CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

CITY OF LODI, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2013

ALAN NAKANISHI, MAYOR
PHIL KATZAKIAN, MAYOR PRO TEMP
LARRY HANSEN, COUNCILMEMBER
BOB JOHNSON, COUNCILMEMBER
JOANNE MOUNCE, COUNCILMEMBER

KONRADT BARTLAM, CITY MANAGER

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

INTRODUCTORY SECTION

CITY OF LODI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

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CITY COUNCIL

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

CITY OF LODI
CITY HALL, 221 WEST PINE STREET
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KONRADT BARTLAM
City Manager

RANDI JOHL-OLSON
City Clerk

STEVE SCHWABAUER
City Attorney

December 6, 2013

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

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013, 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, 2013, in conformity with generally accepted accounting principles. The report conforms to the highest standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), for reporting by State and local governments. The responsibility for the accuracy, fairness and completeness of the report rests with the City.

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

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

THE REPORTING ENTITY AND SERVICES PROVIDED

The funds included in the CAFR are those deemed dependent upon the City and controlled by the City Council and reflect the City's financial reporting entity in accordance with GASB Statement No.14, as amended by GASB Statement No. 61.

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

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The City is located in the San Joaquin Valley between Stockton 10 miles to the south, and Sacramento 35 miles to the north, and adjacent to U.S. Highway 99. The City population is 62,930 and is contained in an area of 13.98 square miles. The City has grown steadily since incorporation in 1906. The City's growth is provided for in both the General Plan and the City's growth control ordinance that allows an increase in population of 2% per year until the growth limits are reached.

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

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

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

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

MAJOR GOALS, OBJECTIVES AND PROJECTS

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

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

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

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

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

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

As discussed above, economic revitalization continued to be an active focal point of the City in 2012-13. The following projects are underway and will see significant progress or be completed in 2013.

Surface Water Treatment Plant
The City historically relied on groundwater for its drinking water supply. During FY 2009-10, the City requested bids for the construction of an 8 million gallon a day water treatment plant, utilizing surface water from the Mokelumne River. In October 2010, the City awarded the construction contract and closed on a revenue bond issue to finance the construction. Construction began in March 2011 and was completed in November 2012. The plant is fully integrated into the water distribution system. Total cost for the plant was $34.5 million.

Grape Bowl Improvements

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

Reynolds Ranch

Reynolds Ranch is a planned development on the south eastern edge of the city that will eventually incorporate residential and commercial development. Development continues with additional retail space completed in 2013. Looking forward, plans include additional retail space scheduled for completion in 2014.

Water Meters and Water Infrastructure

Under state law, all residential housing must be billed for water usage on a metered basis by 2025. The City has embarked on a program to install meters on approximately 14,000 parcels over a seven year period. A portion of this project will also include moving mains and service connections from alleys and rear yards to streets and front yards. Additionally, the City will be appropriately sizing water mains as part of this project. Construction began during FY 2009-10 and will continue through FY 2016-17. To date, approximately 9,000 meters have been installed. Estimated cost for the complete program is $42.5 million.

FINANCIAL INFORMATION, MANAGEMENT AND CONTROL

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

Basis of Accounting

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

Accounting System and Budgetary Control

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

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is responsible for the preparation of the budget and its implementation after adoption. The City Council has the authority to amend the budget at any time during the year. The City Manager has the authority to make adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end balances. During fiscal year 2012-13, the City Council and City Manager made several supplemental budget appropriations, the majority of which relate to operating budgets and capital projects.

Fund Balance

It is the City's goal to target and maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds of at least 25% of operating expenses. Based on a reserve policy adopted in March 2011, the target for the Electric enterprise fund working capital is $28.7 million for fiscal year 2012-13. 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 $7,614,044 or 20.18%, of operating revenues at the end of fiscal year 2012-13.

Cash Management

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

Appropriation Limitation

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

Excluded from the limitation are appropriations funded through charges for services, fines and forfeitures, grants, transfers of service responsibilities between government agencies and indebtedness incurred prior to Fiscal Year 1979. Pursuant to subsequent legislation adopted after Article XIII B, the City is required to annually establish and adopt its appropriations limit by resolution. For 2012-13, the City's appropriations subject to limit were $31,470,842 and the appropriation limit was $81,450,625 leaving appropriations at $49,979,782 below the limit.

Debt Administration

At June 30, 2013, the City had outstanding Certificates of Participation of $179,442,636. These liabilities are discussed in Note 8 of the Basic Financial Statements and summarized below.

