

CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018

MARK CHANDLER, MAYOR
DOUG KUEHNE, MAYOR PRO TEM
ALAN NAKANISHI, COUNCILMEMBER
BOB JOHNSON, COUNCILMEMBER
JOANNE MOUNCE, COUNCILMEMBER

STEVE SCHWABAUER, CITY MANAGER

Prepared by the Financial Services Division
Melissa Munoz, Accounting Manager
Robin Xiang, Supervising Accountant
Harron Akbar, Accountant

INTRODUCTORY SECTION

**CITY OF LODI
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2018**

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INTRODUCTORY SECTION

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CITY COUNCIL

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

CITY OF LODI
CITY HALL, 221 WEST PINE STREET
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LODI, CALIFORNIA 95241-1910
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STEVE SCHWABAUER
City Manager
JENNIFER FERRAILOLO
City Clerk
JANICE MAGDICH
City Attorney

January 17, 2019

**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, 2018, 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, 2018, 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 by district 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	30
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 at approximately 67,000 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 approximately 10 to 150 employees and produce a wide variety of products, services and commodities.

The City is growing. 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 has completed construction on some buildings and begun renting units. Full build out of the market rate complex along with an age restricted apartment complex is expected in the coming year. 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. In December 2017, the City approved a Pension Stabilization Funding Policy that requires unassigned reserves in excess of the General Fund target be invested at Public Agency Retirement System (PARS) in an IRS Section 115 irrevocable trust known as a Pension Rate Stabilization Program. Non General Funds must contribute their proportional share to the trust as well. 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.

The City of Lodi has worked hard in recent years to protect key measures of quality of life that residents tell us they value – safe neighborhoods, adequate emergency response, decent roads and more. Residents desire the City to maintain or increase current levels of service while also being fiscally responsible. In order to do so, Measure L, a ½ cent sales tax measure, was filed for the November 6, 2018 ballot, and passed with a 58.70% approval. The additional sales tax revenue will go to maintain and protect the services resident’s value the most, including maintaining neighborhood police patrols and gang violence interventions to help reduce crime; improve emergency 911 rapid response times by

restoring firefighter and adding police positions; fix potholes and maintain city streets; repair/upgrade Lodi Lake Park and our trail system, and maintain recreation facilities/programs; provide homelessness solutions, including both intervention services and enforcement. The sales tax measure is projected to bring in approximately \$5.4 million in additional general revenues to the City. 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

In addition to Measure L, the City continues its commitment to promote 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 2018, steady progress toward buildout and occupancy of the new retail development has occurred and that is expected to continue into 2019.

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 2017-18. The following projects were recently completed, are underway and will see significant progress, or be completed in 2019.

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. The construction cost to complete this project was \$15.1 million and was mostly funded by State and Federal grants. This project was accepted by Council on June 6, 2018.

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 should complete construction and a new age restricted apartment complex should open in 2018.

Hotel Development

Two hotel developments that present significant opportunity for economic development and new tax revenue are underway. The 95 room Candlewood Inn and Suites is currently under construction and is expected to be completed in late 2019. The 72 room Fairfield Inn and Suites is currently in building plan review with construction possible in 2019.

Infill Development

The new 34 lane Lodi Bowling Alley is currently in building review with construction possible in 2019.

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 16,000 parcels over an eleven 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 2020-21. To date, approximately 15,300 meters have been installed. Estimated cost for the complete program is \$42.5 million.

Henry Glaves, Jr. Park Playground

In August 2018, Parks, Recreation and Cultural Services staff completed the replacement of the playground at Henry Glaves, Jr. Park. The old playground at the park was well over twenty years old and

had far exceeded its useful life. This was the first City funded replacement of any playground equipment in Lodi in twenty four years.

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 2017-18, 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 2018, the target for the Electric enterprise fund working capital is \$23.3 million for fiscal year 2017-18. 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 \$9,736,786, or 21.50% of revenues at the end of fiscal year 2017-18.

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 2017-18, the City's appropriations subject to limit were \$39,885,778 and the appropriation limit was \$105,753,512, leaving appropriations at \$65,867,734 below the limit.

Debt Administration

At June 30, 2018, the City had outstanding Certificates of Participation and Revenue Bonds of \$142,227,294. These liabilities are discussed in Note 8 of the Basic Financial Statements and summarized below.

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.

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.

On December 1, 2017, the City issued \$7,762,794 Installment Purchase Agreement, refunding the Certificates of Participation, 2007 A (2007 COP).

On June 13, 2018 the City issued \$41,610,000 Electric System Revenue Refunding Bonds (2018 Bonds) to allow the City prepay and cause the immediate defeasance of the outstanding \$55,785,000 Certificates of Participation (Electric System Revenue Certifications of Participation 2008 Series A).

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.

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 2017-18 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, 2018, the Insurance Fund had a net position of \$5,722,710.

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 The Pun Group 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, 2017. 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-five consecutive years. We believe our current report continues to

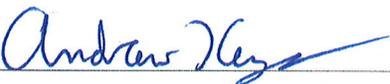
conform to the Certificate of Achievement program requirements and we are submitting it to GFOA this year.

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 Melissa Munoz, Accounting 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,

A handwritten signature in blue ink that reads "Andrew Keys". The signature is written in a cursive style and is positioned above a horizontal line.

Andrew Keys
Deputy City Manager/Internal Services Director



Government Finance Officers Association

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

Presented to

**City of Lodi
California**

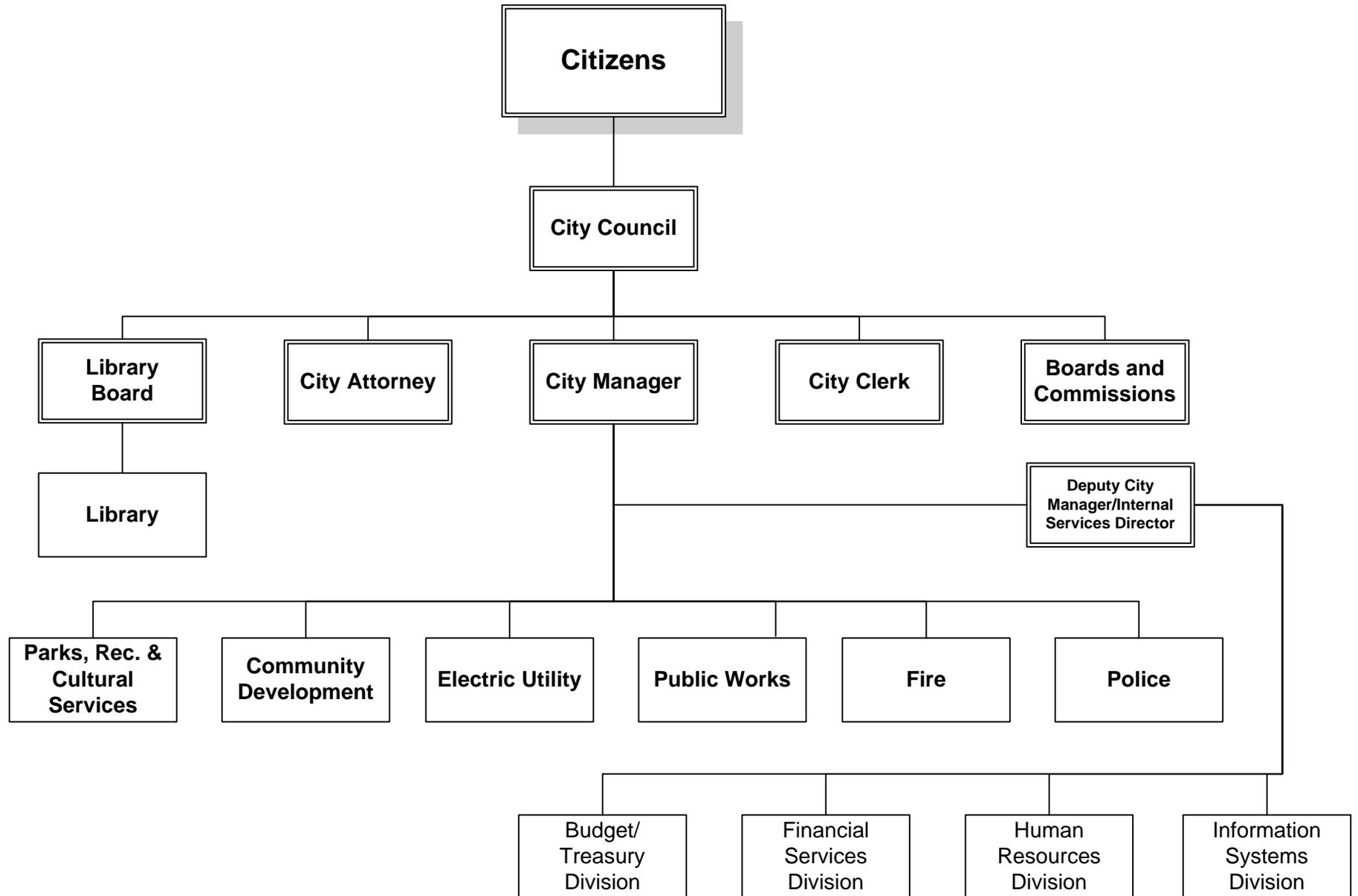
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

City of Lodi



DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Mark Chandler
Doug Kuehne
Alan Nakanishi
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
Anwan Baker
Gene Stoddart
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.



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Lodi
Lodi, California

Report on 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 (the "City"), as of and for the year ended June 30, 2018, 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.

Auditors' 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 of material misstatement.

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

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

Opinions

In our opinion, based on our audit, 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, 2018, 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.

Emphasis of a Matter

Implementation of GASB Statement No. 75

As discussed in Note 14 to the financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this standard required retrospective application of previously reported net position as of July 1, 2017 as described in Note 16 to the financial statements. In addition, the net other postemployment benefit (OPEB) liability is reported in the Statement of Net Position in the amount of \$33,275,362 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2017, the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedules, Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Plan Contributions – Pension, and the Schedule of Changes in the Net OPEB Liability and Related Ratios on pages 5 through 15 and 92 through 97 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 Nonmajor Fund Financial Statements and Budgetary Comparison Schedules, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules 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.

To the Honorable Mayor and Members of the City Council
of the City of Lodi
Lodi, California
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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 Nonmajor Fund Financial Statements and Budgetary Comparison Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical 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 January 17, 2019, 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
January 17, 2019

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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, 2018. Amounts for the year ended June 30, 2017 were audited by other auditors. Certain amounts have been reclassified to conform to current year presentation

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 \$189,486,514 (net position). Of this amount, \$92,950,701 is unrestricted deficit.
- The City's total net position decreased by \$15,570,504 in fiscal year 2018, including the retroactive effect of the implementation of GASB's statements 74 and 75 for other post-employment benefits (OPEB) of \$24,512,866.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$34,830,746, an increase of \$4,598,704 in comparison with the prior year. Of this amount, \$9,736,786 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 \$18,767,905, of which \$9,736,786 is unassigned or 21.5% of total general fund revenues of \$45,288,116.
- The City's total long-term liabilities increased by \$22,308,923 or 6.56% 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 statements and 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, the City's progress in funding its obligation to provide other postemployment benefits (OPEB) to its employees, and schedules comparing budget to actual amounts in the General Fund and Streets Fund.

Combining Statements

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

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 \$189,487,959 at the close of the current fiscal year.

City of Lodi's Net Assets June 30, 2018

	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets:						
Current and other assets	\$ 55,518,067	\$ 53,240,280	\$ 84,853,628	\$ 87,988,072	\$ 140,371,695	\$ 141,228,352
Capital assets	137,566,325	136,432,091	244,153,401	241,202,789	381,719,726	377,634,880
Total assets	<u>193,084,392</u>	<u>189,672,371</u>	<u>329,007,029</u>	<u>329,190,861</u>	<u>522,091,421</u>	<u>518,863,232</u>
Deferred outflows of resources	<u>21,122,850</u>	<u>17,821,434</u>	<u>12,136,938</u>	<u>11,812,878</u>	<u>33,259,788</u>	<u>29,634,312</u>
Liabilities:						
Net OPEB obligation	33,275,362	8,939,061			33,275,362	8,939,061
Net pension liability	110,076,401	95,864,664	25,851,930	22,155,886	135,928,331	118,020,550
Long-term liabilities outstanding	34,787,789	36,067,833	145,612,504	159,181,909	180,400,293	195,249,742
Other liabilities	<u>5,031,822</u>	<u>8,215,297</u>	<u>7,670,762</u>	<u>9,572,998</u>	<u>12,702,584</u>	<u>17,788,295</u>
Total liabilities	<u>183,171,374</u>	<u>149,086,855</u>	<u>179,135,196</u>	<u>190,910,793</u>	<u>362,306,570</u>	<u>339,997,648</u>
Deferred inflows of resources	<u>3,444,447</u>	<u>2,828,147</u>	<u>113,678</u>	<u>614,731</u>	<u>3,558,125</u>	<u>3,442,878</u>
Net position:						
Invested in capital assets, net of related debt	119,222,288	117,196,121	137,290,786	129,085,926	256,513,074	246,282,047
Restricted	25,903,963	15,545,059	20,178	3,929,138	25,924,141	19,474,197
Unrestricted	<u>(117,534,830)</u>	<u>(77,162,377)</u>	<u>24,584,129</u>	<u>16,463,151</u>	<u>(92,950,701)</u>	<u>(60,699,226)</u>
Total net position	<u>\$ 27,591,421</u>	<u>\$ 55,578,803</u>	<u>\$ 161,895,093</u>	<u>\$ 149,478,215</u>	<u>\$ 189,486,514</u>	<u>\$ 205,057,018</u>

Assets. The City's total assets increased by \$3,228,189. The increase is primarily due to the following:

Governmental activities. Total assets for the governmental activities had an increase of \$3,412,021 or 1.80%. Current and other assets increased by \$2,277,787 primarily resulting from the increase in restricted assets, \$1,541,020 offset by the decrease in due from other governmental agencies, \$1,340,138 and accounts receivables \$200,882. Other insignificant activities make up the difference.

Business-type activities. Total assets for the business-type activities had a decrease of \$183,832 or 0.06%. Current and other assets decreased by \$3,134,444 primarily due to decreases in restricted investments of \$7,686,931. Capital assets increased by \$2,950,612 largely from machinery and equipment. Other insignificant activities contributed to the difference.

Deferred outflows of resources. The increase in deferred outflows of resources of \$3,625,476 is primarily from changes in various 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, 2017.

Liabilities. The City's total liabilities increased by \$22,308,923 or 6.56%. The increase is primarily due to the following:

Governmental activities. Total liabilities for the governmental activities had a significant increase of \$34,084,519 or 22.86%, primarily from the net pension liability and the net OPEB obligation.

Business-type activities. Total liabilities for the business-type activities decreased by \$11,775,597 or 6.17%. The decrease is primarily attributable to the refunding of principal on long-term debt offset by an increase in pension liability. Other insignificant activities offset the difference.

Deferred inflows of resources. The increase in deferred inflows of resources of \$115,247 represents changes in various components related to the Miscellaneous and Safety Plans per the CalPERS valuation reports.

Net position. The City's overall financial position decreased during the fiscal year. The net position has decreased by \$15,570,504, or 7.59%

The largest portion (\$256,513,074) 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. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$25,924,141 (13.68 %) 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 \$92,950,701. 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 as a result of the City's outstanding pension and OPEB obligations.

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 10,060,332	\$ 9,775,083	\$ 97,391,760	\$ 93,647,907	\$ 107,452,092	103,422,990
Operating grants and contributions	2,286,476	2,391,015	5,969,086	4,513,922	8,255,562	6,904,937
Capital grants and contributions	8,737,149	12,830,462	11,307,763	7,972,612	20,044,912	20,803,074
General revenues:						
Property taxes	10,324,516	14,859,923	-	-	10,324,516	14,859,923
Sales taxes	11,333,228	11,749,969	-	-	11,333,228	11,749,969
Other taxes	17,097,961	11,684,301	-	-	17,097,961	11,684,301
Grants and contributions not restricted to specific programs	600,573	27,575	-	-	600,573	27,575
Other	1,244,101	978,931	2,960,323	3,601,914	4,204,424	4,580,845
Total revenues	61,684,336	64,297,259	117,628,932	109,736,355	179,313,268	174,033,614
Expenses						
General government	11,600,548	9,650,423	-	-	11,600,548	9,650,423
Public protection	38,794,510	33,238,886	-	-	38,794,510	33,238,886
Public works	9,823,848	10,614,158	-	-	9,823,848	10,614,158
Community development	1,999,587	1,709,246	-	-	1,999,587	1,709,246
Library	1,752,595	1,252,743	-	-	1,752,595	1,252,743
Parks and recreation	4,672,015	3,663,013	-	-	4,672,015	3,663,013
Interest on long-term debt	768,077	824,021	-	-	768,077	824,021
Electric	-	-	67,943,086	62,790,906	67,943,086	62,790,906
Wastewater	-	-	16,008,272	16,317,764	16,008,272	16,317,764
Water	-	-	11,775,718	11,960,786	11,775,718	11,960,786
Transit	-	-	5,232,628	4,925,638	5,232,628	4,925,638
Total expenses	69,411,180	60,952,490	100,959,704	95,995,094	170,370,884	156,947,584
Changes in net position before transfers	(7,726,844)	3,344,769	16,669,228	13,741,261	8,942,384	17,086,030
Transfers	4,252,350	4,051,000	(4,252,350)	(4,051,000)	-	-
Changes in net position	(3,474,494)	7,395,769	12,416,878	9,690,261	8,942,384	17,086,030
Net position at beginning of year, as previously reported	55,578,803	48,183,034	149,478,215	139,787,954	205,057,018	187,970,988
Adjustment related to OPEB	(24,512,888)	-	-	-	(24,512,888)	-
Net position at beginning of year, as restated	31,065,915	48,183,034	149,478,215	139,787,954	180,544,130	187,970,988
Net position at end of year	\$ 27,591,421	\$ 55,578,803	\$ 161,895,093	\$ 149,478,215	\$ 189,486,514	\$ 205,057,018

Analysis of Changes in Net Position

Governmental activities

Net position for the governmental activities decreased by \$3,474,494 in the current fiscal year, which is a decrease of \$10,870,263 relative to last year's increase of \$7,395,769. The key factors impacting this increase are:

Revenues decreased \$2,612,923 from the prior fiscal year. Key elements of this decrease are:

- In addition to sales tax and property tax, the City receives other taxes, such as franchise tax, business licenses and transient occupancy tax. These other taxes increased by \$5,413,660 or 46.33% compared to prior year. The economy continues to show evidence of positive movement particularly in the housing market. With continued growth in the housing market there has been an increase in property tax revenues in the current year, businesses and tourism are also seeing an increase.
- Property taxes went down by \$4,535,407 from a reclassification of tax revenue. Previously Motor-in-Lieu taxes were categorized with property taxes and are now reported in other taxes.
- Capital grants and contributions decreased by \$4,093,313 from the prior fiscal year. The difference is due to departments utilizing state and federal grants for projects.

Expenses for governmental functions totaled \$69,411,180, an increase of \$8,458,691 or 13.88% relative to the prior fiscal year.

Transfers from business-type activities increased by \$201,350, primarily due to contributions from the enterprise funds for various capital projects.

Business-type activities

Business-type activities increased the City's net position by \$12,416,878 in the current year, which is an increase of \$2,726,617 from last year's increase of \$9,690,261. The key elements of this decrease are:

- Transfers to the governmental activities for various capital projects increase by \$201,350 in comparison to the prior year.
- Charges for services in the Electric Fund increased by \$3,399,128, Wastewater Fund decreased by \$192,889, and the increase in the Water Fund by \$531,347.
- Decrease in the greenhouse gas allowance (GHG) of \$107,638 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.
- Capital contributions increased by \$3,335,151 due to completion of Harney Lane Grade Separation project which was previously included.
- Other revenues decreased by \$641,592 primarily from investments.
- Bulk power cost increased by \$2,168,952 compared to the prior year primarily attributable to overall increase in generation and in third party increase in transmission, management services costs paid to NCPA.

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 \$34,830,746. This represents an increase of \$4,598,704, an increase of \$1,481,638 in comparison to the prior year increase of \$3,117,069, 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 \$9,736,786 while total fund balance was \$18,767,905. 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 24.06% and 46.38% of total General Fund expenditures, respectively.

The fund balance of the General Fund increased by \$3,799,548 during the current fiscal year, an increase of \$2,078,384 from last year's increase of \$1,721,164.

Key factors in this increase are:

- Total revenues increased by \$1,066,460, primarily from the net increase in secured property tax of \$299,368, increase in vehicle license fee of \$272,874; increase in late fees of \$359,544, increase of strike team reimbursement of \$203,609 and, increase in business license tax of \$61,948. Other insignificant increases and decreases offset the difference.
- Total expenditures increased by \$720,920 primarily from increase in salaries and wages for the vacancies filled during the current year and the increases approved in labor negotiations, increases related to OPEB and pensions. Other insignificant increases and decreases offset the difference.

Total fund balance of the Streets Funds was \$6,397,152. Intergovernmental revenues of \$7,641,630 offset by capital expenditures of \$5,712,335 were the largest components that resulted in the increase of \$1,173,196 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 \$10,000,373 Wastewater Fund was \$11,104,904, Water Fund was \$(235,491), Transit Fund was, \$3,714,342 and the Internal Services Funds unrestricted net position was \$(27,626,438).

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 \$535,965. The increase in appropriations can be briefly summarized as follows:

- \$532,780 increase in general government, \$12,827 increase in public protection.

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

- Taxes – a favorable variance of \$795,827 was due to positive variances in property tax, transient occupancy tax (\$66,828), business license tax (\$179,687), sales and use tax \$157,602, offset by a negative variance in in-lieu of vehicle license fees (\$20,307) and an unfavorable variance of \$83,363 in fines, forfeits, and penalties.
- For expenditures, a favorable variance between the final budget and actual expenditures of \$2,671,936 was due to pension stabilization expense being recorded as restricted cash (\$2,871,141) and 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, 2018, amounts to \$381,719,726 (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 \$4,084,846, a 1.08% increase (a 0.83% increase in governmental activities and 1.22% increase in business-type activities) as shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 24,947,834	\$ 24,947,834	\$ 5,535,718	\$ 5,535,718	\$ 30,483,552	\$ 30,483,552
Construction in Progress	4,212,019	18,416,565	16,901,403	15,409,186	21,113,422	33,825,751
Buildings and Improvements	39,099,526	41,234,529	26,637,253	27,924,757	65,736,779	69,159,286
Machinery and Equipment	2,078,972	1,166,057	190,875,150	187,261,550	192,954,122	188,427,607
Vehicles	2,607,087	2,694,344	4,203,877	5,071,578	6,810,964	7,765,922
Infrastructure	64,315,980	47,667,855			64,315,980	47,667,855
Work of Art	304,907	304,907			304,907	304,907
Total	<u>\$ 137,566,325</u>	<u>\$ 136,432,091</u>	<u>\$244,153,401</u>	<u>\$ 241,202,789</u>	<u>\$381,719,726</u>	<u>\$ 377,634,880</u>

A decrease 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 60-61 of this report.

Long-term debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$142,900,403. Of this amount, \$17,838,760 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 \$125,061,644 from the business-type activities consists of \$33,113,405 for the Water Fund \$43,656,795 for the Wastewater Fund; and \$48,291,443 for the Electric Fund.

The City's total bonded debt decreased by \$14,152,481 during the current fiscal year.

Bond Rating

In April 2018, Moody's Investor Service assigned it 'A2' rating with a stable outlook to the City's electric utility debt instruments given the utilities satisfactory financial performance, an improving service area economy and a competitive electric rate structure, which is lower than the neighboring investor owned utility, Pacific Gas and Electric Company.

In April 2018, Standard and Poor's Rating Services assigned its 'A-' rating with a stable outlook to the City's electric Utility debt instruments given the utilities improving rate competitiveness, good and consistent liquidity and a renewable energy portfolio resource mix that is currently sufficient to meet state requirements through 2020.

Additional information on the City's long-term debt can be found in Note 7 on pages 61-65 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 FY 2018/19 budgeted revenue, totaling \$51,300,380. The City added to its reserve balance again in FY 2017/18 and is projecting a balanced budget in the General Fund in FY 2017/18. The City's General Fund reserves are healthy for now, but projected CalPERS cost of \$7.1 million are anticipated to continue to grow to \$13.5 million by 2024-25, for an 89% increase over the forecast term; making it apparent that caution and being fiscally prudent will be required in the coming years.

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 Deputy PRCS Director and eliminating the following full time equivalents: one ground worker, senior administrative clerk, librarian, parks superintendent, and electrician. In addition the Finance Services Division Manager position was re-classed into an Accounting Manager and a Revenue Manager position was added.

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 2018-19 budget involves balancing several critical issues: employee costs and retirement contributions; capital programs; and combination of cost increases that were either a) imposed on the City by external forces, or b) negotiated by the City with its bargaining groups.

