955	\$4,969,578	\$2,430,502

Source: Financial Services Division

Table 6 A table showing historical reserve balances for the past five fiscal years.

**City of Lodi
Wastewater System
Historical Reserve Balances
(in millions)**

Fund	2013	2014	2015	2016	2017
Operating	\$6.5	\$4.3	\$5.6	\$9.7	\$13
Rate Stabilization	0.5	0.5	0.5	0.5	0.5
Impact Mitigation	0.6	0.7	0.8	1.0	1.7
Capital	6.8	8.7	6.9	4.5	1.0
Total	\$14.4	\$14.2	\$13.8	\$15.7	\$16.2
25% Operating Reserve Goal	\$1.6	\$1.6	\$1.5	\$2.4	\$3.3

Source: City of Lodi

Additional Indebtedness

The Wastewater Utility partially refunded the 2007 Wastewater Certificates of Participation with the issuance of the 2016 Wastewater Refunding Revenue Bonds during the 2015-16 fiscal year which is payable from the system net revenues on a parity with the installment payments.

ANNUAL REPORT FOR THE LODI PUBLIC FINANCING AUTHORITY

The Lodi Public Financing Authority has Continuing Disclosure requirements associated with its 2012 Refunding Lease Revenue Bonds. The annual report includes, by reference, the audited financial statements of the City of Lodi.

The annual report also contains the following six (6) 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 sixteen (16) specific events that require special reporting. As of June 30, 2017, 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 92 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 FISCAL YEARS**

	2013	2014	2015	2016	2017
Revenues:					
Taxes	\$ 23,022,370	23,718,396	24,630,745	25,327,203	26,490,919
Licenses and permits	62,582	83,420	87,908	92,702	86,844
Intergovernmental revenues	10,531,871	11,319,708	12,642,107	12,887,767	12,830,329
Charges for services	1,105,178	1,025,851	1,482,448	1,437,440	1,852,855
Fines, forfeits and penalties	1,628,870	1,552,531	1,573,071	1,494,758	906,563
Investment and rental income	979,100	1,548,787	1,546,845	1,554,198	1,734,773
Miscellaneous revenue	393,299	352,331	290,951	349,153	319,373
Total revenues	<u>37,723,270</u>	<u>39,601,024</u>	<u>42,254,075</u>	<u>43,143,221</u>	<u>44,221,656</u>
Expenditures:					
Current:					
General government	5,943,192	6,482,226	6,490,907	6,824,884	6,926,368
Public protection	25,920,654	26,470,110	26,388,172	28,612,592	29,969,781
Public works	1,555,833	1,554,939	1,882,250	1,866,277	1,698,518
Library	1,410,657	1,267,850	1,311,367	1,152,901	1,152,721
Total expenditures	<u>34,830,336</u>	<u>35,775,125</u>	<u>36,072,696</u>	<u>38,456,654</u>	<u>39,747,388</u>
Excess of revenues over expenditures	<u>2,892,934</u>	<u>3,825,899</u>	<u>6,181,379</u>	<u>4,686,567</u>	<u>4,474,268</u>
Other financing sources (uses):					
Transfers in	5,367,990	3,952,000	3,952,000	3,952,000	3,952,000
Transfers out	(6,584,665)	(6,269,351)	(7,128,586)	(7,869,927)	(6,705,104)
Total other financing sources (uses)	<u>(1,216,675)</u>	<u>(2,317,351)</u>	<u>(3,176,586)</u>	<u>(3,917,927)</u>	<u>(2,753,104)</u>
Net change in fund balance	1,676,259	1,508,548	3,004,793	768,640	1,721,164
Fund balance, beginning of year	6,288,953	7,965,212	9,473,760	12,478,553	13,247,193
Fund balance, end of year	<u>\$ 7,965,212</u>	<u>9,473,760</u>	<u>12,478,553</u>	<u>13,247,193</u>	<u>14,968,357</u>

Table 3 A table showing the assessed valuations for the last ten fiscal years.

Please refer to the table shown in the Statistical Section on page 128.

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 131.

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 130.

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, 2017**

<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	7.0		7.0
Confidential	7.0		7.0
Fire mid-management	9.0		9.0
Fire	9.0		9.0
Mid-management	7.0		7.0
General services	7.0		7.0
Maintenance and operators	7.0		7.0
IBEW	7.0		7.0
Police mid-management	9.0		9.0
Police	9.0		9.0
Dispatchers	7.0		7.0
*PEPRA Miscellaneous Employees	6.75		6.75
*PEPRA Safety Employees	11.25		11.25

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 statements 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, 2016.
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, 2017, 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
2012	1,432	2,329,957	23,399	8,411,315
2013	1,415	2,436,777	21,717	10,353,374
2014	1,435	2,534,741	21,722	10,359,235
2015	1,524	2,830,790	21,387	9,410,460
2016	1,821	2,991,610	21,683	9,500,400

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 2016-17**

<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
City of Lodi	Government	\$ 466,320	3.74%
Lodi Unified School District	K-12, adult education	332,689	2.67
Pacific Coast Producers	Private label fruit canning	149,494	1.20
Lodi Memorial Hospital	Health care	65,816	0.53
Treehouse Foods	Specialty bakery, frozen dough	64,019	0.51
Casa de Lodi	Mobile home park	28,725	0.23
All State Packers	Crop preparation	20,044	0.16
Sweetener Products	Sweetener distribution	19,333	0.16
Lodi Wine & Business Center	Tourism center	18,050	0.14
Tokay Villa	Apartment complex	13,931	0.11
Subtotal Top Ten Users		\$ 1,178,421	9.45%
TOTAL SYSTEM		\$ 12,473,676	100.00%

Table 3 A table showing selected rates effective January 1, 2017.