The City issued $5.0 million of Certificates of Participation (1995 COP) to fund its share of capital improvements in the downtown and Cherokee Lane areas. These bonds were refunded by the issuance of the 2002 Certificates of Participation. The 2002 bonds were refunded by the issuance of the 2012 Certificates of Participation.

The City also issued $10.12 million for the renovation of the Performing Arts Center on August 1, 1996; the 2002 Certificates of Participation also refunded these bonds. The 2002 bonds were refunded by the issuance of the 2012 Certificates of Participation.

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

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

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

In 2004, the City issued $27,360,000 in Wastewater Certificates of Participation (2004A) to finance the costs of improvements to the wastewater collection, treatment and disposal system. These bonds were partially refunded in the current year.

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

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

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

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

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

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

Competitive Bidding Policy
All required purchases for materials, equipment and services during 2012-13 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of $5,000.

Risk Management
The City is self-insured for dental care, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance. Self-insurance transactions are accounted for under the Insurance Funds. At June 30, 2013, the Insurance Fund had a net position of $2,464,809.

INDEPENDENT AUDIT

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

CERTIFICATES OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. These Certificates of Achievement are prestigious national and state awards recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

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

Respectfully submitted,

Jordan Ayers
Deputy City Manager/Internal Services Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

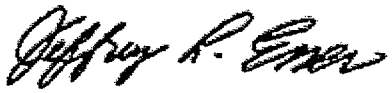
Presented to

City of Lodi

California

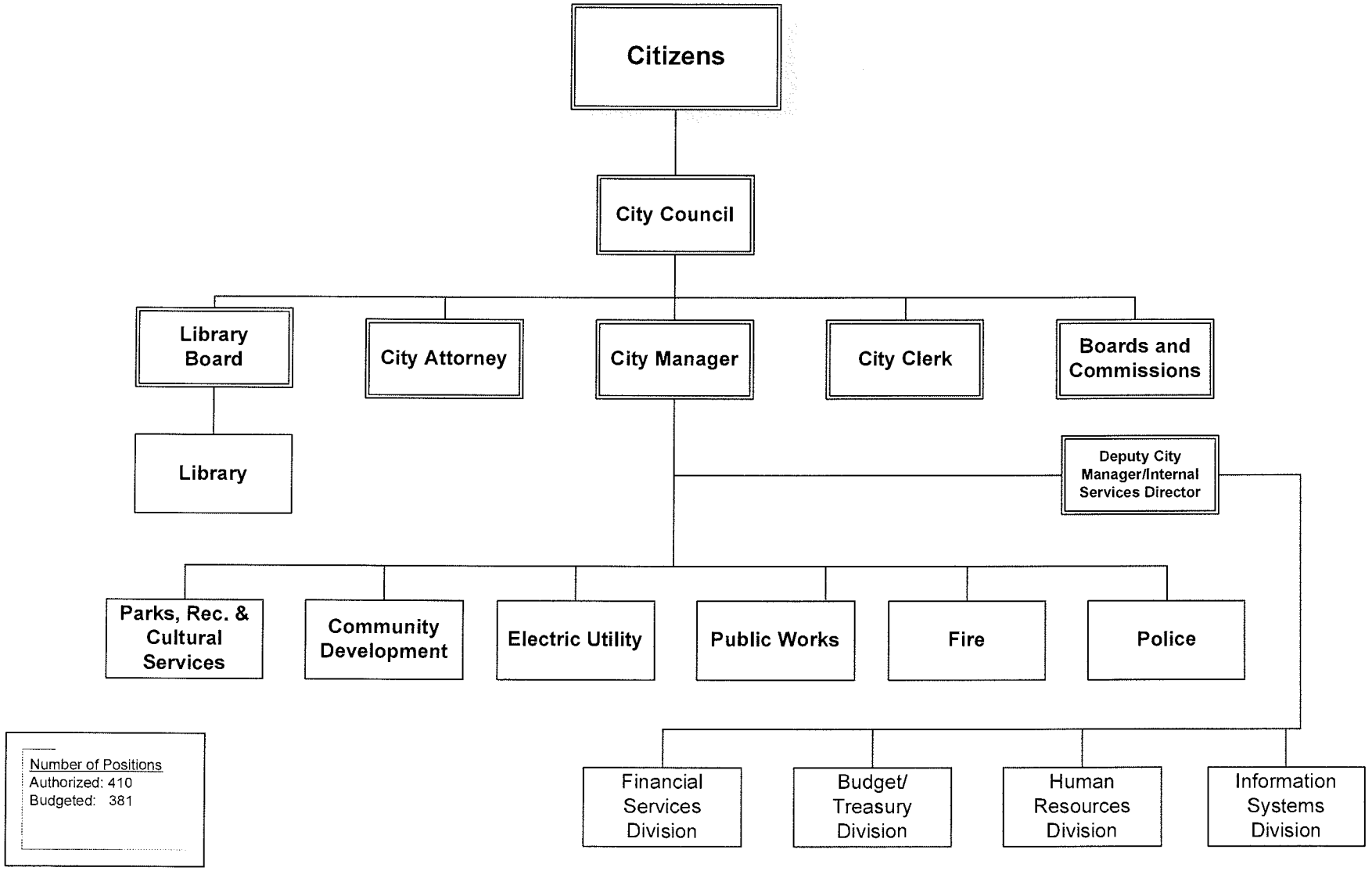
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012