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, 2017, actuarial report. Staff estimates that the City's combined CalPERS bill will increase from approximately \$10 million per year in FY 2017-18 to between \$16.5 million and \$17.8 million by FY 2022-23 if 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 Solutions (PARS) at the close of FY 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 FY 2017-18 budgeting for additional monthly contributions from the General Fund to the City's pension stabilization fund totaling \$2,019,230.
- 3.) The City acted a third time in FY 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 FY 2017-18 budget. This practice was continued with the July 2018 payment that will be reflected in the FY 2018-19 financial statements.
- 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 PERS 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 FY 2017-18 and another \$1.3 million from operations outside the General Fund. Based on the strong performance of the General Fund in FY 2017-18, an additional \$1.3 million from the General Fund and \$0.5 million from operations outside the General Fund will be contributed to the PSF in FY 2018-19 as required by the policy.

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

Current labor agreements with all City bargaining units expired on December 31, 2017. Negotiations have proceeded favorably, maintaining the tradition of strong labor-management relationships. The City has negotiated with all units and has presented to Council for approval all agreements. The new agreements will

become effective in June 2019 or December 2019, depending on the bargaining unit. The final labor contract was presented to Council in December 2018 bfor approval.

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.

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. Recently negotiated contracts include a 5% increase to the amount the City pays towards an employee’s health care premium. The new amount remains capped for the term of the agreements.

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 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 2018, steady progress toward buildout and occupancy of the new retail development has occurred and that is expected to continue into 2019.

Tourism continues to be a major driving factor of the local economy. Two hotel developments present significant opportunity for economic development are underway. The Candlewood Inn and Suites and the Fairfield Inn and Suites are currently in building review or active construction, with progress to be significant in FY 2019. In addition, a developer is currently exploring options for an Extended Stay Motel 6.

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 saw unprecedented growth with 210 single family houses constructed in eight separate projects including Rosegate 1, The Vine, Harvest Crossing, Villa Fiore and Orchard Lane. Current projections suggest the City will see another 200 homes in 18/19 and another 156 multi-family units. The City’s first market rate apartment complex in over 25 years, had 80 units become occupied and 156 market rate units and 143 senior living apartments begin construction in Reynolds Ranch. 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 completed tenant improvements at the former Plummer auto dealership/Calturas wine and beer center. 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' 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, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 49,222,007	\$ 40,795,122	\$ 90,017,129
Accounts receivables (net)	6,073,844	8,358,283	14,432,127
Property tax receivable	67,665	-	67,665
Interest receivable	44,204	58,807	103,011
Due from other governmental agencies	836,011	1,400,000	2,236,011
Restricted assets	-	20,118,316	20,118,316
Advance receivable	-	9,456,605	9,456,605
Inventory	147,030	3,682,470	3,829,500
Other assets	111,331	-	111,331
Internal balances	(984,025)	984,025	-
Capital assets, net: Nondepreciable	29,464,760	22,437,121	51,901,881
Capital assets, net: Depreciable, net	108,101,565	221,716,280	329,817,845
Total assets	<u>193,084,392</u>	<u>329,007,029</u>	<u>522,091,421</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	18,748,965	4,515,743	23,264,708
Related to OPEB	2,019,230	-	2,019,230
Unamortized losses on defeasance	354,655	7,621,195	7,975,850
Total deferred outflows of resources	<u>21,122,850</u>	<u>12,136,938</u>	<u>33,259,788</u>
LIABILITIES			
Accounts payable and accrued liabilities	4,570,646	5,727,284	10,297,930
Accrued salaries and wages	82,642	35,401	118,043
Accrued interest	197,695	1,015,114	1,212,809
Unearned revenue	180,839	892,964	1,073,803
Long term liabilities:			
Due within one year	4,251,827	6,357,245	10,609,072
Due in more than one year	30,535,962	139,255,258	169,791,220
Other long-term obligations:			
Net pension liability	110,076,401	25,851,930	135,928,331
Net OPEB liability	33,275,362	-	33,275,362
Total liabilities	<u>183,171,374</u>	<u>179,135,196</u>	<u>362,306,570</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	1,248,632	113,678	1,362,310
Related to OPEB	2,195,815	-	2,195,815
Total deferred inflows of resources	<u>3,444,447</u>	<u>113,678</u>	<u>3,558,125</u>
NET POSITION			
Net investment in capital assets	119,222,288	137,290,786	256,513,074
Restricted	25,903,963	20,178	25,924,141
Unrestricted (deficit)	(117,534,830)	24,584,129	(92,950,701)
Total net position	<u>\$ 27,591,421</u>	<u>\$ 161,895,093</u>	<u>\$ 189,486,514</u>

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

City of Lodi
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 11,600,548	\$ 3,669,845	\$ 30
Public protection	38,794,510	1,000,142	1,165,679
Public works	9,823,847	990,285	1,045,968
Community development	1,999,587	2,665,268	40,180
Library	1,752,595	37,006	34,619
Parks and recreation	4,672,015	1,697,786	-
Debt Service	768,077	-	-
Total governmental activities	<u>69,411,180</u>	<u>10,060,332</u>	<u>2,286,476</u>
Business-type activities:			
Electric	67,943,086	69,246,709	2,236,049
Nonmajor Fund Transit	5,232,628	226,485	3,123,071
Wastewater	16,008,272	14,913,543	-
Water	11,775,718	13,005,023	609,966
Total business-type activities	<u>100,959,704</u>	<u>97,391,760</u>	<u>5,969,086</u>
Total primary government	<u>\$ 170,370,884</u>	<u>\$ 107,452,092</u>	<u>\$ 8,255,562</u>

General revenues:
Property taxes
Special assessments
Sales tax
Document transfer
Franchise taxes
Business license tax
Transient occupancy tax
Grants and contributions not restricted to specific programs
Investment earnings
Other
Transfers
Total general revenues, and transfers

Change in net position

Net position - beginning, as restated (Note 16)

Net position - ending

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

City of Lodi
Statement of Activities
For the Year Ended June 30, 2018
(Continued)

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (7,930,673)	\$ -	\$ (7,930,673)
111,776	(36,516,913)	-	(36,516,913)
7,893,689	106,095	-	106,095
-	705,861	-	705,861
360,000	(1,320,970)	-	(1,320,970)
371,684	(2,602,545)	-	(2,602,545)
-	(768,077)	-	(768,077)
<u>8,737,149</u>	<u>(48,327,223)</u>	<u>-</u>	<u>(48,327,223)</u>
2,510,146	-	6,049,818	6,049,818
1,845,168	-	(37,904)	(37,904)
3,801,959	-	2,707,230	2,707,230
3,150,490	-	4,989,761	4,989,761
<u>11,307,763</u>	<u>-</u>	<u>13,708,905</u>	<u>13,708,905</u>
<u>\$ 20,044,912</u>	<u>(48,327,223)</u>	<u>13,708,905</u>	<u>(34,618,318)</u>
	10,324,516	-	10,324,516
	43,763	-	43,763
	11,333,228	-	11,333,228
	5,147,262	-	5,147,262
	9,217,774	-	9,217,774
	1,822,334	-	1,822,334
	866,828	-	866,828
	600,573	-	600,573
	310,936	2,244,267	1,026,992
	933,165	716,056	3,177,432
	<u>4,252,350</u>	<u>(4,252,350)</u>	<u>-</u>
	<u>44,852,729</u>	<u>(1,292,027)</u>	<u>43,560,702</u>
	(3,474,494)	12,416,878	8,942,384
	<u>31,065,915</u>	<u>149,478,215</u>	<u>180,544,130</u>
<u>\$</u>	<u>27,591,421</u>	<u>\$ 161,895,093</u>	<u>\$ 189,486,514</u>

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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, 2018**

	General Fund	Streets	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 10,247,211	\$ 4,465,029	\$ 10,196,513	\$ 24,908,753
Restricted cash and investments	8,573,950	156,702	446,311	9,176,963
Accounts receivables, net	4,137,816	1,534,396	344,215	6,016,427
Property taxes receivables	67,665	-	-	67,665
Interest receivable	12,597	5,721	8,924	27,242
Due from other funds	-	-	61,503	61,503
Due from other governmental agencies	-	569,900	266,112	836,012
Inventory	-	-	1,306	1,306
Total assets	<u>\$ 23,039,239</u>	<u>\$ 6,731,748</u>	<u>\$ 11,324,884</u>	<u>\$ 41,095,871</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 3,797,974	\$ 274,968	\$ 285,630	\$ 4,358,572
Accrued salaries and wages	63,751	5,077	11,226	80,054
Due to other funds	-	-	61,503	61,503
Advances from other funds	-	-	984,025	984,025
Unearned revenue	409,609	54,551	272,104	736,264
Total liabilities	<u>4,271,334</u>	<u>334,596</u>	<u>1,614,488</u>	<u>6,220,418</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	44,707	44,707
FUND BALANCES				
Nonspendable				
Inventory	-	-	1,306	1,306
Restricted				
Road-related projects	-	6,240,450	160	6,240,610
Capital projects	-	-	5,082,749	5,082,749
Home and CDBG program	-	-	371,191	371,191
Public safety	-	-	25,303	25,303
Community development	-	-	3,141,317	3,141,317
Parks, recreation and community services	-	-	1,042,917	1,042,917
Debt service	-	-	746	746
Committed				
Pension	8,573,949	156,702	-	8,730,651
Video - related capital projects	457,170	-	-	457,170
Unassigned	9,736,786	-	-	9,736,786
Total fund balances	<u>18,767,905</u>	<u>6,397,152</u>	<u>9,665,689</u>	<u>34,830,746</u>
Total liabilities and fund balances	<u>\$ 23,039,239</u>	<u>\$ 6,731,748</u>	<u>\$ 11,324,884</u>	<u>\$ 41,095,871</u>

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

City of Lodi
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Fund balances - total governmental funds	\$	34,830,746
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		29,464,760
Depreciable capital assets, net		108,101,566
Deferred outflows of resources related to pensions are not reported in governmental funds.		
Deferred inflows of resources related to pensions are not reported in governmental funds.		
		21,122,850
		(3,444,447)
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:		
Accrued Interest		(197,695)
Long-term liabilities - Due within one year		(4,251,827)
Long-term Liabilities - Due in more than one year		(30,535,962)
Net pension liability		(110,076,401)
Net OPEB liability		(33,275,362)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		600,131
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.		
		15,253,062
Net position of governmental activities	\$	<u>27,591,421</u>

City of Lodi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Streets	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 27,422,477	\$ -	\$ -	\$ 27,422,477
Licenses and permits	67,757	-	1,696,202	1,763,959
Intergovernmental revenues	12,377,159	7,641,630	788,338	20,807,127
Charges for services	1,934,180	703,770	3,381,808	6,019,758
Fines, forfeits, and penalties	1,396,137	-	-	1,396,137
Investment and rental income	1,747,857	20,820	556,742	2,325,419
Miscellaneous revenue	342,549	362,659	500,685	1,205,893
Total revenues	<u>45,288,116</u>	<u>8,728,879</u>	<u>6,923,775</u>	<u>60,940,770</u>
EXPENDITURES				
Current:				
General government	6,980,564	-	2,757,150	9,737,714
Public protection	30,576,759	-	210,610	30,787,369
Public works	1,852,852	2,305,308	470,048	4,628,208
Community development	-	-	1,756,328	1,756,328
Library	1,058,133	-	-	1,058,133
Parks and recreation	-	-	2,497,075	2,497,075
Capital outlay	-	5,712,335	2,583,851	8,296,186
Debt service:				
Interest	-	-	804,619	804,619
Principal retirement	-	-	1,028,784	1,028,784
Total expenditures	<u>40,468,308</u>	<u>8,017,643</u>	<u>12,108,465</u>	<u>60,594,416</u>
Excess (deficiency) of revenues over expenditures	<u>4,819,808</u>	<u>711,236</u>	<u>(5,184,690)</u>	<u>346,354</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,949,190	461,960	7,452,305	13,863,455
Transfers out	(6,969,450)	-	(2,641,655)	(9,611,105)
Total other financing sources (uses)	<u>(1,020,260)</u>	<u>461,960</u>	<u>4,810,650</u>	<u>4,252,350</u>
Net change in fund balances	3,799,548	1,173,196	(374,040)	4,598,704
Fund balances - beginning	14,968,357	5,223,956	10,039,729	30,232,042
Fund balances - ending	<u>\$ 18,767,905</u>	<u>\$ 6,397,152</u>	<u>\$ 9,665,689</u>	<u>\$ 34,830,746</u>

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

City of Lodi
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Changes in fund balances - total governmental funds	\$	4,598,704
<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		8,296,186
Capital asset contributions		770,505
Depreciation expense		(7,921,428)
<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>		
		(9,577)
<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		1,028,784
<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>		
		2,583,482
<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		(630,371)
Amortization of loss on defeasance		(26,936)
Amortization of bond premium		53,830
Change in unavailable revenue		51,224
Change in accrued interest		9,648
Change in net pension liability and related amounts		(11,069,820)
Change in OPEB obligation		(1,208,724)
Change in net position of governmental activities	\$	<u>(3,474,494)</u>

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City of Lodi
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities		
	Electric	Wastewater	Water
ASSETS			
Current assets:			
Cash and investments	\$ 18,149,010	\$ 18,471,753	\$ 18,359,607
Restricted assets with fiscal agents	29,910	232,996	2,302,295
Account receivables, net	3,755,108	1,215,166	904,900
Interest Receivable	19,228	20,303	17,800
Due from other governmental agencies	-	-	-
Advance receivables	9,456,605	-	-
Due from other fund	-	-	-
Inventory	3,362,753	45,221	274,496
Other assets	-	-	-
Total current assets	<u>34,772,614</u>	<u>19,985,439</u>	<u>21,859,098</u>
Noncurrent assets:			
Restricted assets with fiscal agents	-	2,169,847	-
Advances to other funds	-	-	2,192,177
Nondepreciable	763,785	10,908,901	6,453,630
Depreciable, net	39,081,448	78,108,225	92,541,484
Total noncurrent assets	<u>39,845,233</u>	<u>91,186,973</u>	<u>101,187,291</u>
Total assets	<u>74,617,847</u>	<u>111,172,412</u>	<u>123,046,389</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized losses on defeasance	5,266,456	2,354,740	-
Related to pensions	2,511,122	1,706,627	173,915
Total deferred outflows of resources	<u>7,777,578</u>	<u>4,061,367</u>	<u>173,915</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	2,589,283	456,909	2,227,430
Accrued salaries and wages	17,498	15,504	1,674
Advances from other funds	-	-	1,208,152
Accrued interest	14,902	834,440	165,761
Due to other funds	-	-	-
Unearned revenue	-	-	660,104
Loans payable	172,292	-	-
Accrued compensated absences	420,697	273,227	41,714
Pollution remediation obligation	-	-	400,000
Certificates of participation and revenue bonds payable	445,435	3,590,214	998,843
Total current liabilities	<u>3,660,107</u>	<u>5,170,294</u>	<u>5,703,678</u>
Noncurrent liabilities:			
Loans payable	923,596	-	-
Self insurance liability	-	-	-
Accrued compensated absences	832,737	941,448	-
Certificates of participation and revenue bonds payable	47,846,008	40,066,582	32,114,561
Net pension liability	14,375,769	9,770,167	995,648
Net OPEB liability	-	-	-
Pollution remediation obligation	-	-	16,453,523
Total noncurrent liabilities	<u>63,978,110</u>	<u>50,778,197</u>	<u>49,563,732</u>
Total liabilities	<u>67,638,217</u>	<u>55,948,491</u>	<u>55,267,410</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	63,215	42,963	4,379
Related to OPEB	-	-	-
Total deferred inflows of resources	<u>63,215</u>	<u>42,963</u>	<u>4,379</u>
NET POSITION			
Net investment in capital assets	4,673,437	48,137,418	68,184,004
Restricted for:			
Debt service	20,178	-	-
Unrestricted	10,000,378	11,104,907	(235,489)
Total net position	<u>\$ 14,693,993</u>	<u>\$ 59,242,325</u>	<u>\$ 67,948,515</u>

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

City of Lodi
Statement of Net Position
Proprietary Funds
June 30, 2018
(Continued)

Business-type Activities		Governmental Activities	
Nonmajor Fund Transit	Total Enterprise Funds	Internal Service Funds	
\$ 1,198,021	\$ 56,178,391	\$ 15,136,293	
-	2,565,201	-	
2,483,111	8,358,285	57,415	
1,477	58,808	16,961	
1,400,000	1,400,000	-	
-	9,456,605	-	
-	-	71,500	
-	3,682,470	145,724	
-	-	111,331	
<u>5,082,609</u>	<u>81,699,760</u>	<u>15,539,224</u>	
-	2,169,847	-	
-	2,192,177	-	
4,310,804	22,437,120	-	
11,985,122	221,716,279	23,155	
16,295,926	248,515,423	23,155	
<u>21,378,535</u>	<u>330,215,183</u>	<u>15,562,379</u>	
-	7,621,196	269,518	
124,079	4,515,743	2,019,230	
<u>124,079</u>	<u>12,136,939</u>	<u>2,288,748</u>	
453,662	5,727,284	212,077	
725	35,401	2,589	
-	1,208,152	-	
-	1,015,103	-	
-	-	71,500	
232,859	892,963	-	
-	172,292	-	
14,824	750,462	40,518	
-	400,000	-	
-	5,034,492	-	
<u>702,070</u>	<u>15,236,149</u>	<u>326,684</u>	
-	923,596	-	
-	-	7,994,536	
76,805	1,850,990	112,264	
-	120,027,151	-	
710,346	25,851,930	1,542,965	
-	-	33,275,362	
-	16,453,523	-	
787,151	165,107,190	42,925,127	
<u>1,489,221</u>	<u>180,343,339</u>	<u>43,251,811</u>	
3,123	113,680	6,784	
-	-	2,195,815	
<u>3,123</u>	<u>113,680</u>	<u>2,202,599</u>	
16,295,927	137,290,786	23,155	
-	20,178	-	
3,714,343	24,584,139	(27,626,438)	
<u>\$ 20,010,270</u>	<u>\$ 161,895,103</u>	<u>\$ (27,603,283)</u>	

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

City of Lodi
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities		
	Electric	Wastewater	Water
OPERATING REVENUES			
Charges for services	\$ 69,246,709	\$ 14,913,543	\$ 13,005,023
OPERATING EXPENSES			
Personnel services	10,570,157	5,171,246	2,886,138
Supplies, materials and services	13,775,553	3,682,049	3,220,625
Utilities	39,583,812	726,588	518,271
Depreciation	2,368,139	4,249,995	3,088,616
Claims	-	-	-
Total operating expenses	<u>66,297,661</u>	<u>13,829,878</u>	<u>9,713,650</u>
Operating income (loss)	<u>2,949,048</u>	<u>1,083,665</u>	<u>3,291,373</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	169,856	399,403	99,018
Interest expense	(1,672,701)	(2,178,392)	(2,062,067)
Operating grants	-	-	609,966
Greenhouse gas allowance	2,262,087	-	-
Nonoperating expense	-	-	-
Other revenues	1,577,898	201,603	322,686
Total nonoperating revenues (expenses)	<u>2,337,140</u>	<u>(1,577,386)</u>	<u>(1,030,397)</u>
Income (loss) before contributions and transfers	5,286,188	(493,721)	2,260,976
Capital contributions	2,510,146	3,801,959	3,150,490
Transfers out	(2,145,285)	(1,108,270)	(820,560)
Operating grants	-	-	-
Loan proceeds	20,177	11,765	-
Change in net position	5,671,226	2,211,733	4,590,906
Total net position (deficit) - beginning	<u>9,022,767</u>	<u>57,030,592</u>	<u>63,357,609</u>
Total net position (deficit) - ending	<u>\$ 14,693,993</u>	<u>\$ 59,242,325</u>	<u>\$ 67,948,515</u>

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

City of Lodi
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018
(Continued)

Business-type Activities		Governmental Activities
Nonmajor Fund Transit	Total Enterprise Funds	Internal Service Funds
\$ 226,485	\$ 97,391,760	\$ 13,704,243
452,237	19,079,778	1,874,344
3,308,886	23,987,113	8,111,380
55,558	40,884,229	15,671
1,415,947	11,122,697	1,447
-	-	2,535,853
<u>5,232,628</u>	<u>95,073,817</u>	<u>12,538,695</u>
<u>(5,006,143)</u>	<u>2,317,943</u>	<u>1,165,548</u>
21,740	690,017	30,793
-	(5,913,160)	-
2,723,071	3,333,037	-
-	2,262,087	-
-	-	1,208,724
<u>137,132</u>	<u>2,239,319</u>	<u>178,707</u>
<u>2,881,943</u>	<u>2,611,300</u>	<u>1,418,224</u>
(2,124,200)	4,929,243	2,583,772
1,845,168	11,307,763	-
(177,945)	(4,252,060)	(290)
400,000	400,000	-
-	31,942	-
<u>(56,977)</u>	<u>12,416,888</u>	<u>2,583,482</u>
<u>20,067,247</u>	<u>149,478,215</u>	<u>(30,186,765)</u>
<u>\$ 20,010,270</u>	<u>\$ 161,895,103</u>	<u>\$ (27,603,283)</u>

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

City of Lodi
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Electric	Wastewater	Water
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 70,989,436	\$ 15,092,181	\$ 13,581,112
Cash from interfund	172,241	-	-
Payments to suppliers	(53,558,349)	(3,834,553)	(3,804,116)
Payments to employees	(8,285,520)	(3,872,422)	(2,860,175)
Due to other funds	(4,877)	(665,234)	(487,530)
Net cash provided (used) by operating activities	<u>9,312,931</u>	<u>6,719,972</u>	<u>6,429,291</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants	-	-	609,966
Repaid from other funds	-	64,286	40,000
Received - greenhouse gas allowance	2,262,087	-	-
Transfers out	(3,093,283)	(1,108,270)	(820,560)
Transfer in	949,593	-	-
Net cash provided (used) by noncapital financing activities	<u>118,397</u>	<u>(1,043,984)</u>	<u>(170,594)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Fees received for water meter installations	-	-	21,577
Acquisition and construction of capital assets	3,499	(1,401,527)	(3,809,101)
Fees received from developers	137,611	550,911	362,481
Capital grants received	-	441,142	-
Principal payments on debt	(16,869,254)	(1,430,441)	(950,000)
Interest payments on debt	(3,560,020)	(1,615,513)	(2,064,442)
Net cash provided (used) by capital and related financing activities	<u>(20,288,164)</u>	<u>(3,455,428)</u>	<u>(6,439,485)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	5,712,306	(47,188)	85,725
Net cash provided (used) by investing activities	<u>5,712,306</u>	<u>(47,188)</u>	<u>85,725</u>
Net increase (decrease) in cash and cash equivalents	(5,144,530)	2,173,372	(95,063)
Balances - beginning of year	23,323,450	18,531,377	20,756,966
Balances - end of the year	<u>\$ 18,178,920</u>	<u>\$ 18,704,749</u>	<u>\$ 20,661,903</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income	\$ 3,438,837	\$ 1,190,666	\$ 3,291,373
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense	2,368,139	4,249,995	3,088,616
Deferred inflows (outflows) of resources	-	-	-
Other revenues	1,577,898	201,603	322,686
Changes in assets and liabilities:			
Loans receivable	39,744	-	-
Customer Receivables	812,137	(22,966)	198,232
Advance receivable	(373,939)	-	-
Due from other governmental agencies	-	-	55,170
Inventory	(509,443)	41,191	17,678
Other assets	-	-	-
Compensated absences	139,489	106,779	21,954
Accounts Payable - Supplier	(325,080)	(239,342)	(69,942)
Accrued salaries and wages	-	-	-
Due to other funds	-	-	-
Net pension liability and related amounts	2,145,149	1,192,046	4,009
Self-insurance liability	-	-	-
Pollution remediation obligation	-	-	(500,485)
Net cash provided (used) by operating activities	<u>\$ 9,312,931</u>	<u>\$ 6,719,972</u>	<u>\$ 6,429,291</u>
Noncash investing, capital and financing activities:			
Capital asset contributions	\$ 2,372,535	\$ 2,809,906	\$ 2,766,433
Amortization of issuance premium	39,770	617,207	19,700
Amortization of losses on defeasance	31,348	283,090	-
Total noncash investing, capital and financing activities	<u>\$ 2,443,653</u>	<u>\$ 3,710,203</u>	<u>\$ 2,786,133</u>
Reconciliation to the statement of net position:			
Cash and investments	\$ 18,149,010	\$ 18,471,753	\$ 18,359,607
Restricted assets with fiscal agents	29,910	232,996	2,302,295
Total cash and cash equivalents	<u>\$ 18,178,920</u>	<u>\$ 18,704,749</u>	<u>\$ 20,661,902</u>

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

City of Lodi
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018
(Continued)

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Fund Transit	Total Enterprise Funds	Internal Service Funds
\$ 363,617	\$ 100,026,346	\$ 153,800
-	172,241	13,748,052
(3,314,099)	(64,511,117)	(12,693,980)
(336,268)	(15,354,385)	(389,693)
(44,789)	(1,202,430)	(71,500)
<u>(3,331,539)</u>	<u>19,130,655</u>	<u>746,679</u>
1,867,860	2,477,826	-
-	104,286	-
-	2,262,087	-
(177,945)	(5,200,058)	(290)
<u>1,689,915</u>	<u>849,593</u>	<u>(290)</u>
-	21,577	-
(883,437)	(6,090,566)	-
-	1,051,003	-
1,586,697	2,027,839	-
-	(19,249,695)	-
-	(7,239,975)	-
<u>703,260</u>	<u>(29,479,817)</u>	<u>-</u>
23,353	5,774,196	34,814
<u>23,353</u>	<u>5,774,196</u>	<u>34,814</u>
(915,011)	(3,981,232)	781,203
2,113,032	62,724,825	14,355,090
<u>\$ 1,198,021</u>	<u>\$ 58,743,593</u>	<u>\$ 15,136,293</u>
\$ (5,006,143)	\$ 2,914,733	\$ 1,165,548
1,415,947	11,122,697	1,447
-	-	253,275
137,132	2,239,319	178,707
-	39,744	-
-	987,403	(24,907)
-	(373,939)	-
-	55,170	-
-	(450,574)	(1,303)
-	-	(8,410)
(1,022)	267,200	20,062
37,760	(596,604)	35,225
-	-	2,589
-	-	(27,692)
84,787	3,425,991	-
-	-	(847,862)
-	(500,485)	-
<u>\$ (3,331,539)</u>	<u>\$ 19,130,655</u>	<u>\$ 746,679</u>
\$ -	\$ 7,948,874	\$ -
-	676,678	-
-	314,438	-
<u>\$ -</u>	<u>\$ 8,939,990</u>	<u>\$ -</u>
\$ 1,198,021	\$ 56,178,391	\$ 15,136,293
-	2,565,201	-
<u>\$ 1,198,021</u>	<u>\$ 58,743,592</u>	<u>\$ 15,136,293</u>

City of Lodi
Statement of Fiduciary Net Position
June 30, 2018

	Private-Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and investments	\$ 136,097	\$ 423,289
Interest receivable	2	478
Total assets	136,099	\$ 423,767
 LIABILITIES		
Agency obligations	-	\$ 423,767
 NET POSITION	\$ 136,099	

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

City of Lodi
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

	Private-Purpose Trust Funds
ADDITIONS	
Investment and rental income	\$ -
DEDUCTIONS	
Current:	
Library	100,021
Net Position -- beginning of the year	236,120
Net Position -- end of the year	\$ 136,099

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Lodi
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

Note 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 7).