**CITY OF LODI
WATER SYSTEM
Selected Rates Effective January 1, 2017**

<u>Percent Increase</u>	<u>Current</u>
<i>Flat Rates (\$/month)</i>	
Single Family Residential Unit (\$/month)	
1 Bedroom	\$32.84
2 Bedroom	\$39.44
3 Bedroom	\$47.27
<i>Metered Water Rates</i>	
Service Charge (\$/month)	
<i>Single Family Residential</i>	
Up to 3/4" Meter	\$21.87
<i>Multi-Family and Non-Residential</i>	
1" Meter	\$34.34
1 1/2" Meter	\$65.25
2" Meter	\$102.52
Water Usage rates (\$/CCF)	
<i>Single Family Residential</i>	
Tier 1 - 0 to 10 CCF/month	\$0.97
Tier 2 - 11 to 50 CCF/month	\$1.29
Tier 3 - Over 50CCF/month	\$1.60
<i>Multi-Family and Non-Residential</i>	
All Water Usage	\$1.15

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 2012-13 through 2016-17**

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Gross Revenues					
Water Sales ⁽¹⁾	\$ 12,441,039	\$ 12,756,076	\$ 12,722,619	\$ 12,161,186	\$ 12,473,676
Investment Earnings	67,982	118,799	87,211	166,791	132,364
Water Impact Mitigation Fees	2,529	60,000	20,299	332,765	206,847
Meter Retrofit Installation Charges	585,965	405,677	56,052	76,103	19,255
Other Revenues ⁽²⁾	269,335	825,314	483,710	287,839	1,011,756
Total Gross Revenues	<u>13,366,850</u>	<u>14,165,866</u>	<u>13,369,891</u>	<u>13,024,684</u>	<u>13,843,898</u>
Operating and Maintenance Expenses					
Personnel Services	2,272,568	2,392,611	2,316,305	2,515,542	2,998,026
Supplies, Materials and Services	2,882,547	3,014,227	2,139,014	3,008,676	3,468,229
Utilities	683,635	648,233	579,774	496,316	453,488
Administrative Overhead	1,060,120	780,000	780,000	780,000	813,000
Total O & M Expenses	<u>6,898,870</u>	<u>6,835,071</u>	<u>5,815,093</u>	<u>6,800,534</u>	<u>7,732,743</u>
Net Revenue Available for Debt Service	<u>6,467,980</u>	<u>7,330,795</u>	<u>7,554,798</u>	<u>6,224,150</u>	<u>6,111,155</u>
Debt Service					
2010 Bonds ⁽³⁾	2,335,360	2,355,230	2,356,141	2,351,580	2,308,061
Total Net Debt Service	<u>2,335,360</u>	<u>2,355,230</u>	<u>2,356,141</u>	<u>2,351,580</u>	<u>2,308,061</u>
Debt Service Coverage ⁽⁴⁾					
Debt Service Coverage	2.77	3.11	3.21	2.65	2.65
Debt Service Coverage (excluding impact mitigation fees)	2.77	3.09	3.20	2.51	2.56
Net Remaining Revenues Available for Capital	4,132,620	4,975,565	5,198,657	3,872,570	3,803,094

Capital Improvement Projects

Meter Retrofit Program ⁽⁵⁾	6,536,687	6,891,350	4,841,932	1,606,734	4,589,636
Other Water System Improvements ⁽⁶⁾	<u>1,144,363</u>	<u>380,675</u>	<u>267,902</u>	<u>9,097</u>	<u>330,380</u>
Total Capital Improvement Projects	<u>7,681,050</u>	<u>7,272,025</u>	<u>5,109,834</u>	<u>1,615,831</u>	<u>4,920,016</u>
Net Change in Reserve	(3,548,430)	(2,296,460)	88,823	2,256,739	(1,116,922)
Water Enterprise Fund ⁽⁷⁾					
Beginning Cash Balance	12,465,350	9,044,659	7,027,567	6,755,522	6,270,786
Ending Cash Balance	\$ 9,044,659	\$ 7,027,567	\$ 6,755,522	\$ 6,270,786	\$ 4,558,222

- (1) Water sales reflect Council-adopted rate increases effective January 1, 2015.
- (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.
- (3) Reflects total debt service for the 2010 Water Revenue Bonds net of the 35% interest rate subsidy for the Series 2010B bonds.
- (4) Coverage calculated based on Net Revenues divided by net Debt Service and Net Revenues less mitigation fees divided by Net Debt Service.
- (5) Annual capital costs of transition to water meters. Program expected to be completed in Fiscal Year 2017-18.
- (6) Excludes costs of the Project to be funded from proceeds of the Series 2010 Bonds.
- (7) 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