Executive Director/CEO

City of Lodi



FY 2012-2013

DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Alan Nakanishi	Mayor
Phil Katzakian	Mayor Pro Temp
Larry Hansen	Council Member
Bob Johnson	Council Member
Joanne Mounce	Council Member

ADVISORY BODIES

Planning Commission	Lodi Improvement Committee
Library Board	Lodi Arts Commission
Recreation Commission	Youth Commission
Site Plan and Architectural Review Committee	Lodi Senior Citizens' Commission

PRINCIPAL ADMINISTRATIVE OFFICERS

Konradt Bartlam	City Manager
Jordan Ayers	Deputy City Manager
Steve Schwabauer	City Attorney
Randi Johl-Olson	City Clerk
Dean Gualco	Library Services Director
Larry Rooney	Fire Chief
Jeff Hood	Parks, Recreation & Cultural Services Director
Wally Sandelin	Public Works Director
Elizabeth Kirkley	Electric Utility Director
Konradt Bartlam	Community Development Director
Mark Helms	Police Chief

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FINANCIAL SECTION

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

Certified Public Accountants.

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3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of City Council
City of Lodi, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress for the pension plan and OPEB plan, and the schedule of revenues, expenditures and change in fund balance – budget and actual – for the General Fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, the combining and individual nonmajor fund financial statements and schedules, the statistical section, the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the continuing disclosure 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 schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, statistical, and continuing disclosure sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
December 2, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report is presented as discussion and analysis of the financial performance of the City of Lodi (City) for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the 2013 fiscal year by $255,021,098 (net position). Of this amount, $15,984,880 is unrestricted.
- The City's total net position increased by $54,395,539 in fiscal year 2013.
- As of June 30, 2013, the City's governmental funds reported combined ending fund balances of $20,012,501, a decrease of $431,091 in comparison with the prior year. Of this amount, $7,101,839 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 $7,965,212, of which $7,614,044 is unassigned or 20.18% of total general fund revenues of $37,723,271.
- The City's total long-term liabilities decreased by $53,420,185 (19.50%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The **statement of net position** presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether 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, and parks, recreation and cultural services. The business-type activities of the City include electric operations, wastewater operations, water operations and public transit operations.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining financial resources available in the near future to finance City programs.

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

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

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

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

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

- **Internal Service funds** are used to report activities that account for various employee benefits, 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 Sector trust and the Holz bequest are also accounted for under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by $255,021,098 at the close of the current fiscal year.

City of Lodi's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	$ 38,750,736	35,198,588	91,178,980	103,092,730	$ 129,929,716	138,291,318
Capital assets	126,641,197	128,857,069	235,205,934	225,752,808	361,847,131	354,609,877
Total assets	165,391,933	164,055,657	326,384,914	328,845,538	491,776,847	492,901,195
Liabilities:						
Long-term liabilities outstanding	38,871,505	40,168,249	181,617,786	233,741,227	220,489,291	273,909,476
Other liabilities	5,934,472	3,729,658	10,331,986	13,552,502	16,266,458	17,282,160
Total liabilities	44,805,977	43,897,907	191,949,772	247,293,729	236,755,749	291,191,636
Net position:						
Net investment in capital assets	106,827,620	107,587,069	113,008,124	109,582,092	219,835,744	217,169,161
Restricted	12,600,862	16,176,191	6,599,612	6,533,121	19,200,474	22,709,312
Unrestricted (deficit)	1,157,474	(3,605,510)	14,827,406	(34,563,404)	15,984,880	(38,168,914)
Total net position	$ 120,585,956	120,157,750	134,435,142	81,551,809	$ 255,021,098	201,709,559

Assets. The City's total assets decreased by $1,124,348. The decrease is primarily due to the following:

Governmental activities. Total assets for the governmental activities had an increase of $1,336,276 or 0.81% resulting largely from the decrease in debt service payments from the refunding of the 2002 Certificates of Participation ($1,182,736); the refund from San Joaquin County for property tax administration overcharged in prior years, $695,795; revenue from recycled water, $320,000; and increase in rent from NCPA, $439,013, offset by a decrease in loans receivable from the Lodi Hotel Investors, $1,084,000. Other insignificant activities offset the difference.