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 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.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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.

Custodial Funds 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 non-operating 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 non-operating 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)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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 \$2,169,847 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 2018 Bonds restricted for debt service. In the Wastewater Fund, the restricted assets represent the proceeds of the 2004A, the 2016A Refunding Wastewater Revenue Bonds, and the 2017 Installment Purchase Agreement 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, 2018, upon which the 2017-2018 levy was based, was \$6,091,975,000.

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

Property taxes levied for the year ended June 30, 2018, 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.

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.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

K. Due from Other Government Agencies

Loans receivable reported in the HOME Program and Community Development Block Grants (CDBG) 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, 2018, 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, 2018, a total of twenty-four loans to industrial and commercial customers have been approved. At June 30, 2018, there were three outstanding loans, with a balance of \$12,995.

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 11).

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.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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 on the 2012 Refunding Revenue Bonds amortized over 11 years, the 2016 Refunding Revenue Bonds amortized over 21 years and the 2018 Refunding Revenue Bond over 14 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 the CalPERS' valuation measurement date is June 30, 2017. Those contributions will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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.

Related to Other Post-Employment Benefits (OPEB)

OPEB contributions made in the current year are reported as deferred outflows of resources per GASB Statement No. 75 the valuation measurement date is June 30, 2017. Those contributions will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Unavailable Revenue

The unavailable revenue in the governmental funds is related to the HCD's First-time Homebuyers Program.

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. The City uses basic approach to account for infrastructure which is the cost to acquire, construct, or improve a capital asset is not recognized immediately as expense when incurred, but instead is deferred and allocated over the estimated useful life of the asset.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Capital Assets (Continued)

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

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

P. Compensated Absences/Vacation and Sick Leave

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

Q. 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, 2016, rolled forward to June 30, 2017
Measurement Date:	June 30, 2017
Measurement Period:	July 1, 2016 to June 30, 2017

R. Other Post-Employment Benefits (OPEB)

For purposes of measuring the Net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9).

The following timeframes are used for OPEB reporting:

Valuation date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

S. 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)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

T. 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.

U. 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, 2018 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.

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.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Fund Balance (Continued)

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 \$23.3 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.

V. 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.

W. 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.

X. 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 applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement had a significant effect on the City's financial statements (see Note 9).

In December 2015, 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. Furthermore, this Statement 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. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement did not have a significant effect on the City's financial statements.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

X. Implementation of New Governmental Accounting Standards (Continued)

In March 2017, GASB Issued Statement No. 85, *Omnibus 2017*. This Statement addresses practices issues that have been identified during implementation and application of certain GASB Statements. This Statement also 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 [OPEB]). Application of this statement did not have a significant effect on the City's financial statements.

In April 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased is substance. Application of this statement did not have a significant effect on the City's financial statements.

Future Implementations:

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together while the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactos and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City's fiscal 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 all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the City's year ending June 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increase the usefulness of governments' financial statements by requiring recognition of 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 for the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the City's year ending June 30, 2021.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

X. Implementation of New Governmental Accounting Standards (Continued)

This Statement also defines debt for purposes of disclosures in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. In addition, the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 90,017,129
Restricted assets	20,118,316
Fiduciary funds cash and investments:	
Private-purpose trust funds	136,097
Custodial fund	<u>423,289</u>
Total cash and investments	<u>\$ 110,694,831</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 3,396
Deposits with financial institutions	3,950,180
Investments	<u>106,741,255</u>
Total cash and investments	<u>\$ 110,694,831</u>

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

A. Authorized Investments

The City has adopted an investment policy pursuant to Government Code Section 53601, which authorizes the City to surplus funds in the City Treasury in certain investment categories authorized by the California Government Code and the City's Investment Policy. The City's Investment Policy is more restrictive than the Government Code.

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	Maturity	Maximum % of Portfolio	Minimum Quality Requirements
U.S. Treasury Obligations	5 years	100%	None
US Government Agency Securities & Instrumentalities	5 years	100%	None
Bankers Acceptances	180 days	40%	None
Certificates of Deposit	5 years	100%	None
Negotiable Certificates of Deposit	5 years	30%	None
			Credit rating of P1/A1 or A1+/F1 or F1+ by
Commerical Paper	270 days	30%	Moody's S&P or Fitch
California State Local Agency Investment Fund	Indefinite	100%	None
Passbook Deposits	Indefinite	100%	None
Mutual Funds & Money Market Mutual Funds	N/A	20%	Multiple Requirements per Gov't Code
Medium Term Corporation Notes	5 years	30%	A-/A3/A- by Moody's, S&P, or Fitch
Joint Powers Authority Pool	Indefinite	30% (1)	Multiple Requirements per Gov't Code
Certificates of Deposit Account Registry Service (CDARS)	Indefinite	30%	None
Supranational Obligations	5 years	30%	AA-/Aa3/AA- by Moody's, S&P, or Fitch
Municipal Securities (50 States or California Local Agencies)	5 years	100%	None
(1) Funds held at NCPA shall not count to this limit)			

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

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. Disclosure Relating to Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio, as well as limiting a securities maturity to five years or less for investments in the investment pool. Investments held outside the investment pool can have longer maturities as these funds are restricted by bond covenants and are held to the maturity of the bonds.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

C. Disclosure Relating to Interest Rate Risk and Credit Risk (Continued)

Investment Type	AA+/AA/AA-	A+/A/A-	AAA/AAA	BBB+	NR	Total
Investments by Fair Value:						
Held by City:						
CALTRUST	\$ -	\$ -	\$ -	\$ -	\$ 17,390,559	\$ 17,390,559
PARS	-	-	-	-	11,095,822	11,095,822
Local Bank Certificate of Deposits	-	-	-	-	2,249,995	2,249,995
Negotiable Certificate of Deposits	-	-	-	-	7,996,699	7,996,699
Guaranteed Investments Contracts	-	-	-	-	2,169,850	2,169,850
LAIF	-	-	-	-	15,947,421	15,947,421
Held by Trustee:						
US Agency Securities	13,013,508	-	-	-	-	13,013,508
Money Market Mutual Funds	4,545,831	-	-	-	-	4,545,831
Municipal Securities	7,160,137	584,904	1,733,643	-	246,270	9,724,954
Corporate Securities	5,328,688	6,645,565	597,347	152,147	-	12,723,747
Exempt from Credit Rating Disclosure:						
U.S Treasury Notes	-	-	-	-	9,882,869	9,882,869
Total Investments	\$ 30,048,164	\$ 7,230,469	\$ 2,330,990	\$ 152,147	\$ 66,979,485	\$ 106,741,255

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 nationally recognized statistical rating organization. Presented below and on the following page is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating at year end for each investment type.

D. Concentration of Credit Risk

The California Government Code and the investment policy of the City contain limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than investments issued by or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools, and other pooled investments) that represent 5% or more of the total City investments are required to be disclosed. Investments in LAIF, CalTRUST, and money market mutual funds are not subject to the concentration of credit risk disclosure. The City holds 58.41% of its investments in the various securities. There are no investments with any one issuer greater than 5% of total investments.

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity Wide:	Federal Farm Credit Bank System	Federal Agency Obligations	\$ 3,469,102
	Federal Home Loan Bank	Federal Agency Obligations	3,495,781
	Federal Home Loan Mortgage Corporation	Federal Agency Obligations	2,211,077
	Federal National Mortgage Association	Federal Agency Obligations	3,382,883

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

E. 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. \$7,160,187 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.

Investment Type	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 60 Months	Total
Investments by Fair Value:					
Held by City:					
CALTRUST	\$ 17,390,559	\$ -	\$ -	\$ -	17,390,559
LAIF	15,947,421	-	-	-	15,947,421
PARS	11,095,822	-	-	-	11,095,822
Held by Trustee:					
Negotiable Certificate of Deposits	-	1,250,000	1,500,000	5,246,699	7,996,699
Local Certificate of Deposits	2,249,995	-	-	-	2,249,995
US Agency Securities	993,503	2,476,901	1,453,643	8,089,461	13,013,508
Money Market Mutual Funds	4,545,831	-	-	-	4,545,831
Municipal Securities	494,070	1,645,262	2,528,665	5,056,957	9,724,954
Corporate Securities	501,165	2,780,071	3,197,937	6,244,574	12,723,747
Guaranteed Investments Contracts	-	-	-	2,169,850	2,169,850
U.S Treasury Notes	1,487,281	1,977,925	1,441,813	4,975,850	9,882,869
Total Investments	\$ 54,705,647	\$ 10,130,159	\$ 10,122,058	\$ 31,783,391	\$ 106,741,255

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

F. Investments in Investment Pools

The City is a voluntary participant in the California 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. At June 30, 2018, the City's investment position in LAIF was \$15.9 million. The City is also a voluntary participant in the CalTRUST which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST, and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2018, the City's investment in CalTRUST is \$17.4 million; all of which is invested in the Medium term fund.

G. 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, 2018:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value:			
Held by City:			
Negotiable Certificate of Deposits	\$ -	\$ 7,996,699	\$ 7,996,699
US Agency Securities	-	13,013,508	13,013,508
Municipal Securities	-	9,724,954	9,724,954
Corporate Securities	12,723,747	12,723,747	25,447,494
Subtotal	\$ 12,723,747	\$ 43,458,908	\$ 56,182,655
Investments Exempt from Fair Value Hierarchy:			
Held by City			
CALTRUST	\$ -	\$ -	\$ 17,390,559
PARS	-	-	11,095,822
LAIF	-	-	15,947,421
Local Certificate of Deposits	-	-	2,249,995
Money Market Mutual Funds	-	-	4,545,831
Guaranteed Investments Contracts	-	-	2,169,850
U.S Treasury Notes	-	-	9,882,869
Total Investments	\$ -	\$ -	\$ 119,465,002

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 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	\$ 44,519
Uncollectibles related to electric sales and services	346,773
Uncollectibles related to wastewater services	150,726
Uncollectibles related to water sales and services	134,298
Total uncollectibles of the current fiscal year	<u>\$ 676,316</u>

Note 4 – Interfund Receivables / Payable

Interfund receivables and payables at June 30, 2018 are as follows:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
<i>Non-major governmental</i>	<i>Non-major governmental</i>	
Community Development	Home & CBG	\$ 8,588
	Transportation	52,915
<i>Internal Service Funds</i>	<i>Internal Service Funds</i>	
Insurance	Fleet	71,500
		<u>\$ 133,003</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 \$61,503 and \$71,500 represents cash deficits in other governmental funds and internal service funds.

The advances from the Water Fund were used for the construction of Fire Station #4 and have no defined repayment terms; however, the City is repaying as funds are available.

<u>Advances to</u>	<u>Advances from</u>	<u>Amount</u>
Other governmental	Water	<u>\$ 984,025</u>

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Transfers

Transfers for the year ended June 30, 2018, are summarized as follows:

Transfers In:				
	General	Streets	Other Governmental	Total
Transfers Out:				
General	\$ -	\$ 461,960	\$ 6,507,490	\$ 6,969,450
Other governmental	1,696,840	-	944,815	2,641,655
Electric	2,145,285	-	-	2,145,285
Wastewater	1,108,270	-	-	1,108,270
Water	820,560	-	-	820,560
Transit	177,945	-	-	177,945
Fleet	290			290
Total	\$ 5,949,190	\$ 461,960	\$ 7,452,305	\$ 13,863,455

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

Transfers out of \$2,145,285 from the Electric Fund, \$1,108,270 from the Wastewater Fund, \$820,560 from the Water Fund and \$177,945 from Transit represent operating contributions to the General Fund.

The transfer of \$461,960 from the General Fund to the Streets Fund is for operations and for various streets projects.

The transfer of \$6,507,490 from the General Fund to other governmental funds represents transfer of \$1,101,250 to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds; \$3,853,240 to Parks, Recreation, and Community Services Fund for operating costs; \$435,000 to the Vehicle and Equipment Fund for vehicle replacements and computer replacements; \$421,000 to the Capital Outlay Reserve Fund for various capital projects; and \$697,000 to Library Capital.

The transfer out of \$944,815 from other governmental funds to other governmental funds includes \$655,890 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 \$206,225 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 \$61,700 from the Parks, Recreation, and Community Services Fund to the Vehicle and Equipment Fund for fleet replacement.

The transfer of \$290 from Fleet Fund to General Fund is to cover the expenses of the City's new website.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets

Capital assets activity of the primary government for the year ended June 30, 2018, was as follows:

<u>Governmental activities</u>	July 1, 2017	Increases	Decreases	June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 24,947,834	-	-	\$ 24,947,834
Work of Art	304,907	-	-	304,907
Construction in progress	18,416,565	973,217	(15,177,763)	4,212,019
Total capital assets, not being depreciated	\$ 43,669,306	\$ 973,217	\$ (15,177,763)	\$ 29,464,760
Capital assets, being depreciated:				
Buildings and improvements	77,456,162	-	-	77,456,162
Machinery and equipment	12,730,562	1,320,539	(6,247)	14,044,854
Vehicles	11,802,201	288,344	(386,089)	11,704,456
Infrastructure	149,567,248	21,915,633	-	171,482,881
Total capital assets, being depreciated	251,556,173	23,524,516	(392,336)	274,688,353
Less accumulated depreciation for:				
Buildings and improvements	36,246,234	2,111,849	-	38,358,083
Machinery and equipment	11,564,506	407,623	(6,247)	11,965,882
Vehicles	8,953,782	500,457	(358,316)	9,095,923
Infrastructure	101,899,393	5,267,507	-	107,166,900
Total accumulated depreciation	158,663,915	8,287,436	(364,563)	166,586,788
Total capital assets, being depreciated, net	92,892,258	15,237,080	(27,773)	108,101,565
Governmental activities capital assets, net	\$ 136,561,564	\$ 16,210,297	\$ (15,205,536)	\$ 137,566,325
<u>Business-type activities</u>	July 1, 2017	Increases	Decreases	June 30, 2018
Capital assets, not being depreciated:				
Land	5,535,718	-	-	5,535,718
Construction in progress	15,409,186	1,901,433	(409,216)	16,901,403
Total capital assets, not being depreciated	20,944,904	1,901,433	(409,216)	22,437,121
Capital assets, being depreciated:				
Buildings and improvements	48,581,773	-	-	48,581,773
Machinery and equipment	285,935,643	12,099,400	-	298,035,043
Vehicles	13,444,052	481,692	(207,844)	13,717,900
Total capital assets, being depreciated	347,961,468	12,581,092	(207,844)	360,334,716
Less accumulated depreciation for:				
Buildings and improvements	20,657,017	1,287,504	-	21,944,521
Machinery and equipment	98,674,092	8,485,800	-	107,159,892
Vehicles	8,372,474	1,349,393	(207,844)	9,514,023
Total accumulated depreciation	127,703,583	11,122,697	(207,844)	138,618,436
Total capital assets, being depreciated, net	220,257,885	1,458,395	-	221,716,280
Business-type activities capital assets, net	\$ 241,202,789	\$ 3,359,828	\$ (409,216)	\$ 244,153,401

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets (Continued)

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

Governmental activities:		Business-type activities:	
General government	\$ 617,558	Electric	\$ 2,368,139
Public protection	659,666	Wastewater	4,249,995
Public works	5,285,609	Water	3,088,616
Community development	19,549	Transit	<u>1,415,947</u>
Library	71,465		
Parks and recreation	1,267,579	Total depreciation expense	<u>\$ 11,122,697</u>
Internal service funds	<u>1,447</u>		
Total depreciation expense	<u>\$ 7,922,873</u>		

Note 7 – Long – Term Liabilities

The following is a summary of long-term debt payable at June 30, 2018 and transactions for the year ended June 30, 2018 for the following individual issues:

Governmental activities:	July 1, 2017	Additions	Reductions	June 30, 2018	Amounts Due Within One Year
Compensated absences	\$ 7,607,875	\$ 4,663,614	\$ (4,013,177)	\$ 8,258,312	\$ 2,004,483
2012 Lease Revenue Bonds	17,990,000	-	(860,000)	17,130,000	900,000
Issuance premium	762,590	-	(53,830)	708,760	53,830
Total	<u>18,752,590</u>	<u>-</u>	<u>(913,830)</u>	<u>17,838,760</u>	<u>953,830</u>
Loan payable	378,011	-	(91,775)	286,236	93,571
Capital lease	486,959	-	(77,009)	409,949	78,624
Self-insurance liability	8,842,398	1,121,320	(1,969,182)	7,994,536	1,121,320
Governmental activities long-term liabilities	<u>\$ 36,067,833</u>	<u>\$ 5,784,931</u>	<u>\$ (7,064,973)</u>	<u>\$ 34,787,793</u>	<u>\$ 4,251,827</u>

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Long – Term Liabilities (Continued)

	Interest Rates	July 1, 2017	Additions	Reductions	June 30, 2018	Amounts Due Within One Year
Business-type activities:						
Compensated absences		\$ 2,334,250	\$ 1,912,370	\$ (1,645,171)	\$ 2,601,449	\$ 750,461
Pollution remediation obligation		17,354,008	-	(500,486)	16,853,522	400,000
Loan payable	2.30%	1,300,320	-	(204,432)	1,095,888	172,292
Certificates of Participation and Revenue Bonds:						
2004 Certificates of Parti	2.0-5.5%	2,070,000	-	-	2,070,000	-
2007 Certificates of Parti	4.0-5.0%	7,730,000	-	(7,730,000)	-	-
Issuance premium		45,301	-	(45,301)	-	-
Total		7,775,301	-	(7,775,301)	-	-
2008 Certificates of Parti	3.85-5.05%	58,295,000	-	(58,295,000)	-	-
Issuance premium		373,630	-	(373,630)	-	-
Total		58,668,630	-	(58,668,630)	-	-
2010 Revenue Bonds A	2.50-6.637%	33,630,000	-	(950,000)	32,680,000	980,000
Issuance premium		453,105	-	(19,700)	433,405	18,843
Total		34,083,105	-	(969,700)	33,113,405	998,843
2012 Revenue Bonds A	2.0-5.0%	11,675,000	-	(1,475,000)	10,200,000	1,535,000
Issuance premium		1,039,460	-	(166,313)	873,147	166,313
Total		12,714,460	-	(1,641,313)	11,073,147	1,701,313
2016 Revenue Bonds A	2.0-3.25%	20,295,000	-	-	20,295,000	1,650,000
Issuance premium		2,586,834	-	(130,979)	2,455,855	130,979
Total		22,881,834	-	(130,979)	22,750,855	1,780,979
2017 Installment	2.0-5.0%	-	7,762,794	-	7,762,794	107,922
Issuance premium		-	-	-	-	-
Total		-	7,762,794	-	7,762,794	107,922
2018 Revenue Bonds	2.0-5.0%	-	41,610,000	-	41,610,000	-
Issuance premium		-	6,681,443	-	6,681,443	445,435
Total		-	48,291,443	-	48,291,443	445,435
Total Certificates of Participation and Revenue Bonds		138,193,330	56,054,237	(69,185,923)	125,061,644	5,034,492
Business-type activities long-term liabilities		\$ 159,181,908	\$ 57,966,607	\$ (71,536,012)	\$ 145,612,503	\$ 6,357,245

Loans Payable

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.

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.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Long – Term Liabilities (Continued)

Loans Payable (Continued)

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

Year Ending June 30,	Governmental Activities		Year Ending June 30,	Business-type Activities	
	Principal	Interest		Principal	Interest
2019	\$ 93,571	\$ 5,601	2019	\$ 172,292	\$ 25,555
2020	95,402	3,770	2020	214,078	20,677
2021	97,263	1,908	2021	219,027	15,728
Total	<u>\$ 286,236</u>	<u>\$ 11,279</u>	2022	224,178	10,577
			2023	192,497	5,350
			Total	<u>\$1,095,888</u>	<u>\$ 77,887</u>

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, 2018, are as follows:

Year Ending, June 30	
2019	\$ 86,540
2020	86,540
2021	86,540
2022	86,540
2023	86,540
Total minimum lease payments	<u>432,700</u>
Less amounts representing interest	<u>(22,751)</u>
Present value of minimum capital lease payments	<u>\$ 409,949</u>

Certificates of Participation and Revenue Bonds

Governmental Activities:

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, 2018, 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 \$23,045,569. 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 \$794,913.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Long – Term Liabilities (Continued)

Enterprise Activities:

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 \$2,659,956. Interest paid for the current year and total net revenues were \$98,326 and \$6,533,174, 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 \$60,360,828. Principal and interest paid for the current year and total net revenues were \$2,967,656 and \$6,975,156, respectively.

On August 16, 2012, the City issued **\$17,105,000** 2012 Refunding Wastewater Revenue Bonds Series A (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 \$11,656,450. Principal and interest paid for the current year and total net revenues were \$1,949,300 and \$6,533,174, respectively.

On March 10, 2016, the City issued **\$20,295,000** 2016 Refunding Wastewater Revenue Bonds Series A (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 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 \$31,037,706. Interest paid for the current year and total net revenues were \$849,150 and \$6,533,174, respectively. At June 30, 2018, the remaining balance of the refunded debt is \$21,339,735.

On December 1, 2017, the City issued **\$7,762,794** 2017 Installment Purchase Agreement for an advance refunding of the \$7,555,000 principal amount of the 2007 Wastewater Revenue Certificates of Participation. Principal is payable annually on October 1 in amounts ranging from \$107,000 to \$545,000 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 2017 Agreement is \$10,404,810.

On June 13, 2018, the City issued **\$41,610,000** Electric System Revenue Refunding Bonds (2018 Bonds) to allow the City to prepay and cause the immediate defeasance of the outstanding \$55,785,000 Certificates of Participation (Electric System Revenue Certificates of Participation 2008 Series A). Principal is payable annually on September 1 in amounts ranging from \$1,710,000 to \$4,045,000 beginning in 2019 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 \$59,467,804.

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

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Long – Term Liabilities (Continued)

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
2019	\$ 900,000	\$ 755,213	\$ 4,272,922	\$ 3,562,724
2020	930,000	721,087	5,078,903	3,465,443
2021	965,000	685,337	5,179,846	3,362,066
2022	1,020,000	635,712	5,410,675	3,250,128
2023-2027	5,905,000	2,329,313	32,487,032	13,831,479
2028-2032	7,410,000	788,907	31,343,153	9,493,025
2033-2037	-	-	22,865,113	5,167,385
2038-2040	-	-	7,980,150	916,250
Total	<u>\$ 17,130,000</u>	<u>\$ 5,915,569</u>	<u>\$ 114,617,794</u>	<u>\$ 43,048,500</u>

Note 8 – Pension Plans

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.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plan	
	Prior to 1-Jan-13	On or after 1-Jan-13
Hire date	1-Jan-13	1-Jan-13
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-67	52-67
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1% to 2.5%
Required employee contribution rates	7%	6.75%
Required employer contribution rates	21.80%	21.80%

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

	Safety Plan		
	Prior to	December 22, 2012 to	On or after
	22-Dec-12	31-Dec-12	1-Jan-13
Hire date	3% @ 50	3% @ 55	2.7% @ 57
Benefit formula	5 years of service	5 years of service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life	monthly for life
Benefit payments	50-55	50-55	50-57
Retirement age	3%	2.4% to 3%	2% to 2.7%
Monthly benefits, as a % of eligible compensation	9%	9%	11.25%
Required employee contribution rates	44.75%	44.75%	44.75%
Required employer contribution rates			

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	409	187
Inactive employees entitled to but not yet receiving benefits	121	20
Active employees	266	119
Total	<u>796</u>	<u>326</u>

Contributions

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. The contributions for the measurement period were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Aggregate Total</u>
Contributions - employer	<u>\$ 2,795,484</u>	<u>\$ 3,539,856</u>	<u>\$ 6,335,340</u>

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
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, 2016 valuation were based on the 2014 CalPERS Experience Study for the period from 1997 to 2014. 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 7.15% 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 7.15% 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.

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.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ⁽¹⁾	Real Return Years 11 + ⁽²⁾
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-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

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, 2016 (1)	\$ 173,732,809	\$ 122,744,359	\$ 50,988,450
Changes in the year:			
Service cost	2,862,495		2,862,495
Interest on the total pension liability	12,923,048		12,923,048
Changes in Assumptions	10,541,016		10,541,016
Differences between expected and actual experience	(398,276)		(398,276)
Contribution - employer		3,950,727	(3,950,727)
Contribution - employee		1,341,146	(1,341,146)
Net investment income (2)		13,581,014	(13,581,014)
Benefit payments, including refunds of employee contributions	(9,129,724)	(9,129,724)	-
Other changes in fiduciary net position		(181,224)	181,224
Net changes during measurement period	16,798,559	9,561,939	7,236,620
Balance at June 30, 2017	\$ 190,531,368	\$ 132,306,298	\$ 58,225,070

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016 (1)	\$ 170,977,761	\$ 103,945,660	\$ 67,032,101
Changes in the year:			
Service cost	3,336,917		3,336,917
Interest on the total pension liability	12,869,943		12,869,943
Changes in Assumptions	10,945,791		10,945,791
Differences between expected and actual experience	1,123,761		1,123,761
Contribution - employer		5,220,306	(5,220,306)
Contribution - employee		1,095,689	(1,095,689)
Net investment income (2)		11,443,777	(11,443,777)
Benefit payments, including refunds of employee contributions	(9,433,148)	(9,433,148)	-
Other changes in fiduciary net position		(154,520)	154,520
Net changes during measurement period	18,843,264	8,172,104	10,671,160
Balance at June 30, 2017	\$ 189,821,025	\$ 112,117,764	\$ 77,703,261

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

(2) Net of administrative expenses.

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	6.15%	6.15%
Net Pension Liability	\$83,480,241	\$104,180,259
Current Discount Rate	7.15%	7.15%
Net pension Liability	\$58,225,070	\$ 77,703,261
1% Increase	8.15%	8.15%
Net Pension Liability	\$37,353,443	\$56,060,808

Pension Plan Fiduciary Net Position

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

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of \$8,321,133 and \$10,011,164 for the Miscellaneous and Safety Plans, respectively.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,404,667	\$ -	\$ 2,025,661	\$ -	\$ 3,430,328	\$ -
Changes of assumptions	6,776,367	-	8,339,650	839,726	15,116,017	839,726
Difference between expected and actual experience	168,261	256,035	1,170,928	266,549	1,339,189	522,584
Net differences between projected and actual earnings on plan investments	1,806,338	-	1,572,836	-	3,379,174	-
Total	\$10,155,633	\$ 256,035	\$13,109,075	\$ 1,106,275	\$23,264,708	\$ 1,362,310

The \$1,404,667 and \$2,025,661 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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending 30-Jun	Miscellaneous Plan	Safety Plan	Total
2019	\$ 3,703,070	\$2,046,477	\$ 5,749,547
2020	5,014,833	4,622,023	9,636,856
2021	770,922	3,562,668	4,333,590
2022	(993,897)	(254,026)	(1,247,923)
Total	\$ 8,494,931	\$9,977,142	\$18,472,070

Note 9 – Post Employment 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.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Post Employment Benefits Other Than Pensions (Continued)

A. Plan Description (Continued)

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

B. Eligibility

Employees of the City are eligible for retiree health benefits if they retire from the City and commence pension benefits under PERS (typically on or after age 50 with at least five years of PERS eligible service). Membership in the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation.

<u>Eligibility</u>	<u>Plan</u>
Active plan members	283
Inactive plan members entitled to, but not yet receiving benefits	93
Retirees electing coverage	194
Retirees	7
Total	<u>577</u>

C. Funding Policy

Contribution requirements of the Retiree Health Plan are based on pay-as-you-go financing. The City's policy is to fund the normal cost (current accrual for benefits being earned) plus an amortization of the net (unfunded accrued) OPEB liability. For fiscal year 2017-18, the City contributed \$2,947,260, of which \$1,000,000 was placed in an OPEB Trust.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Post Employment Benefits Other Than Pensions (Continued)

D. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The net OPEB liability at June 30, 2018 was:

Actuarial accrued liability (AAL)	\$ 34,354,842
Actuarial value of plan assets	(1,079,480)
Unfunded actuarial accrued liability (UAAL)	\$ 33,275,362

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.

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.

F. Actuarial Valuations

The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

Valuation date: June 30, 2017	Measurement date: June 30, 2017
Actuarial Cost Method	Entry Age Normal level percent of pay cost method
Actuarial Assumptions:	
Discount Rate	3.60%
Inflation	2.75%
Wage Inflation	3.00%
Expected Rate of Return	6.73% per annum. This discount rate assumes the
Healthcare Trend Rate	An annual healthcare cost trend rate of 6.8% initially reduced by decrements to an ultimate of 4.40% therefore.

G. Discount Rate

The discount rate used to measure the net OPEB liability was 3.60%. This discount rate assumes the City continues to fully fund for its retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT) under its investment allocation strategy 2. The rate reflects the CERBT published median interest rate for strategy 1 of 6.73% with an additional margin for adverse deviation.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Post Employment Benefits Other Than Pensions (Continued)

G. Discount Rate (Continued)

The table below reflects 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 geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return¹</u>
Global equity	40.00%	5.50%
Global fixed income	39.00%	2.35%
Inflation sensitive	10.00%	1.50%
Private equity	3.00%	1.75%
Real estate	8.00%	3.65%

1 - Long term expected rate of return in 6.73%

H. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current discount rate:

<u>Plan's Net OPEB Liability/(Asset)</u>		
<u>Discount Rate - 1%</u> <u>(2.60%)</u>	<u>Current Discount</u> <u>Rate (3.60%)</u>	<u>Discount Rate + 1%</u> <u>(4.60%)</u>
\$ 37,086,366	\$ 33,275,362	\$ 30,053,277

I. Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates 1-percentage point lower (5.0%HMO/5.5%PPO decreasing to 4.0%HMO/4.5%PPO) or 1-percentage point higher (7.0%HMO/6.5%PPO decreasing to 6.0%HMO/6.5%PPO) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
HMO	4.00%	5.00%	6.00%
PPO	4.50%	5.50%	6.50%
City Plan	\$ 29,880,363	\$ 33,275,362	\$ 37,345,945

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Post Employment Benefits Other Than Pensions (Continued)

J. OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,810,506 for the City Plan. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 2,019,230	\$ -
Change of assumptions	-	(2,162,961)
actual experience	-	(32,854)
	\$ 2,019,230	\$ (2,195,815)

The \$2,019,230 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Measurement Period Ended June 30,	
2019	\$ (363,964)
2020	(363,964)
2021	(363,964)
2022	(363,962)
2023	(355,750)
Thereafter	(384,211)
	\$ (2,195,815)

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Post Employment Benefits Other Than Pensions (Continued)

K. Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB	Plan Fiduciary Net	Net OPEB
	Liability (a)	Position (b)	Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016 (as restated)	\$ 36,607,931	\$ -	\$ 36,607,931
Changes Recognized for the Measurement Period:			
Service Cost	1,139,099	-	1,139,099
Interest on the total OPEB liability	1,073,783	-	1,073,783
Changes of assumptions	(2,518,711)	-	(2,518,711)
Employer contributions	-	2,947,260	(2,947,260)
Net investment income	-	79,789	(79,789)
Benefit payments, including refunds of member contributions	(1,947,260)	(1,947,260)	-
Administrative expenses	-	(309)	309
Net Changes during July 1, 2016 to June 30, 2017	<u>(2,253,089)</u>	<u>1,079,480</u>	<u>(3,332,569)</u>
Balance at June 30, 2017 (Measurement Date)	<u>\$ 34,354,842</u>	<u>\$ 1,079,480</u>	<u>\$ 33,275,362</u>

Note 10 – 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 15).

The City is self-insured for workers' compensation up to the first \$250,000 per claim. Any claims of \$250,000 up to California statutory limits are covered under a purchased policy through the membership with the Local Agency Workers' Compensation Excess Joint Powers Authority with coverage up to \$300,000,000 in the current year. The City has not had any settlements that exceeded its workers' compensation insurance coverage.

The City is fully self-insured for dental and unemployment benefits 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 \$7,994,538 at June 30, 2018, 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.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Claims and Benefits (Continued)

Changes in the self-insurance liability for the years ended June 30, 2018, 2017 and 2016 are as follows:

	Beginning	Current Year Claims &		Ending
		Changes In Estimates	Claim Payments	
FY 17-18	\$ 8,842,398	\$ 1,121,320	\$ (1,969,182)	\$ 7,994,536
FY 16-17	8,480,942	2,365,077	(2,003,621)	8,842,398
FY 15-16	8,305,887	2,118,423	(1,943,368)	8,480,942

Note 11 – Participation in Joint Ventures

Northern California Power Agency

The City, along with fifteen other public agencies, is a member of the Northern California Power Agency (NCPA) that was formed in 1968 as a joint powers agency. The membership consists of twelve cities with publicly owned electric utility distribution systems, one port authority, one transit authority, one public utility district, one associate member. NCPA is generally empowered to purchase, generate, transmit, distribute and sell electrical energy. Members participate in the projects of NCPA on an elective basis. NCPA is governed by a Commission comprised of one representative from each member. 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 members.

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 NCPA's members may choose which projects it wishes to participate in, and is known as a "Project Participant" for each such 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. As of June 30, 2018, the City has not had an increase as a result of a defaulting party to the Member Agreement.

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.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Participation in Joint Ventures (Continued)

General Operating Reserve with NCPA (Continued)

As of June 30, 2018, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is \$9,456,605, and is shown as "advance receivable" in the Business-Type Activities on the Government-Wide Statement of Net Position.

Project Participation

The NCPA members and their percentage share at June 30, 2018, which is the most recent available data, are as follows:

NCPA MEMBERS	Geothermal Project	Hydro Electric Project	Combustion Turbine Project #1	Multiple Capital Facilities	Transmission Project	Lodi Energy Center
Alameda	16.88	10.00	21.82	19.00	30.78	
Bay Area Rapid Transit						6.60
Biggs	0.23		0.20		0.34	0.27
Gridley	0.34		0.35		0.62	1.96
Healdsburg	3.67	1.66	5.83		6.69	1.64
Lodi	10.28	10.37	13.39	39.50	20.61	9.50
Lompoc	3.68	2.30	5.83	5.00	6.71	2.04
Palo Alto		22.92				
Plumas-Sierra Rural Electric Coop	0.70	1.69	1.82		1.31	0.79
Roseville	7.88	12.00		36.50	13.08	
Santa Clara	44.39	37.02	41.67			25.75
Ukiah	5.61	2.04	9.09		10.23	1.79
OTHER PARTICIPANTS						
Azusa						2.79
California Department of Water Resources						33.50
Modesto Irrigation District						10.71
Power & Water Resources Pooling Agency						2.67
Turlock Irrigation District	6.33				9.61	

Bulk power purchased by the City through NCPA amounted to \$39,583,812 during the year ended June 30, 2018 and is reflected in utilities expense in the Electric Enterprise Fund.

Geothermal Project

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 165 MW (nameplate rating) turbine generator units utilizing low temperature geothermal steam; associated electrical, mechanical and control facilities; a heat dissipation system; a steam gathering system; a transmission tap-line; and, other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes well pads, access roads, steam wells and re-injection wells.

Under a power purchase agreement with NCPA, the City is obligated to pay 10.28% of the operating and debt service costs. Outstanding long-term debt related to this project was approximately \$29 million at June 30, 2018.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Participation in Joint Ventures (Continued)

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 with NCPA, the City is obligated to pay 10.37% of the debt service and operating costs. At June 30, 2018, approximately \$315 million in long-term debt used to finance this project was outstanding.

Combustion Turbine Project #1

The original project consisted of five combustion turbine units, each nominally rated at 25 MW. Concurrent with the final project bond maturity, two units located in Roseville were acquired by an NCPA member. The remaining project consists of two units 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, 2018, there was no outstanding long-term debt related to this project.

Multiple 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, 2018, approximately \$34 million in long-term debt was outstanding.

Transmission Project

The project was undertaken to meet certain obligations of NCPA under the NCPA/PG&E Interconnection Agreement. The project includes co-tenancy interest in PG&E's 230 kV Castle Rock to Lakeville Substation Transmission Line in Sonoma County, additional firm transmission rights in that transmission line, and a central dispatch facility. The City is obligated to pay 20.6077% of the debt service and operating costs. At June 30, 2018, there was no outstanding long-term debt related to this project.

Lodi Energy Center

The project is a 296 MW natural gas-fired, combined-cycle power generation plant located in Lodi on City property. Pursuant to a power sales agreement, NCPA owns and operates the project, selling the capacity and energy to various project participants, including both members and non-members of NCPA.

The City is obligated to pay 9.5% of operating costs and 17.03% of the debt service with Issue One. Outstanding long-term debt related to Issue One for the project was approximately \$227 million at June 30, 2018.

The following are the most recent available audited condensed financial statements of NCPA. These financial statements are not reported as part of the City's operations:

At June 30, 2018, NCPA's total net outstanding long-term debt was \$736,932,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2018, was \$42,335,000. Lodi's portion of the long-term debt is \$88,399,561.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Participation in Joint Ventures (Continued)

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

Condensed Statement of Net Position
June 30, 2018
(in thousands)

Assets and Deferred Outflows of Resources	
Current assets	\$ 89,908
Restricted assets	219,905
Electric plant, net	531,337
Other assets	231,430
Total assets	1,072,580
Deferred outflows of resources	61,076
Total assets and deferred outflows of resources	\$ 1,133,656
 Liabilities, Deferred Inflows of Resources and Net Position	
Long-term debt, net	\$ 694,597
Current liabilities	95,389
Non-current liabilities	231,517
Deferred inflows of resources	74,085
Net position	38,068
Total liabilities, deferred inflows of resources and net position	\$ 1,133,656

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Participation in Joint Ventures (Continued)

**Condensed Statement of Revenues, Expenses
and Changes in Net Position
Year ended June 30, 2018
(in thousands)**

Sales for resale	\$ 560,883
Operating expenses	(509,190)
Other expenses	(25,559)
Future recoverable costs	(11,812)
Net revenues before refunds	14,322
Refunds to participants	(10,314)
Increase in net position	4,008
Net position, beginning of year	34,060
Net position, end of year	\$ 38,068

**Combined Statement of Cash Flows
Year ended June 30, 2018
(in thousands)**

Net cash from operating activities	\$ 83,380
Net from investing activities	(26,549)
Net cash from capital and related financing activities	(76,471)
Net cash from noncapital and related financing activities	(2,408)
Increase in cash and cash equivalents	(22,048)
Cash and cash equivalents, beginning of year	126,044
Cash and cash equivalents end of year	\$ 103,996

The City of Lodi is a member of the Transmission Agency of Northern California (TANC), a California Joint Powers Agency formed in the early 1980's to build the California Oregon Transmission Project (COTP) – a transmission line connecting the Pacific Northwest with Central California.

On April 2, 2014, the Lodi City Council approved a 25-year layoff of the City's 26.7 MW share of the COTP transfer capability, effective July 1, 2014, whereby the City and all the TANC Members who are in the CAISO Balancing Authority lay off their interests to certain other COTP participants – specifically the Sacramento Municipal Utility District, Modesto Irrigation District and Turlock Irrigation District. In exchange, these entities pay the City's current allocated share of COTP costs. This layoff arrangement does not change Lodi's membership status in TANC and does not relieve the City of its obligations under the TANC Agreement in the event of any default in payment by an acquiring party.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Participation in Joint Ventures (Continued)

TANC and certain TANC Members have arranged for Pacific Gas & Electric (PG&E) to provide TANC and its members with 300 MW of firm bi-directional transmission capacity on its transmission system between its Midway Substation near Buttonwillow, CA and its Telsa Substation near Tracy, CA, near the southern physical terminus of the COTP under an agreement known as the South of Telsa (SOT) Principles. The City's share of this Telsa-Midway Transmission Service is 6.21 MW. The City has utilized its full allocation of Telsa-Midway Transmission Service for firm and no-firm power transactions in the past. The City is responsible for 2.07% of TANC's SOT debt service of approximately \$53,000 per year.

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

Note 12 – 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, 2018, premiums of \$165,785 were paid to CJPRMA for the liability program.

The participants at June 30, 2018, 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 \$447,075 in premiums to LAWCX during the year ended June 30, 2018.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 12 – Membership in Insurance Pools (Continued)

The participants at June 30, 2018, 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 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 official's 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 \$134,249 in premiums to CalTIP during the year ended June 30, 2018. There have been no reductions in insurance coverage from the prior year and there were no insurance settlements in excess of insurance coverage in any of the last three years.

Program	Self-Insured Retention	Limit (in millions)	Physical Damage
City of Lodi Transit System	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 20
 Sacramento, California 95833

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Deficit in Net Position

The City has a deficit net position in its governmental activities in the amount of (\$117,534,830) which is primarily attributable to the net pension and OPEB obligations outstanding as of June 30, 2018.

A deficit in net position in the amount of (\$1,370,125) in the ISF Fleet Services Fund at June 30, 2018, 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.

A deficit in net position in the amount of (\$31,955,868) in the ISF Benefits Fund at June 30, 2018, is attributed to the restatement of the OPEB Liability as required by GASB 75.

Note 14 – 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, 2018, is \$16,853,522. This amount is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

Note 15 – 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 an initial term of 40 years. The agreement provides for the purchase of 6,000 acre feet per year and the City pays the District \$1.2 million annually. The initial term of the agreement was for 40 years. In January 2008, the District and the City of Lodi amended the 2003 water sale contract to, among other matters, extend that agreement for four years to October 2047.

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, 2018, for any of the City's outstanding Certificates of Participation and Revenue Bonds.

City of Lodi
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 15 – Commitments and Contingencies (Continued)

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, 2018 are as follows:

Governmental Activities:		Business-type Activities:	
General Fund	\$ 32,145	Electric Fund	\$ 204,639
Other governmental funds	865,136	Wastewater Fund	7,316,328
		Water Fund	1,063,223
		Transit Fund	2,030,104
Total governmental activities	\$ 897,281	Total business-type activities	\$ 10,614,293

Note 16 – Prior Period Adjustment

The City recorded the following prior period adjustments to the beginning net position of the Governmental Activities in order to record beginning balances of OPEB-related items as part of GASB Statement 75 implementation.

Statement of Net Position June 30, 2017	\$ 55,578,803
Prior Period Adjustment - To	
implement OPEB per GASB 75	(24,512,888)
June 30, 2017 - Adjusted	\$ 31,065,915

Note 17 – Subsequent Events

On June 20, 2018, the Lodi City Council voted unanimously for a ½ cent City sales tax measure to be placed on the November 6, 2018 ballot (Measure L). Measure L was certified the first week of December and passed by 58.7% of the voters. The sales tax measure authorizes a ½ cent sales tax to provide needed revenue to return essential public services to pre-recession levels, maintain existing City services, and provide key improvements to City of Lodi public facilities and infrastructure. The sales tax measure is anticipated to bring in approximately \$5.4 million in additional general revenues to the City. Revenue collections will begin as soon as April 2019.

On December 31, 2017, all employment contracts, Memorandum of Understanding's (MOU's), between the City of Lodi and the employees' Unions expired. The City has been negotiating with the employees' labor unions on terms and conditions of employment and the MOU's. In August 2018, the first MOU contract was presented to City Council for approval. The final MOU contract was presented and approved by Council in December 2018. The new MOU contracts are extended through June 30, 2019 or December 31, 2019, depending on the bargaining unit.

REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Period	2016-17 ⁽¹⁾	2015-16 ⁽¹⁾	2014-15 ⁽¹⁾	2013-14 ⁽¹⁾
Total Pension Liability				
Service Cost	\$ 2,862,495	\$ 2,464,894	\$ 2,358,112	\$ 2,478,901
Interest	12,923,048	12,565,553	12,061,399	11,705,179
Differences Between Expected and Actual Experience	(398,276)	542,177	(1,655,012)	-
Changes of Assumptions	10,541,016	-	(2,903,507)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(9,129,724)</u>	<u>(8,641,550)</u>	<u>(8,208,103)</u>	<u>(7,729,680)</u>
Net Change in Total Pension Liability	16,798,559	6,931,074	1,652,889	6,454,400
Total Pension Liability - Beginning	<u>173,732,809</u>	<u>166,801,735</u>	<u>165,148,846</u>	<u>158,694,446</u>
Total Pension Liability - Ending (a)	<u>190,531,368</u>	<u>173,732,809</u>	<u>166,801,735</u>	<u>165,148,846</u>
Plan Fiduciary Net Position				
Contributions - Employer	3,950,727	3,500,179	2,994,958	2,694,850
Contributions - Employee	1,341,146	1,241,136	1,183,452	1,237,916
Net Investment Income ⁽²⁾	13,581,014	643,509	2,829,910	19,249,151
Benefit Payments, Including Refunds of Employee Contributions	(9,129,724)	(8,641,550)	(8,208,103)	(7,729,680)
Other Changes in Fiduciary Net Position	<u>(181,224)</u>	<u>(76,838)</u>	<u>(145,538)</u>	<u>-</u>
Net Change in Fiduciary Net Position	9,561,939	(3,333,564)	(1,345,321)	15,452,237
Plan Fiduciary Net Position - Beginning	<u>122,744,359</u>	<u>126,077,924</u>	<u>127,423,245</u>	<u>111,971,008</u>
Plan Fiduciary Net Position - Ending (b)	<u>132,306,298</u>	<u>122,744,360</u>	<u>126,077,924</u>	<u>127,423,245</u>
Plan Net Pension Liability - Ending (a) - (b)	<u>\$ 58,225,070</u>	<u>\$ 50,988,449</u>	<u>\$ 40,723,811</u>	<u>\$ 37,725,601</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.44%	70.65%	75.59%	77.16%
Covered Payroll	\$ 17,970,339	\$ 17,423,446	\$ 16,572,579	\$ 16,669,363
Plan Net Pension Liability as a Percentage of Covered Payroll	324.01%	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 2017-18, the discount rate was changed from 7.65 percent to 7.15 percent. 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	2016-17 ⁽¹⁾	2015-16 ⁽¹⁾	2014-15 ⁽¹⁾	2013-14 ⁽¹⁾
Total Pension Liability				
Service Cost	3,336,917	\$ 2,890,607	\$ 2,968,819	\$ 3,048,048
Interest	12,869,943	12,357,788	11,827,918	11,390,793
Changes of Benefit Terms				
Differences Between Expected and Actual Experience	1,123,761	600,847	(932,918)	-
Changes of Assumptions	10,945,791	-	(2,939,033)	-
Benefit Payments, Including Refunds of Employee				
Benefit Payments, Including Refunds of Employee Contributions	(9,433,148)	(8,730,081)	(8,134,067)	(7,448,361)
Net Change in Total Pension Liability	18,843,264	7,119,161	2,790,719	6,990,480
Total Pension Liability - Beginning	170,977,761	163,858,600	161,067,881	154,077,401
Total Pension Liability - Ending (a)	<u>189,821,025</u>	<u>170,977,761</u>	<u>163,858,600</u>	<u>161,067,881</u>
Plan Fiduciary Net Position				
Contributions - Employer	5,220,306	4,660,278	4,176,197	4,106,044
Contributions - Employee	1,095,689	1,062,984	1,007,876	1,058,376
Net Investment Income ⁽²⁾	11,443,777	558,434	2,397,191	16,070,261
Benefit Payments, Including Refunds of Employee Contributions	(9,433,148)	(8,730,081)	(8,134,067)	(7,448,361)
Other Changes in Fiduciary Net Position	(154,520)	(64,882)	(119,971)	-
Net Change in Fiduciary Net Position	8,172,104	(2,513,267)	(672,774)	13,786,320
Plan Fiduciary Net Position - Beginning	103,945,660	106,458,927	107,131,701	93,345,381
Plan Fiduciary Net Position - Ending (b)	112,117,764	103,945,660	106,458,927	107,131,701
Plan Net Pension Liability - Ending (a) - (b)	<u>\$ 77,703,261</u>	<u>\$ 67,032,101</u>	<u>\$ 57,399,673</u>	<u>\$ 53,936,180</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.06%	60.79%	64.97%	66.51%
Covered Payroll	\$ 11,518,923	\$ 11,106,615	\$ 11,293,867	\$ 11,194,123
Plan Net Pension Liability as a Percentage of Covered Payroll	674.57%	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 2017-18, the discount rate was changed from 7.65 percent to 7.15 percent. 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**

	2017-18 (1)	2016-17 (1)	2015-16 (1)	2014-15 (1)	2013-14 (1)
Miscellaneous Plan:					
Actuarially Determined Contributions	\$ 3,950,727	\$ 3,880,495	\$ 3,500,179	\$ 2,994,958	\$ 2,694,850
Contributions in Relation to the Actuarially Determined Contributions (2)	<u>(3,950,727)</u>	<u>(3,880,495)</u>	<u>(3,500,179)</u>	<u>(2,994,958)</u>	<u>(2,694,850)</u>
Contribution Deficiency	<u>\$ -</u>				
Covered Payroll (3, 4)	\$ 17,970,339	\$ 17,802,886	\$ 17,423,446	\$ 16,572,579	\$ 16,669,363
Contributions as a Percentage of Covered Payroll	21.98%	21.80%	20.09%	18.07%	16.17%
Safety Plan:					
Actuarially Determined Contributions	\$ 5,220,306	\$ 5,136,610	\$ 4,660,278	\$ 4,176,197	\$ 4,106,044
Contributions in Relation to the Actuarially Determined Contributions (2)	<u>(5,220,306)</u>	<u>(5,136,610)</u>	<u>(4,660,278)</u>	<u>(4,176,197)</u>	<u>(4,106,044)</u>
Contribution Deficiency	<u>\$ -</u>				
Covered Payroll (3, 4)	\$ 11,518,923	\$ 11,477,432	\$ 11,106,615	\$ 11,293,867	\$ 11,194,123
Contributions as a Percentage of Covered Payroll	45.32%	44.75%	41.96%	36.98%	36.68%

Notes to Schedule:

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

(2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

(3) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

(4) Payroll from prior year \$17,970,339 for miscellaneous was assumed to increase by 1.00 percent payroll growth assumption. Payroll from prior year \$11,477,432 for safety was assumed to increase by 0.36 percent payroll growth assumption.