Business-type activities. Total assets for the business-type activities had a decrease of $2,460,624 or 0.75%. Capital assets increased by $9,453,126 primarily from buildings and improvements, machinery and equipment, and vehicles, offset by the decrease in current and other assets of $11,913,750, mainly from the decrease of restricted assets held by fiscal agent from the proceeds of the 2010 Water Certificates of Participation ($8,038,143) for the construction of the Surface Water Treatment Facility; decrease in cash and restricted cash due to other major projects, i.e.;

water meter program ($5,841,667); the decrease in development impact fees ($470,975); offset by the Greenhouse gas allowance of $2,018,000. Other insignificant activities offset the difference.

Liabilities. The City's total liabilities decreased by $54,435,887 or 18.69%. The decrease is primarily due to the following:

Governmental activities. Total liabilities for the governmental activities increased by $908,070. This is attributed largely to the decrease in debt service due to the refunding of the 2002 Certificates of Participation, $1,456,423, offset by the increase in self-insurance liability of $645,231. Other insignificant activities offset the difference.

Business-type activities. Total liabilities for the business-type activities decreased by $55,343,957 or 22.38%. The decrease is primarily attributable to the principal payments towards the various certificates of participation, $6,875,000; and the reduction of the pollution remediation obligation of $45,448,874. Other insignificant activities offset the difference.

Net position. The City's overall financial position has increased during the fiscal year. The net position has increased by $54,395,539, excluding the restatement of $1,084,000, or 27.11%.

The largest portion ($219,835,744) 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, $19,200,474 (7.53%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounts to $15,984,880. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the government as a whole. Unrestricted net position is positive for both the governmental and business-type activities.

City of Lodi's Change in Net position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	$ 6,004,957	4,661,080	89,602,626	89,800,503	$ 95,607,583	94,461,583
Operating grants and contributions	2,341,326	2,299,800	5,178,459	4,213,932	7,519,785	6,513,732
Capital grants and contributions	4,215,635	5,024,837	4,714,744	3,206,279	8,930,379	8,231,116
General revenues:						
Property taxes	12,217,633	12,102,780			12,217,633	12,102,780
Other taxes	10,804,737	10,825,658			10,804,737	10,825,658
Grants and contributions not restricted to specific programs	9,382,422	9,277,277			9,382,422	9,277,277
Litigation-environmental lawsuits proceeds			1,106,400		1,106,400	
Other	2,024,143	2,184,288	1,755,400	1,810,063	3,779,543	3,994,351
Total revenues	46,990,854	46,375,720	102,357,629	99,030,777	149,348,483	145,406,497
Expenses						
General government	8,943,223	9,380,968			8,943,223	9,380,968
Public protection	25,929,936	25,432,210			25,929,936	25,432,210
Public works	10,546,173	10,247,617			10,546,173	10,247,617
Community development	1,049,897	1,003,008			1,049,897	1,003,008
Library	1,341,845	1,381,524			1,341,845	1,381,524
Parks and recreation	2,932,819	2,912,632			2,932,819	2,912,632
Interest on long-term debt	416,322	1,032,716			416,322	1,032,716
Electric			61,106,066	62,599,298	61,106,066	62,599,298
Wastewater			13,422,950	17,440,897	13,422,950	17,440,897
Water			(34,876,879)	7,953,480	(34,876,879)	7,953,480
Transit			4,140,592	4,255,963	4,140,592	4,255,963
Total expenses	51,160,215	51,390,675	43,792,729	92,249,638	94,952,944	143,640,313
Changes in net position before transfers	(4,169,360)	(5,014,955)	58,564,900	6,781,139	54,395,539	1,766,184
Transfers	5,681,567	1,261,227	(5,681,567)	(1,261,227)		
Changes in net position	1,512,206	(3,753,728)	52,883,333	5,519,912	54,395,539	1,766,184
Net position at beginning of year, as previously reported	120,157,750	123,911,478	81,551,809	76,031,897	201,709,559	199,943,375
Adjustment to loans receivable	(1,084,000)				(1,084,000)	
Net position at beginning of year, as restated	119,073,750	123,911,478	81,551,809	76,031,897	200,625,559	199,943,375
Net position at end of year	$ 120,585,956	120,157,750	134,435,142	81,551,809	$ 255,021,098	201,709,559

Analysis of Changes in Net Position

Governmental activities.