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 CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years ¹
For the Year Ended June 30, 2018

Measurement period, year ending:	<u>6/30/2017 ¹</u>
Total OPEB liability	
Service cost	\$ 1,139,099
Interest	1,073,783
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(2,518,711)
Benefit payments, including refunds of member contributions	<u>(1,947,260)</u>
Net change in total OPEB liability	<u>(2,253,089)</u>
Total OPEB liability - beginning	<u>36,607,931</u>
Total OPEB liability - ending (a)	<u><u>\$ 34,354,842</u></u>
 OPEB fiduciary net position	
Contributions - employer	\$ 2,947,260
Net investment income	79,789
Benefit payments, including refunds of member contributions	(1,947,260)
Administrative expense	<u>(309)</u>
Net change in plan fiduciary net position	1,079,480
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>1,079,480</u>
Plan net OPEB liability - ending (a) - (b)	<u><u>\$ 33,275,362</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	3.14%
 Covered-employee payroll	\$ 35,314,645
 Plan net OPEB liability as a percentage of covered-employee payroll	94.23%

¹ Ten year historical information is not available.

**City of Lodi
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 26,626,650	\$ 26,626,650	\$ 27,422,477	\$ 795,827
Licenses and permits	98,820	98,820	67,757	(31,063)
Intergovernmental revenues	12,473,240	12,473,240	12,377,159	(96,081)
Charges for services	1,603,830	1,813,830	1,934,180	120,350
Fines, forfeits, and penalties	1,480,000	1,480,000	1,396,137	(83,863)
Investment and rental income	1,558,630	1,558,630	1,747,857	189,227
Miscellaneous revenue	289,000	289,000	342,549	53,549
Total revenues	<u>44,130,170</u>	<u>44,340,170</u>	<u>45,288,116</u>	<u>947,946</u>
EXPENDITURES				
Current:				
City Manager	476,690	476,564	473,037	(3,527)
City Clerk	562,290	667,729	590,628	(77,101)
City Attorney	557,480	557,398	513,978	(43,420)
Human Resources	496,340	531,281	477,112	(54,169)
Information Systems	1,249,800	1,256,042	1,185,244	(70,798)
Financial Services	1,900,510	1,865,274	1,590,176	(275,098)
Budget and Treasury	289,230	289,191	269,881	(19,310)
Non Departmental	3,596,380	4,009,021	1,880,508	(2,128,513)
Total general government	<u>9,128,720</u>	<u>9,652,500</u>	<u>6,980,564</u>	<u>(2,671,936)</u>
Public protection:				
Police	19,804,640	19,720,035	19,474,114	(245,921)
Fire	11,695,580	11,793,012	11,102,645	(690,367)
Total public protection	<u>31,500,220</u>	<u>31,513,047</u>	<u>30,576,759</u>	<u>(936,288)</u>
Public works	2,322,320	2,321,968	1,852,852	469,116
Library	1,129,940	1,129,650	1,058,133	71,517
Total expenditures	<u>44,081,200</u>	<u>44,617,165</u>	<u>40,468,308</u>	<u>(3,067,591)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>48,970</u>	<u>(276,995)</u>	<u>4,819,808</u>	<u>(2,119,645)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,949,190	5,949,190	5,949,190	-
Transfers out	(6,969,450)	(6,969,450)	(6,969,450)	-
Total other financing sources (uses)	<u>(1,020,260)</u>	<u>(1,020,260)</u>	<u>(1,020,260)</u>	<u>-</u>
Net changes in fund balance	(971,290)	(1,297,255)	3,799,548	<u>\$ (2,119,645)</u>
FUND BALANCES, beginning of year	14,968,357	14,968,357	14,968,357	
FUND BALANCES, end of year	<u>\$ 13,997,067</u>	<u>\$ 13,671,102</u>	<u>18,767,905</u>	
Basis adjustment:				
Cumulative pension set aside			<u>(8,573,949)</u>	
Fund balance (budgetary basis)			<u>\$ 10,193,956</u>	

See accompanying notes to the required supplementary information.

**City of Lodi
Streets
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 6,678,420	\$ 6,678,420	\$ 7,641,630	\$ 963,210
Charges for services	1,310,890	1,310,890	703,770	(607,120)
Investment and rental income	26,570	26,570	20,820	(5,750)
Miscellaneous revenue	486,900	486,900	362,659	(124,241)
Total revenues	<u>8,502,780</u>	<u>8,502,780</u>	<u>8,728,879</u>	<u>226,099</u>
EXPENDITURES				
Current:				
Public works	2,544,350	2,544,060	2,305,308	238,752
Capital outlay	1,495,000	9,380,397	5,712,335	3,668,062
Total expenditures	<u>4,039,350</u>	<u>11,924,457</u>	<u>8,017,643</u>	<u>3,906,814</u>
Excess (deficiency) of revenues over expenditures	<u>4,463,430</u>	<u>(3,421,677)</u>	<u>711,236</u>	<u>4,132,913</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	461,960	461,960	461,960	-
Total other financing sources (uses)	<u>461,960</u>	<u>461,960</u>	<u>461,960</u>	<u>-</u>
Net change in fund balance	4,925,390	(2,959,717)	1,173,196	<u>\$ 4,132,913</u>
Fund balances, beginning of year	5,223,956	5,223,956	5,223,956	
Fund balances, end of year	<u>\$ 10,149,346</u>	<u>\$ 2,264,239</u>	<u>6,397,152</u>	
Basis adjustment:				
Cummulative pension set aside			(156,702)	
Fund balance (budgetary basis)			<u>\$ 6,240,450</u>	

See accompanying notes to the required supplementary information.

CITY OF LODI
Note to the Required Supplementary Information
June 30, 2018

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

CITY OF LODI
Note to the Required Supplementary Information (Continued)
June 30, 2018

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
Summary by Fund Type
June 30, 2018**

	Special revenue funds	Capital projects funds	Debt service funds	Total Other Governmental Funds
ASSETS				
Cash and investments	\$ 4,085,093	\$ 6,110,674	\$ 746	\$ 10,196,513
Restricted cash and investments	446,311	-	-	446,311
Accounts receivable, net	117,567	226,648	-	344,215
Due from other funds	61,503	-	-	61,503
Interest Receivables	4,815	4,109	-	8,924
Due from other governmental agencies	266,112	-	-	266,112
Inventory	1,306	-	-	1,306
Total assets	<u>\$ 4,982,707</u>	<u>\$ 6,341,431</u>	<u>\$ 746</u>	<u>\$ 11,324,884</u>
LIABILITIES				
Accounts payable and other liabilities	179,670	\$ 105,960	\$ -	\$ 285,630
Accrued salaries and wages	11,226	-	-	11,226
Due to other funds	61,503	-	-	61,503
Advances from other funds	-	984,025	-	984,025
Unearned revenue	103,407	168,697	-	272,104
Total liabilities	<u>355,806</u>	<u>1,258,682</u>	<u>-</u>	<u>1,614,488</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	44,707	-	-	44,707
Total deferred inflows of resources	<u>44,707</u>	<u>-</u>	<u>-</u>	<u>44,707</u>
FUND BALANCES				
Nonspendable				
Inventory	1,306	-	-	1,306
Restricted				
Road-related projects	160	-	-	160
Capital projects	-	5,082,749	-	5,082,749
Home and CDBG program	371,191	-	-	371,191
Public safety	25,303	-	-	25,303
Community development	3,141,317	-	-	3,141,317
Parks, recreation and community services	1,042,917	-	-	1,042,917
Debt service	-	-	746	746
Total fund balances	<u>4,582,194</u>	<u>5,082,749</u>	<u>746</u>	<u>9,665,689</u>
Total liabilities and fund balances	<u>\$ 4,982,707</u>	<u>\$ 6,341,431</u>	<u>\$ 746</u>	<u>\$ 11,324,884</u>

City of Lodi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Summary by Fund Type
For the Year Ended June 30, 2018

	Special revenue funds	Capital projects funds	Debt service funds	Total Other Governmental Funds
REVENUES				
Licenses and permits	\$ 1,696,202	\$ -	\$ -	\$ 1,696,202
Intergovernmental revenues	788,338	-	-	788,338
Charges for services	2,900,279	481,529	-	3,381,808
Investment and rental income	539,807	16,935	-	556,742
Miscellaneous revenue	14,602	486,083	-	500,685
Total revenues	<u>5,939,228</u>	<u>984,547</u>	<u>-</u>	<u>6,923,775</u>
EXPENDITURES				
Current:				
General government	2,693,136	64,014	-	2,757,150
Public protection	210,610	-	-	210,610
Public works	470,048	-	-	470,048
Community development	1,756,328	-	-	1,756,328
Parks and recreation	2,497,075	-	-	2,497,075
Capital outlay	59,660	2,524,191	-	2,583,851
Debt service:				
Interest	-	-	804,619	804,619
Principal retirement	77,009	-	951,775	1,028,784
Total expenditures	<u>7,763,866</u>	<u>2,588,205</u>	<u>1,756,394</u>	<u>12,108,465</u>
Excess (deficiency) of revenues over expenditures	<u>(1,824,638)</u>	<u>(1,603,658)</u>	<u>(1,756,394)</u>	<u>(5,184,690)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,900,018	1,795,147	1,757,140	7,452,305
Transfers out	(2,641,655)	-	-	(2,641,655)
Total other financing sources (uses)	<u>1,258,363</u>	<u>1,795,147</u>	<u>1,757,140</u>	<u>4,810,650</u>
Net change in fund balances	(566,275)	191,489	746	(374,040)
Fund balances - beginning	5,148,469	4,891,260	-	10,039,729
Fund balances - ending	<u>\$ 4,582,194</u>	<u>\$ 5,082,749</u>	<u>\$ 746</u>	<u>\$ 9,665,689</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.

City of Lodi
Combining Balance Sheet
Nonmajor Special revenue funds
June 30, 2018

	Parks, Recreation & Community Services	Public Safety
ASSETS		
Cash and investments	\$ 829,600	\$ 380,077
Restricted cash and investments	278,914	-
Accounts receivables, net	64,492	-
Due from other funds	-	-
Interest receivables	945	509
Due from other governmental agencies	-	4,551
Inventory	1,306	-
Total assets	\$ 1,175,257	\$ 385,137
LIABILITIES		
Accounts payable and other liabilities	\$ 65,082	\$ -
Accrued salaries and wages	7,493	-
Due to other funds	-	-
Unearned revenue	58,459	13,946
Total liabilities	131,034	13,946
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	-	-
Total deferred inflow of resources	-	-
Total liabilities and deferred inflows of resources	131,034	13,946
FUND BALANCES		
Nonspendable		
Inventory	1,306	-
Restricted	-	-
Road-related projects	-	-
Public safety	-	371,191
Home and CDBG program	-	-
Community development	-	-
Parks, recreation and community services	1,042,917	-
Total fund balances	1,044,223	371,191
Total liabilities, deferred inflows of resources and fund balances	\$ 1,175,257	\$ 385,137

City of Lodi
Combining Balance Sheet
Nonmajor Special revenue funds (continued)
June 30, 2018

Community Development	Transportation	HOME Program and Community Development Block Grants	Total Nonmajor Special revenue funds
\$ 2,875,416	\$ -	\$ -	\$ 4,085,093
167,397	-	-	446,311
-	53,075	-	117,567
61,503	-	-	61,503
3,298	-	63	4,815
72,784	-	188,777	266,112
-	-	-	1,306
<u>\$ 3,180,398</u>	<u>\$ 53,075</u>	<u>\$ 188,840</u>	<u>\$ 4,982,707</u>
\$ 35,348	\$ -	\$ 79,240	\$ 179,670
3,733	-	-	11,226
-	52,915	8,588	61,503
-	-	31,002	103,407
<u>39,081</u>	<u>52,915</u>	<u>118,830</u>	<u>355,806</u>
-	-	44,707	44,707
-	-	44,707	44,707
<u>39,081</u>	<u>52,915</u>	<u>163,537</u>	<u>400,513</u>
-	-	-	1,306
-	-	-	-
-	160	-	160
-	-	-	371,191
-	-	25,303	25,303
3,141,317	-	-	3,141,317
-	-	-	1,042,917
<u>3,141,317</u>	<u>160</u>	<u>25,303</u>	<u>4,582,194</u>
<u>\$ 3,180,398</u>	<u>\$ 53,075</u>	<u>\$ 188,840</u>	<u>\$ 4,982,707</u>

City of Lodi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special revenue funds
For the Year Ended June 30, 2018

	<u>Parks, Recreation & Community Services</u>	<u>Public Safety</u>
REVENUES		
Taxes	\$ -	\$ -
Licenses and permits	-	-
Intergovernmental revenues	-	225,034
Charges for services	1,931,213	-
Investment and rental income	519,164	4,935
Miscellaneous revenue	14,298	-
Total revenues	<u>2,464,675</u>	<u>229,969</u>
EXPENDITURES		
Current:		
General government	2,693,136	-
Public protection	-	210,610
Public works	-	-
Community development	-	-
Parks and recreation	2,497,075	-
Capital outlay	-	-
Debt service:		
Principal	-	77,009
Total expenditures	<u>5,190,211</u>	<u>287,619</u>
Excess (deficiency) of revenues over expenditures	<u>(2,725,536)</u>	<u>(57,650)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	3,900,018	-
Transfers out	(925,700)	-
Total other financing sources (uses)	<u>2,974,318</u>	<u>-</u>
Net change in fund balances	248,782	(57,650)
Fund balances - beginning	795,441	428,841
Fund balances - ending	<u>\$ 1,044,223</u>	<u>\$ 371,191</u>

City of Lodi
Combining Statement of Revenues, Expenditures, and Changes in
Nonmajor Special revenue funds (continued)
For the Year Ended June 30, 2018

Community Development	Transportation	HOME Program and Community Development Block Grants	Total Nonmajor Special revenue funds
\$ -	\$ -	\$ -	\$ -
1,696,202	-	-	1,696,202
40,180	53,075	470,049	788,338
969,066	-	-	2,900,279
15,443	189	76	539,807
304	-	-	14,602
<u>2,721,195</u>	<u>53,264</u>	<u>470,125</u>	<u>5,939,228</u>
-	-	-	2,693,136
-	-	-	210,610
-	-	470,048	470,048
1,756,328	-	-	1,756,328
-	-	-	2,497,075
-	59,660	-	59,660
-	-	-	77,009
<u>1,756,328</u>	<u>59,660</u>	<u>470,048</u>	<u>7,763,866</u>
<u>964,867</u>	<u>(6,396)</u>	<u>77</u>	<u>(1,824,638)</u>
-	-	-	3,900,018
(1,715,955)	-	-	(2,641,655)
<u>(1,715,955)</u>	<u>-</u>	<u>-</u>	<u>1,258,363</u>
(751,088)	(6,396)	77	(566,275)
3,892,405	6,556	25,226	5,148,469
<u>\$ 3,141,317</u>	<u>\$ 160</u>	<u>\$ 25,303</u>	<u>\$ 4,582,194</u>

City of Lodi
Parks, Recreation & Community Services
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 1,777,810	\$ 1,777,810	\$ 1,931,213	\$ 153,403
Investment and rental income	513,200	513,200	519,164	5,964
Miscellaneous revenue	5,000	5,000	14,298	9,298
Total revenues	<u>2,296,010</u>	<u>2,296,010</u>	<u>2,464,675</u>	<u>168,665</u>
EXPENDITURES				
Current:				
General government	2,818,760	2,861,760	2,693,136	168,624
Parks and recreation	2,552,120	2,748,735	2,497,075	251,660
Total expenditures	<u>5,370,880</u>	<u>5,610,495</u>	<u>5,190,211</u>	<u>420,284</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,074,870)</u>	<u>(3,314,485)</u>	<u>(2,725,536)</u>	<u>588,949</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,853,240	3,900,018	3,900,018	-
Transfers out	(790,090)	(925,700)	(925,700)	-
Total other financing sources (uses)	<u>3,063,150</u>	<u>2,974,318</u>	<u>2,974,318</u>	<u>-</u>
Net changes in fund balance	(11,720)	(340,167)	248,782	<u>\$ 588,949</u>
FUND BALANCES, beginning of year	<u>795,441</u>	<u>795,441</u>	<u>795,441</u>	
FUND BALANCES, end of year	<u>\$ 783,721</u>	<u>\$ 455,274</u>	<u>1,044,223</u>	
Basis adjustment:				
Cumulative pension set aside			<u>(278,914)</u>	
Fund balance (budgetary basis)			<u>\$ 765,309</u>	

**City of Lodi
Public Safety
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 356,000	\$ 599,643	\$ 225,034	\$ (374,609)
Investment and rental income	2,030	2,030	4,935	2,905
Total revenues	<u>358,030</u>	<u>601,673</u>	<u>229,969</u>	<u>(371,704)</u>
EXPENDITURES				
Current:				
General government	-	12,066	-	12,066
Public protection	270,500	1,040,626	210,610	830,016
Debt service:				
Principal retirement	-	-	77,009	-
Total expenditures	<u>270,500</u>	<u>1,052,692</u>	<u>287,619</u>	<u>842,082</u>
Net change in fund balances	87,530	(451,019)	(57,650)	<u>\$ 470,378</u>
FUND BALANCES, beginning of year	428,841	428,841	428,841	
FUND BALANCES, end of year	<u>\$ 516,371</u>	<u>\$ (22,178)</u>	<u>\$ 371,191</u>	

**City of Lodi
Community Development
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 1,470,600	\$ 1,470,600	\$ 1,696,202	\$ 225,602
Intergovernmental revenues	200,000	200,000	40,180	(159,820)
Charges for services	650,000	650,000	969,066	319,066
Investment and rental income	20,000	20,000	15,443	(4,557)
Miscellaneous revenue	55,000	55,000	304	(54,696)
Total revenues	<u>2,395,600</u>	<u>2,395,600</u>	<u>2,721,195</u>	<u>325,595</u>
EXPENDITURES				
Current:				
Community development	2,026,140	2,277,905	1,756,328	521,577
Debt service:				
Total expenditures	<u>2,026,140</u>	<u>2,277,905</u>	<u>1,756,328</u>	<u>521,577</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>369,460</u>	<u>117,695</u>	<u>964,867</u>	<u>(195,982)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(1,880,520)	(1,880,955)	(1,715,955)	165,000
Total other financing sources (uses)	<u>(1,880,520)</u>	<u>(1,880,955)</u>	<u>(1,715,955)</u>	<u>165,000</u>
Net change in fund balances	(1,511,060)	(1,763,260)	(751,088)	<u>\$ 360,982</u>
FUND BALANCES, beginning of year	3,892,405	3,892,405	3,892,405	
FUND BALANCES, end of year	<u>\$ 2,381,345</u>	<u>\$ 2,129,145</u>	<u>\$ 3,141,317</u>	
Basis adjustment:				
Cumulative pension set aside			(167,397)	
Fund balance (budgetary basis)			<u>\$ 2,973,920</u>	

**City of Lodi
Transportation
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 49,000	\$ 49,000	\$ 53,075	\$ 4,075
Investment and rental income	-	-	189	189
Total revenues	<u>49,000</u>	<u>49,000</u>	<u>53,264</u>	<u>4,264</u>
EXPENDITURES				
Capital outlay	50,000	88,001	59,660	28,341
Total expenditures	<u>50,000</u>	<u>88,001</u>	<u>59,660</u>	<u>28,341</u>
balances	(1,000)	(39,001)	(6,396)	<u>\$ 32,605</u>
FUND BALANCES, beginning of year	6,556	6,556	6,556	
FUND BALANCES, end of year	<u>\$ 5,556</u>	<u>\$ (32,445)</u>	<u>\$ 160</u>	

City of Lodi
HOME Program and Community Development Block Grants
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 1,044,340	\$ 1,044,340	\$ 470,049	\$ (574,291)
Investment and rental income	-	-	76	76
Total revenues	<u>1,044,340</u>	<u>1,044,340</u>	<u>470,125</u>	<u>(574,215)</u>
EXPENDITURES				
Public works	1,044,340	1,044,340	470,048	574,292
Total expenditures	<u>1,044,340</u>	<u>1,044,340</u>	<u>470,048</u>	<u>574,292</u>
Net change in fund balances	-	-	77	<u>\$ 77</u>
FUND BALANCES, beginning of year	25,226	25,226	25,226	
FUND BALANCES, end of year	<u>\$ 25,226</u>	<u>\$ 25,226</u>	<u>\$ 25,303</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 Capital projects funds
June 30, 2018

	Vehicle and Equipment	Library
ASSETS		
Cash and investments	2,392,257	114,680
Accounts receivables, net	16,388	-
Interest receivables	-	-
Total assets	\$ 2,408,645	\$ 114,680
LIABILITIES		
Accounts payable and other liabilities	\$ 45,483	\$ 34,300
Advances from other funds	-	-
Unearned revenue	-	-
Total liabilities	45,483	34,300
FUND BALANCES		
Restricted		
Capital projects	2,363,162	80,380
Total fund balances	2,363,162	80,380
Total liabilities and fund balances	\$ 2,408,645	\$ 114,680

City of Lodi
Combining Balance Sheet
Nonmajor Capital projects funds
June 30, 2018
(Continued)

Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total Nonmajor Capital projects funds
5,763	2,837,271	760,703	6,110,674
-	210,260	-	226,648
1	3,187	921	4,109
<u>\$ 5,764</u>	<u>\$ 3,050,718</u>	<u>\$ 761,624</u>	<u>\$ 6,341,431</u>
-	17,278	8,899	105,960
-	984,025	-	984,025
-	168,697	-	168,697
<u>-</u>	<u>1,170,000</u>	<u>8,899</u>	<u>1,258,682</u>
5,764	1,880,718	752,725	5,082,749
<u>5,764</u>	<u>1,880,718</u>	<u>752,725</u>	<u>5,082,749</u>
<u>\$ 5,764</u>	<u>\$ 3,050,718</u>	<u>\$ 761,624</u>	<u>\$ 6,341,431</u>

City of Lodi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital projects funds
For the Year Ended June 30, 2018

	Vehicle and Equipment	Library
REVENUES		
Charges for services	\$ -	\$ -
Investment and rental income	-	-
Miscellaneous revenue	43,927	360,000
Total revenues	<u>43,927</u>	<u>360,000</u>
EXPENDITURES		
Current:		
General government	64,014	-
Capital outlay	156,354	991,187
Total expenditures	<u>220,368</u>	<u>991,187</u>
Excess (deficiency) of revenues over expenditures	<u>(176,441)</u>	<u>(631,187)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	503,700	697,000
Total other financing sources (uses)	<u>503,700</u>	<u>697,000</u>
Change in fund balances	327,259	65,813
Fund balances - beginning	2,035,903	14,567
Fund balances - ending	<u>\$ 2,363,162</u>	<u>\$ 80,380</u>

City of Lodi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital projects funds
For the Year Ended June 30, 2018
(Continued)

Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total Nonmajor Capital projects funds
\$ -	\$ 481,529	\$ -	\$ 481,529
2,472	7,011	7,452	16,935
-	10,000	72,156	486,083
<u>2,472</u>	<u>498,540</u>	<u>79,608</u>	<u>984,547</u>
-	-	-	64,014
-	994,388	382,262	2,524,191
-	994,388	382,262	2,588,205
<u>2,472</u>	<u>(495,848)</u>	<u>(302,654)</u>	<u>(1,603,658)</u>
-	388,222	206,225	1,795,147
-	388,222	206,225	1,795,147
2,472	(107,626)	(96,429)	191,489
3,292	1,988,344	849,154	4,891,260
<u>\$ 5,764</u>	<u>\$ 1,880,718</u>	<u>\$ 752,725</u>	<u>\$ 5,082,749</u>

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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 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 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 is used to account for the following insurances:

- General Liability
- Workers' Compensation
- Other Insurance

City of Lodi
Combining Statement of Net Position
Internal service funds
June 30, 2018

	Fleet Services	Benefits	Insurance	Total Internal service funds
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 1,451,025	\$ 13,685,268	\$ 15,136,293
Receivables: Accounts, net	15	36,851	20,549	57,415
Receivables: Interest	-	12,869	4,092	16,961
Inventory	145,724	-	-	145,724
Due from other fund	-	-	71,500	71,500
Other assets	-	111,331	-	111,331
Depreciable, net	23,155	-	-	23,155
Total assets	<u>168,894</u>	<u>1,612,076</u>	<u>13,781,409</u>	<u>15,562,379</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	269,518	-	-	269,518
Related to OPEB	-	2,019,230	-	2,019,230
Total deferred outflows of resources	<u>269,518</u>	<u>2,019,230</u>	<u>-</u>	<u>2,288,748</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	31,917	115,997	64,163	212,077
Accrued salaries and wages	2,589	-	-	2,589
Accrued compensated absences	40,518	-	-	40,518
Due to other fund	71,500	-	-	71,500
Self insurance liability	-	-	7,994,536	7,994,536
Accrued compensated absences	112,264	-	-	112,264
Net OPEB Liability	-	33,275,362	-	33,275,362
Net pension liability	1,542,965	-	-	1,542,965
Total liabilities	<u>1,801,753</u>	<u>33,391,359</u>	<u>8,058,699</u>	<u>43,251,811</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	6,784	-	-	6,784
Related to OPEB	-	2,195,815	-	2,195,815
Total deferred inflows of resources	<u>6,784</u>	<u>2,195,815</u>	<u>-</u>	<u>2,202,599</u>
NET POSITION				
Net investment in capital assets	23,155	-	-	23,155
Unrestricted	(1,393,280)	(31,955,868)	5,722,710	(27,626,438)
Total net position	<u>\$ (1,370,125)</u>	<u>\$ (31,955,868)</u>	<u>\$ 5,722,710</u>	<u>\$ (27,603,283)</u>

City of Lodi
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Internal service funds
For the Year Ended June 30, 2018

	Fleet Services	Benefits	Insurance	Total Internal service funds
OPERATING REVENUES				
Charges for services	\$ 1,348,691	\$ 8,329,193	\$ 4,026,359	\$ 13,704,243
Total operating revenues	<u>1,348,691</u>	<u>8,329,193</u>	<u>4,026,359</u>	<u>13,704,243</u>
OPERATING EXPENSES				
Personnel services	1,099,640	633,997	140,707	1,874,344
Supplies, materials and services	495,878	5,833,278	1,782,224	8,111,380
Utilities	15,371	-	300	15,671
Depreciation	1,447	-	-	1,447
Claims	35,460	1,379,073	1,121,320	2,535,853
Total operating expenses	<u>1,647,796</u>	<u>7,846,348</u>	<u>3,044,551</u>	<u>12,538,695</u>
Operating income (loss)	<u>(299,105)</u>	<u>482,845</u>	<u>981,808</u>	<u>1,165,548</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	2,544	8,896	19,353	30,793
Nonoperating expenses	-	1,208,724	-	1,208,724
Other revenues	(22,285)	50,718	150,274	178,707
Total nonoperating revenues (expenses)	<u>(19,741)</u>	<u>1,268,338</u>	<u>169,627</u>	<u>1,418,224</u>
Income (loss) before transfers	<u>(318,846)</u>	<u>1,751,183</u>	<u>1,151,435</u>	<u>2,583,772</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(290)	-	-	(290)
Change in net position	<u>(319,136)</u>	<u>1,751,183</u>	<u>1,151,435</u>	<u>2,583,482</u>
Total net position - beginning	(1,050,989)	(33,707,051)	4,571,275	(30,186,765)
Total net position - ending	<u>\$ (1,370,125)</u>	<u>\$ (31,955,868)</u>	<u>\$ 5,722,710</u>	<u>\$ (27,603,283)</u>

City of Lodi
Statement of Cash Flows
Internal service funds
For the Year Ended June 30, 2018

	Fleet Services	Benefits	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ (21,577)	\$ 45,651	\$ 129,726	\$ 153,800
Cash from interfund	1,392,499	8,329,194	4,026,359	13,748,052
Payments to suppliers	(549,319)	(8,395,629)	(3,749,032)	(12,693,980)
Payments to employees	(823,713)	574,727	(140,707)	(389,693)
Due to other funds	-	-	(71,500)	(71,500)
Net cash provided (used) by operating activities	<u>(2,110)</u>	<u>553,943</u>	<u>194,846</u>	<u>746,679</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(290)	-	-	(290)
Net cash (used) by noncapital financing activities	<u>(290)</u>	<u>-</u>	<u>-</u>	<u>(290)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	2,400	(2,653)	35,067	34,814
Net cash (used) by investing activities	<u>2,400</u>	<u>(2,653)</u>	<u>35,067</u>	<u>34,814</u>
Net increase in cash and cash equivalents	-	551,290	229,913	781,203
Balances - beginning of year	-	899,735	13,455,355	14,355,090
Balances - end of the year	<u>\$ -</u>	<u>\$ 1,451,025</u>	<u>\$ 13,685,268</u>	<u>\$ 15,136,293</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income (loss)	\$ (299,105)	\$ 482,845	\$ 981,808	\$ 1,165,548
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation Expense	1,447	-	-	1,447
Changes in assets and liabilities:				
Customer Receivables	709	(5,067)	(20,549)	(24,907)
Inventory	(1,303)	-	-	(1,303)
Other assets	-	(8,410)	-	(8,410)
Accounts Payable - Supplier	(1,307)	33,857	2,675	35,225
Accrued salaries and wages	2,589	-	-	2,589
Compensated absences	20,062	-	-	20,062
Due to other funds	43,808	-	(71,500)	(27,692)
Self-insurance liability	-	-	(847,862)	(847,862)
Deferred inflows (outflows) of resources	253,275	-	-	253,275
Other revenues	(22,285)	50,718	150,274	178,707
Net cash provided (used) by operating activities	<u>\$ (2,110)</u>	<u>\$ 553,943</u>	<u>\$ 194,846</u>	<u>\$ 746,679</u>

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FIDUCIARY FUNDS

Private-Purpose Trust Funds account for trust agreements under which the principal and income benefit individuals, private organizations or other governments.

Agency Funds 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, 2018

	<u>Private Sector Trust</u>	<u>Hutchins St Sq/Holz Bequest</u>	<u>Total Private-purpose trust funds</u>
ASSETS			
Cash and investments	\$ 134,577	\$ 1,520	\$ 136,097
Interest receivable	-	2	2
Total assets	<u>134,577</u>	<u>1,522</u>	<u>136,099</u>
FIDUCIARY NET POSITION	<u>\$ 134,577</u>	<u>\$ 1,522</u>	<u>\$ 136,099</u>

City of Lodi
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2018

	<u>Private Sector Trust</u>	<u>Hutchins St Sq/Holz Bequest</u>	<u>Total Private-purpose trust funds</u>
ADDITIONS			
Investment and rental income	\$ -	\$ -	\$ -
DEDUCTIONS			
Current:			
Library	99,998	23	100,021
Changes in fiduciary net position	(99,998)	(23)	(100,021)
Fiduciary Net Position -- beginning of the year	234,575	1,545	236,120
Fiduciary Net Position -- end of the year	<u>\$ 134,577</u>	<u>\$ 1,522</u>	<u>\$ 136,099</u>

City of Lodi
Combining Statement of Fiduciary Net Position
Custodial funds
June 30, 2018

	Special Assessments			Balance June 30, 2018
	Balance July 1, 2017	Additions	Deductions	
ASSETS				
Cash and investments	\$ 406,729	\$ 62,569	\$ 45,664	\$ 423,634
Interest receivable	590	133	590	133
Total assets	\$ 407,319	\$ 62,702	\$ 46,254	\$ 423,767
LIABILITIES				
Agency obligations	407,319	16,448	-	423,767
Total liabilities	\$ 407,319	\$ 16,448	\$ -	\$ 423,767

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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.

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.	130-134
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.	135-141
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.	142-148
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.	149-152
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.	153-155
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									
	2018	2017	2016	2015 ⁽¹⁾	2014	2013	2012	2011	2010	2009
Governmental activities:										
Net investment in capital assets	\$ 119,222	\$ 117,196	\$ 111,256	\$ 105,944	\$ 105,462	\$ 106,828	\$ 107,587	\$ 114,165	\$ 113,308	\$ 115,036
Restricted	25,904	15,545	13,911	12,001	11,809	12,601	16,176	14,894	13,233	13,492
Unrestricted	(117,535)	(77,162)	(76,984)	(74,146)	2,551	1,157	(3,606)	(5,148)	(6,110)	(3,462)
Total governmental activities net position	\$ 27,591	\$ 55,579	\$ 48,183	\$ 43,799	\$ 119,822	\$ 120,586	\$ 120,157	\$ 123,911	\$ 120,431	\$ 125,066
Business-type activities:										
Net investment in capital assets	\$ 137,291	\$ 129,086	\$ 121,468	\$ 119,924	\$ 116,156	\$ 113,008	\$ 109,582	\$ 104,858	\$ 100,233	\$ 95,533
Restricted	20	3,929	3,893	6,810	6,703	6,600	6,533	5,303	-	-
Unrestricted	24,584	16,463	14,427	892	16,535	14,827	(34,563)	(34,129)	(28,591)	(35,448)
Total business-type activities net position	\$ 161,895	\$ 149,478	\$ 139,788	\$ 127,626	\$ 139,394	\$ 134,435	\$ 81,552	\$ 76,032	\$ 71,642	\$ 60,085
Primary government:										
Net investment in capital assets	\$ 256,513	\$ 246,282	\$ 232,724	\$ 225,868	\$ 221,618	\$ 219,836	\$ 217,169	\$ 219,023	\$ 213,541	\$ 210,569
Restricted	25,924	19,474	17,804	18,811	18,512	19,201	22,709	20,197	13,233	13,492
Unrestricted	(92,951)	(60,699)	(62,557)	(73,254)	19,086	15,984	(38,169)	(39,277)	(34,701)	(38,910)
Total primary government net position	\$ 189,486	\$ 205,057	\$ 187,971	\$ 171,425	\$ 259,216	\$ 255,021	\$ 201,709	\$ 199,943	\$ 192,073	\$ 185,151

(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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	\$ 11,601	\$ 9,650	\$ 10,369	\$ 9,109	\$ 9,580	\$ 8,943	\$ 9,381	\$ 8,262	\$ 8,749	\$ 9,451
Public protection	38,795	33,239	31,395	27,426	27,884	25,930	25,432	25,113	27,186	27,110
Public works	9,823	10,614	10,326	10,281	10,644	10,546	10,248	9,305	10,462	10,464
Community development	1,999	1,709	1,792	1,165	1,174	1,050	1,003	973	1,114	1,323
Library	1,753	1,253	1,389	1,324	1,282	1,342	1,381	1,355	1,440	1,495
Parks and recreation	4,672	3,663	4,262	3,116	3,164	2,933	2,913	5,778	5,077	4,609
Interest and fiscal charges	768	824	822	818	825	416	1,033	1,075	1,105	1,134
Total governmental activities expenses	<u>\$ 69,411</u>	<u>\$ 60,952</u>	<u>\$ 60,355</u>	<u>\$ 53,239</u>	<u>\$ 54,553</u>	<u>\$ 51,160</u>	<u>\$ 51,391</u>	<u>\$ 51,861</u>	<u>\$ 55,133</u>	<u>\$ 55,586</u>
Business-type activities:										
Electric	67,943	62,791	61,764	64,367	61,974	61,106	62,599	63,399	64,364	73,358
Wastewater	16,008	16,318	14,024	12,912	12,527	13,423	17,441	11,687	11,289	10,940
Water	11,776	11,961	10,967	9,905	11,014	(34,877)	7,953	8,188	6,148	9,604
Transit	5,233	4,925	4,415	4,134	3,834	4,141	4,256	4,132	4,785	4,832
Total business-type activities expenses	<u>100,960</u>	<u>95,995</u>	<u>91,170</u>	<u>91,318</u>	<u>89,349</u>	<u>43,793</u>	<u>92,249</u>	<u>87,406</u>	<u>86,586</u>	<u>98,734</u>
Total primary government expenses	<u>\$ 170,371</u>	<u>\$ 156,947</u>	<u>\$ 151,525</u>	<u>\$ 144,557</u>	<u>\$ 143,902</u>	<u>\$ 94,953</u>	<u>\$ 143,640</u>	<u>\$ 139,267</u>	<u>\$ 141,719</u>	<u>\$ 154,320</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,670	\$ 3,246	\$ 1,490	\$ 1,971	\$ 1,955	\$ 2,337	\$ 1,718	\$ 1,793	\$ 2,184	\$ 1,631
Public protection	1,000	779	740	609	582	538	500	643	714	844
Public works	990	1,209	734	832	415	224	166	356	326	358
Community development	2,665	2,838	2,292	1,378	1,219	1,458	993	1,601	786	749
Library	37	43	63	43	43	44	43	47	48	44
Parks and recreation	1,698	1,660	1,637	1,360	1,479	1,404	1,241	1,245	1,269	1,158
Operating grants and contributions	2,287	2,391	2,596	3,369	2,686	2,341	2,300	2,236	1,927	1,951
Capital grants and contributions	8,737	12,830	10,559	3,131	5,359	4,216	5,025	6,737	5,122	10,822
Total governmental activities program revenues	<u>\$ 21,084</u>	<u>\$ 24,996</u>	<u>\$ 20,111</u>	<u>\$ 12,693</u>	<u>\$ 13,738</u>	<u>\$ 12,562</u>	<u>\$ 11,986</u>	<u>\$ 14,658</u>	<u>\$ 12,376</u>	<u>\$ 17,557</u>
Business-type activities:										
Charges for services:										
Electric	\$ 69,247	\$ 65,848	\$ 67,507	\$ 65,237	\$ 64,693	\$ 63,230	\$ 64,251	\$ 62,167	\$ 69,664	\$ 74,000
Wastewater	14,914	15,106	14,960	14,714	14,305	13,747	13,280	13,090	11,513	9,276
Water	13,005	12,474	12,161	12,723	12,756	12,441	12,083	11,940	11,716	11,787
Transit	227	220	210	230	203	185	186	195	217	251
Operating grants and contributions	5,969	4,514	5,089	5,186	4,431	5,178	4,214	3,983	3,449	3,653
Capital grants and contributions	11,307	7,972	2,860	5,284	2,846	4,715	3,206	5,150	1,408	5,774
Total business-type activities program revenues	<u>114,669</u>	<u>106,134</u>	<u>102,787</u>	<u>103,374</u>	<u>99,234</u>	<u>99,496</u>	<u>97,220</u>	<u>96,525</u>	<u>97,967</u>	<u>104,741</u>
Total primary government program revenues	<u>\$ 135,753</u>	<u>\$ 131,130</u>	<u>\$ 122,898</u>	<u>\$ 116,067</u>	<u>\$ 112,972</u>	<u>\$ 112,058</u>	<u>\$ 109,206</u>	<u>\$ 111,183</u>	<u>\$ 110,343</u>	<u>\$ 122,298</u>
Net (Expense)/Revenue										
Governmental activities	\$ (48,327)	\$ (35,956)	\$ (40,244)	\$ (40,546)	\$ (40,815)	\$ (38,598)	\$ (39,405)	\$ (37,203)	\$ (42,757)	\$ (38,029)
Business-type activities	13,709	10,139	11,617	12,056	9,885	55,703	4,971	9,119	11,381	6,007
Total primary government net expense	<u>\$ (34,618)</u>	<u>\$ (25,817)</u>	<u>\$ (28,627)</u>	<u>\$ (28,490)</u>	<u>\$ (30,930)</u>	<u>\$ 17,105</u>	<u>\$ (34,434)</u>	<u>\$ (28,084)</u>	<u>\$ (31,376)</u>	<u>\$ (32,022)</u>

CITY OF LODI

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
Property	\$ 10,325	\$ 14,860	\$ 13,919	\$ 13,502	\$ 12,758	\$ 12,218	\$ 12,103	\$ 12,698	\$ 12,836	\$ 13,564
Special assessments ¹	44	-	-	-	-	-	-	-	-	-
Sales ¹	11,333	-	-	-	-	-	-	-	-	-
Document transfer ¹	5,147	-	-	-	-	-	-	-	-	-
Franchise	9,218	9,099	9,073	8,976	8,838	8,735	8,712	8,692	8,658	8,357
Business license	1,822	1,736	1,552	1,486	1,528	1,524	1,628	1,246	1,242	1,190
Transient occupancy	867	849	783	666	594	546	486	426	382	405
Grants and contributions not restricted to specific programs ¹	601	11,778	11,834	10,651	10,138	9,382	9,277	8,954	7,064	8,249
Investment earnings	311	257	326	145	203	44	132	133	155	467
Rent	-	-	1,954	1,942	1,906	1,370	-	-	-	-
Other	933	722	719	605	528	610	2,052	1,556	1,917	2,382
Special item-gain on sale of parkland	-	-	-	-	-	-	-	321	-	-
Transfers	4,252	4,051	4,469	7,514	4,792	5,682	1,261	6,657	5,868	5,368
Total governmental activities	\$ 44,853	\$ 43,352	\$ 44,629	\$ 45,487	\$ 41,285	\$ 40,111	\$ 35,651	\$ 40,683	\$ 38,122	\$ 39,982
Business-type activities:										
Investment earnings	\$ 716	\$ 816	\$ 952	\$ 632	\$ 757	\$ 497	\$ 566	\$ 575	\$ 731	\$ 1,385
Litigation- environmental lawsuits proceeds	-	-	100	-	-	1,107	-	-	300	2,010
Rent	-	-	4	4	4	-	-	-	-	-
Other	2,244	2,786	3,957	2,745	2,370	1,258	1,244	1,353	923	1,891
Special item-forgiveness of debt	-	-	-	-	-	-	-	-	-	(8,979)
Special item-swap termination	-	-	-	-	-	-	-	-	-	(5,368)
Transfers	(4,252)	(4,051)	(4,469)	(7,514)	(4,792)	(5,682)	(1,261)	(6,657)	(5,868)	(5,368)
Total business-type activities	(1,292)	(449)	544	(4,133)	(1,661)	(2,820)	549	(4,729)	(3,914)	(9,061)
Total primary government	\$ 43,561	\$ 42,903	\$ 45,173	\$ 41,354	\$ 39,624	\$ 37,291	\$ 36,200	\$ 35,954	\$ 34,208	\$ 30,921
Change in Net Position										
Governmental activities	\$ (3,474)	\$ 7,396	\$ 4,385	\$ 4,941	\$ 470	\$ 1,513	\$ (3,754)	\$ 3,480	\$ (4,635)	\$ 1,953
Business-type activities	12,417	9,690	12,161	7,923	8,224	52,883	5,520	4,390	7,467	(3,054)
Total primary government	\$ 8,943	\$ 17,086	\$ 16,546	\$ 12,864	\$ 8,694	\$ 54,396	\$ 1,766	\$ 7,870	\$ 2,832	\$ (1,101)

Source: City of Lodi Financial Services Division

¹ Certain tax amounts have been reclassified in fiscal year 2018.

CITY OF LODI

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 389	\$ 383
Unreserved	-	-	-	-	-	-	-	-	3,896	3,383
Nonspendable	-	-	33	-	10	9	6	357	-	-
Committed	9,031	3,520	465	345	301	277	-	-	-	-
Assigned	-	-	1,564	26	29	65	50	136	-	-
Unassigned	9,737	11,448	11,185	12,107	9,134	7,614	6,233	5,654	-	-
Total General Fund	\$ 18,768	\$ 14,968	\$ 13,247	\$ 12,478	\$ 9,474	\$ 7,965	\$ 6,289	\$ 6,147	\$ 4,285	\$ 3,766
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,801	\$ 1,487
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	963	6,540
Debt service funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	3,649	5,217
Nonspendable	1	1	1	1	4	3	1	-	-	-
Restricted	16,062	15,263	13,867	11,957	11,764	12,556	15,017	13,786	-	-
Unassigned	-	-	-	-	(99)	(512)	(863)	(846)	-	-
Total all other governmental funds	\$ 16,063	\$ 15,264	\$ 13,868	\$ 11,958	\$ 11,669	\$ 12,047	\$ 14,155	\$ 12,940	\$ 12,413	\$ 13,244
	\$ 34,831	\$ 30,232	\$ 27,115	\$ 24,436	\$ 21,143	\$ 20,012	\$ 20,444	\$ 19,087	\$ 16,698	\$ 17,010

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

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Taxes	\$ 27,423	\$ 26,491	\$ 25,327	\$ 24,631	\$ 23,719	\$ 23,022	\$ 22,928	\$ 23,061	\$ 23,118	\$ 23,516
Licenses and permits	1,764	2,015	1,646	967	852	921	686	954	520	431
Intergovernmental revenues	20,807	23,975	21,083	17,557	17,392	14,625	15,289	16,865	12,579	13,229
Charges for services	6,020	5,722	5,830	3,827	3,558	3,880	3,427	3,946	4,116	3,329
Fines, forfeits, and penalties	1,396	906	1,495	1,573	1,557	1,632	1,357	1,407	1,444	1,416
Investment and rental income	2,325	2,319	2,155	2,029	2,025	1,389	1,264	817	923	922
Contributions and donations	-	818	-	282	1,003	-	-	689	-	-
Miscellaneous revenue	1,206	-	1,116	538	-	1,078	813	799	1,093	1,762
Total revenues	\$ 60,941	\$ 62,246	\$ 58,652	\$ 51,404	\$ 50,106	\$ 46,547	\$ 45,764	\$ 48,538	\$ 43,793	\$ 44,605
Expenditures:										
Current:										
General government	\$ 9,738	\$ 9,499	\$ 9,360	\$ 9,151	\$ 9,019	\$ 8,522	\$ 8,820	\$ 7,667	\$ 7,666	\$ 8,431
Public protection	30,788	30,201	28,821	26,646	27,093	26,282	25,249	24,489	24,466	24,716
Public works	4,628	4,608	4,070	4,508	4,393	4,532	4,174	3,715	4,383	4,657
Community development	1,756	1,651	1,601	1,226	1,192	1,111	1,037	969	1,013	1,341
Library	1,058	1,153	1,153	1,311	1,268	1,411	1,381	1,357	1,322	1,500
Parks and recreation	2,497	2,378	2,369	2,145	2,299	2,370	2,254	4,127	4,180	3,776
Capital outlay	8,296	11,592	13,117	9,842	7,652	6,271	2,961	9,377	5,108	6,791
Debt service:										
Interest	805	858	847	845	851	483	1,039	1,081	1,110	1,139
Principal payments	1,028	1,240	260	-	-	245	630	752	725	789
Advance refunding escrow	-	-	-	-	-	1,689	-	-	-	-
Total expenditures	\$ 60,594	\$ 63,180	\$ 61,598	\$ 55,674	\$ 53,767	\$ 52,916	\$ 47,545	\$ 53,534	\$ 49,973	\$ 53,140
Excess (deficiency) of revenues over (under) expenditures	\$ 347	\$ (934)	\$ (2,946)	\$ (4,270)	\$ (3,661)	\$ (6,369)	\$ (1,781)	\$ (4,996)	\$ (6,180)	\$ (8,535)
Other financing sources (uses):										
Transfers in	\$ 13,863	\$ 11,723	\$ 13,310	\$ 15,599	\$ 11,596	\$ 12,546	\$ 14,486	\$ 11,881	\$ 11,173	\$ 10,609
Transfers out	(9,611)	(7,672)	(8,716)	(8,036)	(6,804)	(6,864)	(11,348)	(5,224)	(5,305)	(5,242)
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)	\$ 4,252	\$ 4,051	\$ 5,625	\$ 7,563	\$ 4,792	\$ 5,937	\$ 3,138	\$ 6,755	\$ 5,868	\$ 5,367
Special item-sale of parkland	-	-	-	-	-	-	-	630	-	-
Net change in fund balances	\$ 4,599	\$ 3,117	\$ 2,679	\$ 3,293	\$ 1,131	\$ (432)	\$ 1,357	\$ 2,389	\$ (312)	\$ (3,168)
Fund balances, beginning of year	30,232	6,937	4,258	965	(166)	266	(1,091)	(3,480)	(3,168)	-
Fund balances, end of year	\$ 34,831	\$ 10,054	\$ 6,937	\$ 4,258	\$ 965	\$ (166)	\$ 266	\$ (1,091)	\$ (3,480)	\$ (3,168)
Debt service as a percentage of noncapital expenditures	3.5%	4.1%	2.3%	1.8%	1.8%	5.2%	3.7%	4.2%	4.1%	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 2009 to 2017
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	
Property	\$ 10,043	\$ 9,744	\$ 9,151	\$ 8,810	\$ 8,314	\$ 7,955	\$ 7,861	\$ 8,285	\$ 8,342	\$ 8,887	5.80%
Sales and Use	11,333	11,750	11,809	10,625	10,111	9,350	9,246	8,663	6,873	8,028	26.40%
Transient Occupancy	867	849	783	666	594	545	486	426	382	405	114.33%
Franchise	2,059	1,915	1,990	1,942	1,862	1,758	1,734	1,715	1,681	1,415	96.19%
Documentary Transfer	281	240	223	159	155	120	91	95	117	114	92.12%
Motor Vehicle in Lieu	5,176	4,904	4,572	4,533	4,289	4,143	4,151	4,317	4,377	4,784	2.23%
Public Protection	401	378	365	362	341	325	295	250	267	296	11.88%
Business License	1,822	1,736	1,552	1,133	1,220	1,187	1,182	958	962	1,038	52.29%
In Lieu Franchise	7,159	7,131	7,082	7,033	6,977	6,977	6,977	6,977	6,977	6,942	-14.72%
Totals	\$ 39,141	\$ 38,647	\$ 37,527	\$ 35,263	\$ 33,863	\$ 32,360	\$ 32,023	\$ 31,686	\$ 29,978	\$ 31,909	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				
	2018	2017	2016	2015	2014
Secured roll	\$ 6,174,155	\$ 5,603,023	\$ 5,394,659	\$ 5,156,704	\$ 4,895,091
Utility roll	2,300	2,300	3,490	3,490	3,490
Unsecured roll	258,680	254,946	250,160	257,856	230,827
Gross assessed value	6,435,135	5,860,269	5,648,309	5,418,050	5,129,408
Less exemptions (1)	345,179	334,485	331,562	326,833	324,439
Net assessed value	<u>\$ 6,089,956</u>	<u>\$ 5,525,784</u>	<u>\$ 5,316,747</u>	<u>\$ 5,091,217</u>	<u>\$ 4,804,969</u>
Land	\$ 1,873,216	\$ 1,711,208	\$ 1,601,581	\$ 1,469,347	\$ 1,364,401
Improvements	4,286,480	3,854,604	3,736,867	3,610,391	3,443,266
Personal property	275,439	294,457	309,861	338,312	321,741
Gross assessed value	6,435,135	5,860,269	5,648,309	5,418,050	5,129,408
Less exemptions (1)	345,179	334,485	331,562	326,833	324,439
Net assessed value	<u>\$ 6,089,956</u>	<u>\$ 5,525,784</u>	<u>\$ 5,316,747</u>	<u>\$ 5,091,217</u>	<u>\$ 4,804,969</u>
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - \$59,458 and other - \$279,025 = \$338,080

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

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

Fiscal Year				
2013	2012	2011	2010	2009
\$ 4,737,807	\$ 4,738,823	\$ 4,907,588	\$ 4,986,693	\$ 5,156,706
2,382	2,382	2,423	2,423	2,031
233,398	226,651	270,600	270,315	263,648
4,973,587	4,967,856	5,180,611	5,259,431	5,422,385
327,783	314,448	321,138	332,701	265,154
\$ 4,645,804	\$ 4,653,408	\$ 4,859,473	\$ 4,926,730	\$ 5,157,231
\$ 1,227,969	\$ 1,264,884	\$ 1,322,830	\$ 1,345,815	\$ 1,562,729
3,445,328	3,401,792	3,534,778	3,600,824	3,577,741
300,290	301,180	323,003	312,792	281,915
4,973,587	4,967,856	5,180,611	5,259,431	5,422,385
327,783	314,448	321,138	332,701	265,154
\$ 4,645,804	\$ 4,653,408	\$ 4,859,473	\$ 4,926,730	\$ 5,157,231
1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - \$59,458 and other - \$279,025 = \$338,080

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

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
2018	1.0000	0.1037	0.0000	1.1037
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

Source: San Joaquin County Tax Collector Website

Request from San Joaquin Audit Controllers Office

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

Taxpayer	Fiscal Year					
	2018			2009		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
California Physicians Service Corp	\$ 603,869	1	10.881 %	\$ 42,615	4	%
Pacific Coast Producers	574,435	2	10.350	86,146	3	1.761
PACIFIC Coast Producers CORP	465,945	3	8.395	-		-
Big Box Property	417,330	4	7.520	-		-
Walmart	347,952	5	6.269	-		-
Winterfell Vintage	317,100	6	5.714	-		-
ConAgra/Cottage Bakery	279,667	7	5.039	24,653	5	0.504
PACIFIC Coast Producers Inc	249,424	8	4.494	-		-
Costco	222,943	9	4.017	-		-
North American Specialty Products LLC	214,570	10	3.866	-		-
Wine & Roses LLC	-		-	-		-
Fountains At Lodi LLC	-		-	-		-
Panattoni, Carl D ETAL	-		-	-		-
Lodi Memorial Hospital Assn	-		-	168,303	1	3.441
General Mills	-		-	152,676	2	27.130
Certaineed Corp	-		-	19,431	6	0.397
Dart Container Corp	-		-	19,098	7	0.390
Archer Daniels Midland Co Corp	-		-	16,744	8	0.342
Thule Hitch Systems	-		-	18,932	9	0.387
Lowes	-		-	14,153	10	0.289
Principal Secured Property Valuation	3,693,235		66.545	562,751		11.505
Other Secured Taxpayers	2,142,839		38.610	4,593,955		93.916
Exemptions relative to secured tax roll	286,123		5.155	265,154		5.421
Total Secured Property Valuation	<u>\$ 5,549,951</u>		<u>100.000 %</u>	<u>\$ 4,891,552</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
2018	\$ 10,222	\$ 10,222	100.0%	\$ 10,222	100.0%
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%

**CITY OF LODI
ELECTRICITY SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS**

Type of Customer	Billed Accounts				
	2018	2017	2016	2015	2014
City Accounts	223	217	213	212	207
Contract Large Industrial	-	-	-	-	-
Contract Medium Industrial	-	-	-	-	-
Contract Small Industrial	-	-	-	-	-
Domestic Residential	22,041	21,917	22,497	22,393	22,623
Domestic Mobile Home Park	13	13	13	13	13
Dusk to Dawn	92	85	85	88	89
Industrial	43	-	-	-	-
Large Commercial	96	355	348	337	339
Large Industrial	N/A	35	44	41	39
Medium Commercial	375	-	-	-	-
Medium Industrial	N/A	10	11	12	11
Residential Low Income	2,539	2,669	2,688	2,798	2,788
Small Commercial	3,148	3,434	3,416	3,332	3,367
Small Industrial	N/A	10	11	7	8
Total	28,570	28,745	29,326	29,233	29,484

Notes:

"Large commercial" previously had medium commercial combined now "Medium Commercial" stated separately.
Small, Medium, Large Industrial now combined into one "Industrial".

Source: City of Lodi Financial Services Division
Intranet Dashboard Stats Util by Month and Sch

**CITY OF LODI
ELECTRICITY SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS
(Continued)**

Type of Customer	Billed Accounts				
	2013	2012	2011	2010	2009
City Accounts	204	195	197	189	189
Contract Large Industrial	-	-	-	-	-
Contract Medium Industrial	-	-	-	-	-
Contract Small Industrial	-	-	-	-	-
Domestic Residential	22,541	22,361	22,360	22,525	22,506
Domestic Mobile Home Park	13	13	13	13	13
Dusk to Dawn	88	92	89	89	92
Industrial	-	-	-	-	-
Large Commercial	344	336	350	357	377
Large Industrial	40	38	40	39	37
Medium Commercial	-	-	-	-	-
Medium Industrial	11	9	9	9	8
Residential Low Income	2,582	2,531	2,258	2,193	1,847
Small Commercial	3,358	3,340	3,324	3,280	3,249
Small Industrial	9	11	11	10	10
Total	29,190	28,926	28,651	28,704	28,328

Notes:

"Large commercial" previously had medium commercial combined now "Medium Commercial" stated separately.
Small, Medium, Large Industrial now combined into one "Industrial".

Source: City of Lodi Financial Services Division
Intranet Dashboard Stats Util by Month and Sch

CITY OF LODI

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

Governmental Activities					
Fiscal Year	Lease Revenue Bonds	Loan Payable	Notes Payable	Capital Lease	Total Governmental Activities
2018	\$ 17,839	\$ 286	\$ -	\$ 410	\$ 18,535
2017	18,753	378	-	487	19,618
2016	19,637	468	245	562	20,912
2015	19,950	-	245	-	20,195
2014	20,004	-	245	-	20,249
2013	20,058	-	245	-	20,303
2012	21,025	-	245	-	21,270
2011	21,655	-	245	-	21,900
2010	22,265	-	245	-	22,510
2009	22,855	-	245	-	23,100

Details regarding the City's outstanding debt can be found in Note 7 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 OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS (Dollar amounts in thousands, except per capita)

Business-type Activities						
Fiscal Year	Certificates of Participation and Revenue Bonds	Notes/ Loan Payable	Total Business-type Activities	Total Primary Government	Percent of Personal Income (1)	Per Capita (1)
2018	\$ 125,062	\$1,096	\$ 126,158	\$ 144,693	5.56 %	\$ 2,156
2017	138,193	1,300	139,493	159,111	6.41	2,484
2016	143,417	1,500	144,917	165,829	7.49	2,603
2015	149,767	-	149,767	169,962	7.67	2,667
2014	157,297	-	157,297	177,546	8.45	2,789
2013	167,743	-	167,743	188,046	9.63	2,988
2012	173,241	-	173,241	194,511	10.07	3,096
2011	178,827	-	178,827	200,727	10.67	3,213
2010	144,165	1,409	145,574	168,084	8.49	2,645
2009	148,529	1,585	150,114	173,214	8.81	2,736

Details regarding the City's outstanding debt can be found in Note 7 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
2018	\$ 17,839	\$ -	\$ 17,839	7.0 %	\$ 265.77
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

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				
	2018	2017	2016	2015	2014
Assessed valuation (1)	\$ 6,156,110	\$ 5,585,242	\$ 5,377,266	\$ 5,152,666	\$ 4,867,731
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,539,028	1,396,311	1,344,317	1,288,167	1,216,933
Debt limit percentage	15%	15%	15%	15%	15%
Debt Limit	230,854	209,447	201,647	193,225	182,540
Total net debt applicable to limit	17,839	18,753	19,637	19,950	-
Legal debt margin	<u>\$ 213,015</u>	<u>\$ 190,694</u>	<u>\$ 182,010</u>	<u>\$ 173,275</u>	<u>\$ 182,540</u>
Total net debt applicable to the limit as a percent of debt limit	7.7%	9.0%	9.7%	10.3%	0.0%

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

(1) Reflects City assessed valuation with other exemptions of \$275,027 deducted for 2017.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI

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

	FISCAL YEAR				
	2013	2012	2011	2010	2009
Assessed valuation (1)	\$ 4,709,916	\$ 4,718,766	\$ 4,926,130	\$ 4,995,362	\$ 5,227,580
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	1,177,479	1,179,692	1,231,533	1,248,841	1,306,895
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	176,622	176,954	184,730	187,326	196,034
Total net debt applicable to limit	<u>20,048</u>	<u>19,333</u>	<u>19,963</u>	<u>20,573</u>	<u>21,163</u>
Legal debt margin	<u>\$ 156,574</u>	<u>\$ 157,621</u>	<u>\$ 164,767</u>	<u>\$ 166,753</u>	<u>\$ 174,871</u>
Total net debt applicable to the limit as a percent of debt limit	11.4%	10.9%	10.8%	11.0%	10.8%

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, 2018

	Total Debt	Percentage Applicable (1)	City's Share of Debt
OVERLAPPING DEBT:			
San Joaquin Community College District	\$ 154,305,582	7.618 %	\$ 11,754,999
Lodi Unified School District	159,305,582	36.027	57,393,022
San Joaquin County Certificates of Participation	92,370,000	8.313	7,678,718
Lodi Unified School District Certificates of Participation	20,445,000	36.027	7,365,720
SUBTOTAL OVERLAPPING DEBT			<u>84,192,460</u>
DIRECT DEBT:			
City of Lodi Lease Revenue Bonds	17,839	100.00	17,838,760
City of Lodi - Loan payable	286,236	100.00	286,236
City of Lodi -Capital lease	409,950	100.00	409,950
SUBTOTAL DIRECT DEBT			<u>18,534,946</u>
TOTAL DIRECT AND OVERLAPPING DEBT(2)			<u><u>\$ 102,727,406</u></u>

2017-18 Gross Assessed Valuation \$ 6,435,135,000

2017-18 Population 67,121

DEBT RATIOS	Total Gross Debt	Per Capita	Value
	\$ 102,727,406	\$ 1,530	1.60%

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

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

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

CITY OF LODI

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

Fiscal Year	Less:			Debt Service			Coverage
	Adjusted Annual Revenues (1)	Adjusted Operating Expenses (2)	Net Available Revenue	Principal	Interest	Total	
Electric Revenue Certificates of Participation							
2018	\$ 73,505	\$ 50,317	\$ 23,188	\$ 2,510	\$ 2,788	\$ 5,298	4.38
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
Wastewater Certificates of Participation and Revenue Bonds							
2018	\$ 19,317	\$ 7,302	\$ 12,015	\$ 1,650	954	\$ 2,604	4.61
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
Water Revenue Bonds							
2018	\$ 17,187	\$ 10,895	\$ 6,292	\$ 950	\$ 1,356	\$ 2,306	2.73
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 (including developer impact fees) 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
2018	13.98	67,121	0.7%	758,744	8.8%	136	\$ 2,602	\$ 38,769	6.9%
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%

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

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

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

CITY OF LODI
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>Current</u>			<u>Nine Years Ago</u>			<u>Labor Force</u>
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	
Lodi Unified School District	3,359	1	12.86 %	3,301	1	12.64 %	26,125
Pacific Coast Producers	1,663	2	6.37	1,200	3	4.59	26,125
Lodi Health Hospital	1,390	3	5.32	1,360	2	5.21	26,125
Blue Shield	848	4	3.25	850	4	3.25	26,125
TreeHouse	496	5	1.90				26,125
Walmart	484	6	1.85	285	9	1.09	26,125
City of Lodi	390	7	1.50	460	7	1.76	26,125
Farmers & Merchants Bank	358	8	1.37	336	8	1.29	26,125
Costco	227	9	0.87				26,125
Target	145	10	0.56	165	10	0.63	26,125
Cottage Bakery	-		-	700	5	2.68	26,125
General Mills	-		-	478	6	1.83	26,125
Total	9,360		35.83	9,135		34.97	

2000 Census Labor Force figure

CITY OF LODI

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

	Fiscal Year				
	2018	2017	2016	2015	2014
Department:					
Administration	9	10	10	10	10
Community Development	11	11	11	11	9
Electric	52	51	49	44	43
Financial Services	-	-	-	-	-
Fire	53	54	54	57	53
Internal Services	31	32	31	31	31
Library	7	7	10	11	10
Parks and Recreation	-	-	-	-	-
Parks, Recreation and Cultural Services	24	24	26	28	27
Police	103	103	102	107	104
Public Works	101	101	100	97	95
Total	390	393	393	396	382

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

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

(Continued)

Fiscal Year

	2013	2012	2011*	2010	2009
Department:					
Administration	10	12	13	31	32
Community Development	9	9	13	13	13
Electric	40	40	41	51	50
Financial Services	-	-	-	24	26
Fire	53	54	64	64	64
Internal Services	31	29	35		
Library	11	12	14	14	14
Parks and Recreation	-	-	-	31	31
Parks, Recreation and Cultural Services	27	29	37	-	-
Police	104	103	125	125	125
Public Works	92	93	98	102	102
Total	377	381	440	455	457

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				
	2018	2017	2016	2015	2014
General government:					
Building permits issued	2,699	2,447	2,482	2,404	2,404
Business tax certificates:					
Retail sales and service	2,137	2,443	2,288	2,281	2,281
Manufacturers and processors	75	76	78	23	23
Professions	294	308	316	323	323
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1,232	949	1,268	1,256	1,256
Utility billing/customer service:					
Number of customers	24,259	26,018	26,034	25,912	25,912
Energy sales (KWH)	425,157,874	425,410,574	437,246,335	438,780,911	438,780,911
Peak demand (MW)	130.9	129	124	134	134
Public safety:					
Police:					
Major reported crimes	2,062	2,025	3,068	2,268	2,268
Total arrests	3,460	4,226	4,083	3,690	3,690
Dispatched calls for service	37,301	37,866	40,390	35,992	35,992
Fire:					
Interior structure fire calls	56	51	33	32	32
Non-structural fire calls	235	177	154	143	143
Hazardous materials calls	55	90	73	65	65
Emergency medical calls	5,364	3,572	3,123	3,418	3,418
Total emergency calls	6,996	5,869	5,238	3,666	3,666
Total number of units dispatched	8,230	7,225	7,430	5,727	5,727
Public works:					
Miles of streets resurfaced	0	6	6	6	6
Fleet job orders completed	1,744	2,129	2,162	2,500	2,500
Trees planted	372	135	135	135	135
Water utility:					
New connections	180	205	69	8	8
Water main breaks	2	2	3	16	16
Wastewater utility:					
Average daily treatment (million gal/day)	4.5MG	4.65MG	4.6MG	4.6MG	4.6MG
Library:					
Registered borrowers	63,631	64,742	60,362	58,824	58,824
Circulation of library materials	162,796	187,853	199,096	197,673	197,673
Reference, research and informational questions answered	9,852	9,695	11,109	13,189	13,189
Annual attendance at libraries	225,558	231,602	245,936		
Number of programs offered	789	764	456	432	432
Annual attendance at programs	24,682	23,960	15,452	12,888	12,888
Public access computer usage	25,825	31,205	34,071	34,071	41,180
Community center:					
Community center bookings	595	597	758	794	769
Instructional classes	438	554	518	500	553
Registered students	2,695	3,010	2,744	2,586	3,269
Yearly attendance	11,011	13,925	13,925	13,925	13,925
Parks and recreation:					
After school program registration (number of participants/sites)	17,057/17	1,617/17	19,800/17	315,140/19	254,096/20
Adult sports					
Program/Participation	1,000	14,887	14,673	15,285	2,082
Programs offered	5	14	15	18	17
Partnerships	2	2	2	2	2
Tournaments	4	6	8	10	5
Youth/Teen sports					
Program attendance	3,480	3,496	3,652	3,621	3,672
Programs offered	11	18	18	18	18
Aquatics					
Program attendance	26,571	28,974	28,195	28,009	27,731
Number of programs	8	14	14	15	13

Source: City of Lodi

CITY OF LODI
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
LAST TEN FISCAL YEARS
(Continued)

	Fiscal Year				
	2013	2012	2011	2010	2009
General government:					
Building permits issued	1,578	1,461	2,022	1,709	1,754
Business tax certificates:					
Retail sales and service	2,526	2,485	2,530	2,406	2,496
Manufacturers and processors	78	77	76	80	82
Professions	362	364	371	373	380
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1,456	1,362	1,357	1,312	1,411
Utility billing/customer service:					
Number of customers	23,927	23,761	23,575	25,573	25,555
Energy sales (KWH)	435,822,465	435,655,731	421,130,329	434,200,987	452,075,554
Peak demand (MW)	122	116	116	120	134
Public safety:					
Police:					
Major reported crimes	2,643	3,573	2,885	2,377	2,454
Total arrests	3,825	4,350	4,410	4,238	4,646
Dispatched calls for service	50,124	46,756	52,061	51,870	56,391
Fire:					
Interior structure fire calls	67	57	56	47	69
Non-structural fire calls	209	163	121	123	123
Hazardous materials calls	58	41	69	70	70
Emergency medical calls	3,882	3,820	3,752	3,494	3,364
Total emergency calls	5,823	5,620	5,753	5,385	5,392
Total number of units dispatched	7,954	7,855	7,835	7,390	7,038
Public works:					
Miles of streets resurfaced	6	6	6	3	6
Fleet job orders completed	1,803	1,953	2,810	3,303	3,921
Trees planted	131	131			96
Water utility:					
New connections	8	7	8	17	17
Water main breaks	14	10	8	6	4
Wastewater utility:					
Average daily treatment (million gal/day)	5.10MG	5.5MG	6.5MG	6.5MG	6.5MG
Library:					
Registered borrowers	51,594	47,147	43,927	39,199	53,530
Circulation of library materials	215,293	217,742	248,250	251,967	219,711
Reference, research and informational questions answered	16,270	14,463	16,234	16,501	15,379
Annual attendance at libraries	224,762	222,148	210,279	207,123	n/a
Number of programs offered	407	432	388	344	316
Annual attendance at programs	14,443	12,993	13,133	10,676	8,765
Public access computer usage	45,871	47,428	58,990	52,124	38,388
Community center:					
Community center bookings	718	698	926	789	475
Instructional classes	580	307	536	583	507
Registered students	2,819	3,713	3,438	3,525	3,316
Yearly attendance	13,925	13,925	14,217	13,355	14,050
Parks and recreation:					
After school program registration (number of participants/sites)	1,715/20	3,232/20	1,920/4	1,920/4	1,920/4
Adult sports					
Program/Participation	2,246	2,420	2,528	2,528	2,284
Programs offered	16	15	16	16	13
Partnerships	2	3	5	5	1
Tournaments	6	12	7	7	10
Youth/Teen sports					
Program attendance	3,643	3,889	4,251	4,251	215,000
Programs offered	19	24	16	16	24
Aquatics					
Program attendance	23,414	34,366	32,566	32,566	2,433
Number of programs	13	25	13	13	6

Source: City of Lodi

CITY OF LODI

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government:										
Total square miles	13.98	13.98	13.98	13.98	13.98	13.98	13.98	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	23	25
Motorcycles and scooters	6	7	7	7	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	37	38
Fire:										
Facilities:										
Fire stations	4	4	4	4	4	4	4	4	4	4
Vehicles:										
Fire engines	6	7	6	6	6	6	6	7	7	7
Trucks/Trailers	5	8	6	6	6	6	5	5	6	6
Other automobiles	8	5	11	11	11	11	9	8	10	12
Public works:										
Miles of streets	205	202	202	202	202	202	202	202	202	202
Miles of alley ways	16	16	16	16	16	16	16	16	16	16
Traffic signals	69	68	67	67	67	67	67	67	62	62
Street lights	7,697	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,270
Parks and recreation:										
Parks and squares	28	26	26	26	26	26	26	26	26	26
Park acreage	366	361	361	361	361	361	373	373	373	371
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	4
Baseball/softball diamonds	20	20	20	20	20	20	24	24	24	24
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	17	20	20	20	20	20	22	25	25	25
Ballpark	24	24	24	24	24	24	24	24	24	24
Soccer Field	22	22	22	22	22	22	22	22	22	22
Football Field	1	1	1	1	1	1	1	1	1	1
Handball/Basketball/Volleyball Courts/Bocce Courts	12	12	12	12	12	12	10	10	10	10
Horseshoe Pits	8	8	8	8	8	8	8	6	6	6
Library:										
Central library	1	1	1	1	1	1	1	1	1	1
Total items in collection	111,544	125,730	130,657	119,554	148,287	149,243	135,113	134,804	130,530	135,197
Integrated library system	1	1	1	1	1	1	1	1	1	1
Microfilm readers	0	0	0	1	1	1	1	1	1	1
Microfilm readers/printers	0	1	1	1	1	1	1	1	1	1
Self check out machines	3	3	3	2	2	2	2	2	2	2
Electric utility:										
Overhead lines 12kv (miles)	129	117	117	117	117	133	133	133	130	130
Overhead lines 60kv (miles)	14	14	14	14	14	14	14	13	13	13
Underground lines (miles)	164	123	121	118	115	159	159	157	155	154
Water utility:										
Water main lines	240	243	240	236	236	236	236	236	237	233
Water storage capacity (gallons)	4,100,000	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
Water wells	28	28	28	28	28	28	27	27	26	26
Water reservoirs	3	3	3	3	3	3	2	2	2	2
Water Treatment Plant	1	1	1							
Wastewater utility:										
Wastewater main lines (miles)	196	196	196	196	196	196	196	196	191	194
Treatment capacity	8.5MG	8.5MG	8.5 MG							
Wastewater treatment plant	1	1	1	1	1	1	1	1	1	1
Wastewater Pump Stations	9	9	9							
Stormwater utility:										
Stormwater main drain lines (miles)	130	128	126	124	124	124	124	124	124	161
Stormwater pump stations	16	16	16	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	2,450	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

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SINGLE AUDIT REPORTS

City of Lodi

Lodi, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2018



City of Lodi

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**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***

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Lodi
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 (the "City"), as of and for the year ended June 30, 2018, and the related notes to the basic financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated January 16, 2019.

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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

To the Honorable Mayor and Members of City Council
of the City of Lodi
Lodi, California
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
January 17, 2019



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Lodi
Lodi, California

Report on Compliance for Each Major Federal Program

We have audited the City of Lodi, California's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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 City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 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. We consider the deficiency described as item number 2018-001 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over compliance.

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 City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

To the Honorable Mayor and Members of City Council
of the City of Lodi
Lodi, California
Page 3

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and have issued our report thereon dated January 17, 2019 which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the City's Basic Financial Statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
January 17, 2019

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City of Lodi
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass - Through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
CDBG - Entitlement Grants Cluster			
<i>Direct Program:</i>			
Community Development Block Grant	14.218	B-14-MC-06-0038	\$ 2,258
Community Development Block Grant	14.218	B-15-MC-06-0038	61,070
Community Development Block Grant	14.218	B-16-MC-06-0038	89,341
Community Development Block Grant	14.218	B-17-MC-06-0038	317,381
Total CDBG - Entitlement Grants Cluster			470,050
		Total U.S. Department of Housing and Urban Development	470,050
<u>U.S. Department of Transportation</u>			
Federal Transit Cluster			
<i>Direct Program:</i>			
Federal Transit - Formula Grants	20.507	CA-2018-102	1,400,000
Total Federal Transit Cluster			1,400,000
Highway Planning and Construction Cluster			
<i>Passed through California Department of Transportation:</i>			
Highway Planning and Construction	20.205	STPL-5154(040)	636,601
Total Planning and Construction Cluster			636,601
<i>Passed through California Office of Traffic Safety:</i>			
Minimum Penalties for Repeat Offenders for DWI	20.608	PT18088	78,351
		Total U.S. Department of Transportation	2,114,952
<u>U.S. Environmental Protection Agency</u>			
<i>Direct Program:</i>			
Title III - NSIP C1 Incentive	66.818	99T30201	40,180
		Total U.S. Environmental Protection Agency	40,180
		Total Expenditures of Federal Awards	\$ 2,625,182

City of Lodi
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standard Board (“GASB”), consists of the primary government, which is the City of Lodi, California (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Note 2 – Basis of Accounting

Funds received under the various grant programs have been recorded within the governmental and proprietary fund types of the City. The City utilizes the modified accrual method of accounting for the governmental fund types and the full accrual method of accounting for the proprietary fund types. The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) is presented in accordance with the 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). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the City’s basic financial statements.

Note 3 – Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position, change in fund balance, or results of operations of the City.

Note 4 – Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

City of Lodi
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditors 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? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? 2018-001

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
20.205	Highway Planning and Construction Cluster	\$ 636,601
	Total Expenditures of All Major Federal Programs	<u>\$ 636,601</u>
	Total Expenditures of Federal Awards	<u>\$ 2,625,182</u>
	Percentage of Total Expenditures of Federal Awards	<u>24.25%</u>

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

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? Yes

City of Lodi
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement Audit

No findings were noted on the City’s financial statement audit for the year ended June 30, 2018.

B. Prior Year Findings – Financial Statement Audit

No findings were noted on the City’s financial statement audit for the year ended June 30, 2017.

Section III – Federal Award Findings

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

Finding 2018-001 Procurement Policy

Criteria:

Non-Federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR part 200.

A non-federal entity must:

1. Meet the general procurement standards in 2 CFR section 200.318, which include oversight of contractors’ performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.
2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR section 200.319.
3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR sections 200.320(a) and (b). Under the micro-purchase method, the aggregate dollar amount does not exceed \$3,500 (\$2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive quotations if the non-federal entity considers the price to be reasonable (2 CFR section 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR section 200.320(b)).
4. For acquisitions exceeding the simplified acquisition threshold, the non-federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR section 200.320(c); the competitive proposals method under the conditions specified in 2 CFR section 200.320(d); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR section 200.320(f).

City of Lodi
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section III – Federal Award Findings

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

Finding 2018-001 Procurement Policy (Continued)

Criteria (Continued):

5. Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR section 200.323(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR section 200.323(d)).
6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR section 200.326. These provisions are described in Appendix II to 2 CFR part 200, “Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.”

Non-federal entities had a grace period of two full fiscal years after the effective date of the Uniform Guidance before they had to comply with the procurement requirements of 2 CFR section 200. For a non-federal entity with a fiscal year-end of June 30, its effective date for the procurement requirements was July 1, 2017. However, during this grace period, non-federal entities were required to clearly document whether they decided to comply with the previous version of the applicable procurement standards or the new standards contained in the Uniform Guidance.

Condition:

The City has not updated its purchasing policies and procedures to bring it into compliance with the requirements of Uniform Guidance. The City has also not formally documented whether it has decided to extend its applicable date of compliance with 2 CFR part 200 to be effective beginning July 1, 2018.

Context:

See condition above for context of the finding.

Cause:

The City has not evaluated its existing procurement policies for compliance with the requirements of the Uniform Guidance.

Effect:

The City is not in compliance with the procurement policy provisions of 2 CFR part 200 and the Uniform Guidance. Not updating the City’s procurement policy could lead to future findings and questioned costs related to federal awards. The current audit did not identify noncompliance with direct and material compliance requirements of the major federal award program.

Identification as a Repeat Finding:

Not applicable.

City of Lodi
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section III – Federal Award Findings

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

Finding 2018-001 Procurement Policy (Continued)

Recommendation:

The City should evaluate and update existing purchasing policies and procedures in order to bring the City into compliance with the procurement policy requirements of 2 CFR part 200 and the Uniform Guidance. The updated policy should include, among other things:

1. Thresholds and appropriate approval procedures for allowable federal procurement methods.
2. Written standards for how conflicts of interest involving employees engaged to select, award, and administer contracts will be governed.
3. How to ensure that contracts and awards are made only to responsible and eligible contractors and how oversight of contractor performance will be monitored.
4. How records will be maintained in order to document the history of federal procurements.

Views of Responsible Officials:

The City agrees with the finding and the recommendation.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the City's major federal programs for the year ended June 30, 2017.

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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 2017-2018

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 (LEU) has Continuing Disclosure requirements associated with its 2018 Electric System Revenue Refunding Bonds. 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 four (4) tables to reflect the most recently completed fiscal year as required in the Bonds:

1. Electric System Power Supply Resources
2. Electric System Customers, Sales, Revenues and Peak Demand
3. Outstanding Debt of Joint Powers Agencies
4. Historical Operating Results

Reporting of Significant Events

The Bonds identify sixteen (16) specific events that require special reporting. As of June 30, 2018, 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 Bonds.

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

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
POWER SUPPLY RESOURCES
For the Fiscal Year Ended June 30, 2018**

Source	Capacity Available (MW) ⁽¹⁾⁽⁴⁾	Actual Energy (MWh)	% of Total Energy
Purchased Power⁽²⁾:			
Western	8.10	19,477	4.10%
NCPA			
Geothermal Project	11.50	80,423	17.00%
Hydroelectric Project	26.20	51,030	10.80%
Combustion Turbine Project No. 1	9.50	2,030	0.40%
Capital Facilities, Unit One	19.60	3,523	0.70%
Lodi Energy Center	26.60	102,133	21.50%
Contracts and Exchanges ⁽³⁾	35.50	215,560	45.50%
Total	137.00	474,176 (4)	100.00%
Total Capacity and Energy Sold at Wholesale	N/A	38,258	
City System Requirement for Retail Load⁽⁵⁾	130.9	435,918	

(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
	2018
Number of Customers:	
Residential	23,145
Commercial	3,075
Industrial	41
Other	169
Total Customers	26,430
Kilowatt Hour (kWh) Sales:	
Residential	155,539,509
Commercial	144,244,913
Industrial	115,066,917
Other	10,306,535
Total kWh sales	425,157,874
Revenues from Sale of Energy:	
Residential	27,967,919
Commercial	25,105,915
Industrial	14,877,597
Other	1,295,278
Total Revenues from Sale of Energy:	69,246,709
Peak Demand (MW)	130.9
Excludes revenues from California Energy Commission Tax.	

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)
For the Fiscal Year Ended June 30,2018**

	<u>Outstanding Debt⁽¹⁾</u>	<u>Lodi's Participation⁽²⁾</u>	<u>Lodi's Share of Outstanding Debt</u>
NCPA			
Geothermal Project Three	\$ 28.80	10.28%	\$ 3.00
Hydroelectric Project	315.50	10.60% ⁽³⁾	33.40
Capital Facilities Project Unit One	33.60	39.50%	13.30
Lodi Energy Center Project	227.40	17.03%	38.70
TANC⁽⁴⁾	<u>2.60</u>	<u>2.07%</u>	<u>0.05</u>
TOTAL*	<u>\$ 607.90</u>	<u>14.55%</u>	<u>\$ 88.45</u>

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

(1) Source: NCPA.

(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.

(4) The City is responsible for 2.07% of TANC's South of Tesla debt service of approximately \$53,000 per year.

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

CITY OF LODI	
ELECTRIC SYSTEM	
SUMMARY OF OPERATING RESULTS ⁽¹⁾	
Ending Fiscal Year June 30 (Dollars in 000s)	
	Actual 2018
Operating Revenues	
Beginning Reserves ⁽¹⁾	\$ 26,642
Rate Revenue	65,054
ECA Revenue	4,192
Other Revenue	3,495
Total Operating Revenue	72,741
Operating Expenses	
Purchased Power	39,519
Non-Power Costs ⁽²⁾	16,422
Total Operating Expenses	55,941
Net Revenue Available for Debt Service	16,800
Parity Debt Service	
2002 C & D, 2008 A Bonds	5,298
Total Net Debt Service	5,298
Debt Service Coverage	4
Remaining Revenue Available for Other Purposes	11,502
Non-Operating Revenue/Expenses	
Greenhouse gas allowance	559
Impact Fees	138
In-Lieu Transfer to General Fund	(7,159)
PERS Stabilization Contribution	(603)
Net Cash Flow Before Capital Expenditures	(7,065)
Capital Funded from Rates	2,718
Ending Reserves⁽⁶⁾	\$ 26,573

Source: City of Lodi

Note: Figures shown above are calculated in accordance with the documents pursuant to requirements associated with its 2018 Electric System Revenue Refunding Bonds which may or may not be on the same basis as Generally Accepted Accounting Principles.

- (1) Includes cash held by the City and cash held at NCPA in the General Operating Reserve.
- (2) Includes Greenhouse Gas Allowance revenue used to pay eligible Operating Expenses.
- (3) Includes operations and maintenance costs of Electric System including cost of services provided by other departments and loan repayment for LED Streetlight Project. Does not include depreciation and amortization.
- (4) The calculation of Debt Service Coverage does not include Available Reserves as permitted by the 2018 Installment Purchase Agreement.
- (5) Includes Greenhouse Gas Revenues not eligible for application to Operating Expenses or Debt Service.
- (6) Includes reserve funds held locally and available at NCPA.

ANNUAL REPORT FOR WASTEWATER UTILITY

The Lodi Wastewater Utility has Continuing Disclosure requirements associated with its 2004 Series A Certificates of Participation, 2012 Refunding Wastewater Revenue Bonds, the 2016 Refunding Wastewater Revenue Bonds and the 2017 Installment Purchase Agreement. 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.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2018, 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 2017-18 Service Charge Revenue by User Type**

User Type	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>% of FY 17/18 Service Charge Revenue</u>
Residential	22,076	21,920	21,700	21,891	22,083	78%
Commercial/Industrial	1,851	1,876	1,909	2,001	2,041	22%
Total All Users	<u>23,927</u>	<u>23,796</u>	<u>23,609</u>	<u>23,892</u>	<u>24,124</u>	<u>100%</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 2017-18**

<u>User Type</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
Single Family Residential	59%
Multiple Family Residential	19%
Commercial/Industrial	22%
Total	<u>100%</u>

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 2017-18**

<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	\$ 476,475	3.19%
Lodi Unified School District	K-12, adult education	343,492	2.30%
City of Lodi	Government	70,696	0.47%
Pacific Coast Producers	Private label fruit canning	55,876	0.37%
Lodi Memorial Hospital	Health care	46,104	0.31%
Archer Daniels Midland	Agricultural processor	41,562	0.28%
Blue Shield of California	Health insurance	41,350	0.28%
Miller Packing Company	Hot dog producer	40,609	0.27%
Tokay Villa Apartments	Apartment complex	34,596	0.23%
Casa de Lodi	Mobile home park	28,404	0.19%
Total top ten users		\$ 1,179,164	7.91%
Total System		\$14,913,543	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> (effective July 1, 2014)	<u>Service Charge</u> (effective July 1, 2015)	<u>Service Charge</u> (effective July 1, 2016)	<u>Service Charge</u> (effective July 1, 2017)
For Residential Users (flat rate per month):				
1 Bedroom	\$26.48	\$27.22	\$27.90	\$27.90
2 Bedrooms	35.3	36.29	37.2	37.2
3 Bedrooms	44.13	45.36	46.49	46.49
4 Bedrooms	52.95	54.43	55.79	55.79
5 Bedrooms	61.78	63.51	65.09	65.09
6 Bedrooms	70.6	72.58	74.39	74.39
7 Bedrooms	79.43	81.65	83.69	83.69
For Residential Users (usage based rate per month):				
Monthly Usage Charge (\$/CCF) (1)	\$2.75	\$2.82	\$2.89	\$2.89
¾" Meter Charge	24.11	24.78	25.4	25.4
For Commercial/Industrial Users:				
Moderate Strength (annual per Sewage Service Unit)	\$423.61	\$423.61	\$446.40	\$446.40
High Strength:				
Flow (annual per MG)	3,574.60	3,674.68	3,730.00	3,849.00
BOD (annual per 1,000 lbs.)	589.9	606.41	616	636
SS (annual per 1,000 lbs.)	368.85	379.17	385	397
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal.)	312.34	321	326	336
Septic Holding Tank Waste Outside City Limits (per 1,000 gal.)	663.06	482	489	505
Disposal to Storm Drain System (per MG)	328.09	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	316

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

Table 5 A table showing summary of 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 2013-14 through 2017-18					
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Operating Revenues					
Charges for Services	\$14,305,093	\$14,714,213	\$14,959,756	\$15,106,432	\$14,913,543
Non-Operating Revenues					
Interest Income	427,308	356,590	460,862	510,079	400,533
Rent					
Other	453,798	774,007	1,520,966	1,091,001	752,514
Total System Revenues	<u>15,186,199</u>	<u>15,884,720</u>	<u>16,941,404</u>	<u>16,707,512</u>	<u>16,066,590</u>
Operating Expenses					
Personnel services	3,215,190	3,116,493	2,923,572	4,501,156	3,505,621
Supplies, Materials and services	2,145,745	2,541,909	3,622,348	4,828,494	5,065,464
Utilities	642,508	676,838	691,632	798,452	726,588
Total Operating Expenses	<u>6,003,443</u>	<u>6,335,240</u>	<u>7,237,552</u>	<u>10,128,102</u>	<u>9,297,673</u>
System Net Revenues	9,182,756	9,509,480	9,703,852	6,579,410	6,768,917
Parity Debt Service					
2003 Installment Payments	3,280,111				
2004 Installment Payments	98,321	98,325	98,325	98,326	98,326
2007 Installment Payments	1,603,550	1,602,850	1,606,850	547,613	556,213
2012 Installment Payments	1,921,700	1,970,350	1,961,100	1,947,100	1,949,300
2016 Installment Payments				474,109	849,150
Total Parity Debt Service	<u>6,903,682</u>	<u>3,671,525</u>	<u>3,666,275</u>	<u>3,067,148</u>	<u>3,452,989</u>
Debt Service Coverage	1.33	2.59	2.65	2.15	1.96
Non-Operating Expenses					
Transfers (In)/Out	1,318,000	1,068,000	1,068,000	1,101,000	1,108,270
Total Non-Operating Expenses	<u>1,318,000</u>	<u>1,068,000</u>	<u>1,068,000</u>	<u>1,101,000</u>	<u>1,108,270</u>
Net Cashflow Before Capital Expenditures	\$961,072	\$4,769,955	\$4,969,578	\$2,430,502	\$2,207,658

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	2014	2015	2016	2017	2018
Operating	\$ 4.30	\$ 5.60	\$ 9.70	\$ 13.00	\$ 15.40
Rate Stabilization	0.50	0.50	0.50	0.50	0.50
Impact Mitigation	0.70	0.80	1.00	1.70	1.70
Capital	8.70	6.90	4.50	1.00	0.25
Total	\$ 14.20	\$ 13.80	\$ 15.70	\$ 16.20	\$ 17.90
 25% Operating Reserve Goal	 \$ 1.60	 \$ 1.60	 \$ 2.40	 \$ 3.30	 \$ 3.90

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, 2018, 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					
	2014	2015	2016	2017	2018
Revenues:					
Taxes	\$23,718,396	\$24,630,745	\$25,327,203	\$26,490,919	\$27,422,477
Licenses and permits	83,420	87,908	92,702	86,844	67,757
Intergovernmental revenues	11,319,708	12,642,107	12,887,767	12,830,329	12,377,159
Charges for services	1,025,851	1,482,448	1,437,440	1,852,855	1,934,180
Fines, forfeits and penalties	1,552,531	1,573,071	1,494,758	906,563	1,396,137
Investment and rental income	1,548,787	1,546,845	1,554,198	1,734,773	1,747,857
Miscellaneous revenue	352,331	290,951	349,153	319,373	342,549
Total revenues	<u>39,601,024</u>	<u>42,254,075</u>	<u>43,143,221</u>	<u>44,221,656</u>	<u>45,288,116</u>
Expenditures:					
Current:					
General government	6,482,226	6,490,907	6,824,884	6,926,368	6,980,564
Public protection	26,470,110	264,338,172	28,612,592	29,969,781	30,576,759
Public works	1,554,939	1,882,250	1,866,277	1,698,518	1,852,852
Library	1,267,850	1,311,367	1,152,901	1,152,721	1,058,133
Total expenditures	<u>35,775,125</u>	<u>36,072,696</u>	<u>38,456,654</u>	<u>39,747,388</u>	<u>40,468,308</u>
Excess of revenues over expenditures	<u>3,825,899</u>	<u>6,181,379</u>	<u>4,686,567</u>	<u>4,474,268</u>	<u>4,819,808</u>
Other financing sources (uses):					
Transfers in	3,952,000	3,952,000	3,952,000	3,952,000	5,949,190
Transfers out	(6,269,351)	(7,128,586)	(7,869,927)	(6,705,104)	(6,969,450)
Total other financing sources (uses)	<u>(2,317,351)</u>	<u>(3,176,586)</u>	<u>(3,917,927)</u>	<u>(2,753,104)</u>	<u>(1,020,260)</u>
Net change in fund balance	1,508,548	3,004,793	768,640	1,721,164	3,799,548
Fund balance, beginning of year	7,965,212	9,473,760	12,478,553	13,247,193	14,968,357
Fund balance, end of year	<u>\$ 9,473,760</u>	<u>\$12,478,553</u>	<u>\$13,247,193</u>	<u>\$14,968,357</u>	<u>\$18,767,905</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, 2018**

<u>Bargaining Units</u>	<u>Employee Paid*</u>	<u>City Paid</u>	<u>Total Employee Share</u>
Council appointees	7.00%	%	7.00%
Executive management	7.00%		7.00%
Confidential mid-management	7.00%		7.00%
Confidential	7.00%		7.00%
Fire mid-management	9.00%		9.00%
Fire	9.00%		9.00%
Mid-management	7.00%		7.00%
General services	7.00%		7.00%
Maintenance and operators	7.00%		7.00%
IBEW	7.00%		7.00%
Police mid-management	9.00%		9.00%
Police	9.00%		9.00%
Dispatchers	7.00%		7.00%
*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, 2017.
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, 2018, 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/ Municipal		Residential	
	Number of Accounts	Revenue	Number of Accounts	Revenue
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
2017	2,909	3,087,136	22,106	9,960,627

Source: City of Lodi

Table 2 A table showing the largest users by service charge revenue for the most recent fiscal year.

User	Type of Business	Service Charge Revenue	Percentage of Total Annual Service Charge Revenue
City of Lodi	Government	\$ 525,864	4.04%
Lodi Unified School District	K-12, adult education	352,919	2.71%
Pacific Coast Producers	Private label fruit canning	147,898	1.14%
Lodi Memorial Hospital	Health care	65,309	0.50%
Treehouse Foods	Specialty bakery, frozen dough	57,013	0.44%
Tokay Villa	Apartment complex	33,143	0.25%
Casa de Lodi	Mobile home park	28,848	0.22%
Temple Baptist Church	Church	22,102	0.17%
Sweetener Products	Sweetener distribution	21,213	0.16%
Wine & Roses	Hotel	20,385	0.16%
Subtotal Top Ten Users		<u>\$ 1,274,694</u>	<u>9.80%</u>
TOTAL SYSTEM		\$ 13,005,023	100.00%

Table 3 A table showing selected rates effective January 1, 2018.

CITY OF LODI WATER SYSTEM Selected Rates Effective January 1, 2018	
<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 2013-14 through 2017-18					
	2013-14	2014-15	2015-16	2016-17	2017-18
Gross Revenues					
Water Sales ⁽¹⁾	12,756,076	12,722,619	12,161,186	12,473,676	13,005,023
Investment Earnings	118,799	87,211	166,791	132,364	99,018
Water Impact Mitigation Fees	60,000	20,299	332,765	206,847	362,481
Meter Retrofit Installation Charges	405,677	56,502	76,103	19,255	21,577
Other Revenues ⁽²⁾	825,314	483,710	287,839	1,011,756	932,652
Total Gross Revenues	<u>14,165,866</u>	<u>13,369,891</u>	<u>13,024,684</u>	<u>13,843,898</u>	<u>14,420,751</u>
Operating and Maintenance Expenses					
Personnel Services	2,392,611	2,316,305	2,515,542	2,998,026	2,833,892
Supplies, Materials and Services	3,014,227	2,139,014	3,008,676	3,468,229	6,722,343
Utilities	648,233	579,774	496,316	453,488	518,271
Administrative Overhead	780,000	780,000	780,000	813,000	820,560
Total O & M Expenses	<u>6,835,071</u>	<u>5,815,093</u>	<u>6,800,534</u>	<u>7,732,743</u>	<u>10,895,066</u>
Net Revenue Available for Debt Service	<u>7,330,795</u>	<u>7,554,798</u>	<u>6,224,150</u>	<u>6,111,155</u>	<u>3,525,685</u>
Debt Service					
2010 Bonds ⁽³⁾	2,335,230	2,356,141	2,351,580	2,308,061	2,305,611
Total Net Debt Service	<u>2,335,230</u>	<u>2,356,141</u>	<u>2,351,580</u>	<u>2,308,061</u>	<u>2,305,611</u>
Debt Service Coverage ⁽⁴⁾					
Debt Service Coverage	3.11	3.21	2.65	2.65	1.53
Debt Service Coverage (excluding impact mitigation fees)	3.09	3.2	2.51	2.56	1.38
Net Remaining Revenues Available for Capital	4,975,565	5,198,657	3,872,570	3,803,094	1,220,074
Capital Improvement Projects					
Meter Retrofit Program ⁽⁵⁾	6,891,350	4,841,932	1,606,734	4,589,636	4,068,588
Other Water System Improvements ⁽⁶⁾	380,675	267,902	9,097	330,380	114,412
Total Capital Improvement Projects	<u>7,272,025</u>	<u>5,109,834</u>	<u>1,615,831</u>	<u>4,920,016</u>	<u>4,183,000</u>
Net Change in Reserve	<u>(2,296,460)</u>	<u>88,823</u>	<u>2,256,739</u>	<u>(1,116,922)</u>	<u>(2,962,896)</u>
Water Enterprise Fund ⁽⁷⁾					
Beginning Cash Balance	9,044,659	7,027,567	6,755,522	6,270,786	4,558,222
Ending Cash Balance	7,027,567	6,755,522	6,270,786	4,558,222	4,450,028

Table 4 A table showing historic operating results and debt service coverage for the past five fiscal years (continued).

- (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 2020-21.
- (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