Net position for the governmental activities increased by $1,512,206 in the current fiscal year.

The key factors impacting the change in net position are:

- Charges for services increased by 29%, a net amount of $1,343,877 from the prior fiscal year largely from increased development activity resulting in increased building permit fees ($232,245), plan check fees ($124,861), fire permit review and inspection fees ($80,747);

increase in revenues from late fees and utility reconnections, $319,600; revenue from recycled water, $320,000; increase in revenue received from the After School program, $195,980; increase in police fees, $34,763; and $42,453 for Strike Team reimbursements.

- Capital grants and contributions decreased by $809,202 or 16% from the prior fiscal year. The decrease in capital contributions was mainly attributable to the Prop 1B funds used for the Lodi Avenue reconstruction project ($807,447), received in the prior year.
- Property taxes – increased by $114,853 or 0.9% compared to prior year. The economy is showing evidence of positive movement particularly in the housing market. Rising home prices coupled with record lows in mortgage rates are helping the process to generate sales, resulting in a slight increase in property tax revenues in the current year.
- Grants and contributions not restricted to specific programs increased by $105,145 or 1% basically from sales tax revenues which increased by $104,008. The overall increase in sales tax is attributed to a general increase in consumer spending and steady increase in auto sales spurred by low interest rates, easy credit and manufacturer's incentives.
- Other revenues decreased by $160,145 or 7% from prior fiscal year. This decrease is basically a reclassification of donations for the Grape Bowl Improvements to capital contributions. The difference is offset by various small decreases in other revenues.

Expenses for governmental functions totaled $51,160,215, a decrease of $230,460 from the prior fiscal year.

Business-type activities.
Business-type activities increased the City's net position by $52,883,333 in the current year. The key elements of this increase are:

- Reduction of the pollution remediation obligation via water expenses of $45,448,874. A re-evaluation of the scope of the remaining remedial work determined that much of the initially anticipated work is no longer necessary; as a result, the estimate has been revised to reflect current anticipated level of remediation work.

- Wastewater and water rates were increased during the year resulting in increased charges for services revenues of $467,000 and $357,813, respectively.

- Increase in capital contributions in the Transit Fund for the purchase of six CNG buses funded by federal funds (FTA), $1,839,790 and Prop 1B, $946,950 and other projects funded by federal grants and Prop 1B funds (i.e.; facility upgrades, MSC solar project, $219,300; Lodi Station Security improvements, $309,788).

- Increase in environmental lawsuits proceeds of $1,106,400 from PCE/TCE litigation.

- The City's Energy Cost Adjustment (ECA) was established with the intent to automatically adjust electric rates for monthly fluctuations in the City's purchased power expenses. Bulk power costs decreased in the current year and by way of the ECA charge, operating revenue decreased by $1,021,723.

- Operating grants and contributions increased by $964,527. The receipt of Greenhouse gas allowance (GHG) of $2,018,000, a new revenue in the Electric Fund related to Assembly Bill 32: Global Warming Act, which set the 2020 greenhouse gas emissions reduction into law and also adopted a regulation that established a system of market-based declining annual aggregate emission limits for sources or categories of sources that emit greenhouse gases. In 2011, the California Air Resources Board (ARB) adopted the cap-and-trade regulation. This program covers major sources of GHG emissions in the State such as refineries, power plants, industrial facilities, and

transportation fuels. The cap-and-trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances which are tradable permits, equal to emissions allowed under the cap.

- Operating expenses in the Transit Fund was reduced by $761,563 mainly from lower cost of operations. In prior years, the City of Galt received their FTA allocations as a pass through the City, but beginning the FY 2012-13, Galt was no longer included in the City's urban jurisdiction, hence, a reduction of $363,400. These reductions reduced the allocations from TDA and FTA in the current year.

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 $20,012,501. This represents a decrease of $431,091 in comparison to the prior year resulting from the increase in capital outlay and overall increase in expenditures offset by the increase in total revenues and decrease in operating transfers out.

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 $7,614,044 while total fund balance was $7,965,212. 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 21.86% and 22.87% of total General Fund expenditures, respectively.

The fund balance of the General Fund increased by $1,676,259 during the current fiscal year. Key factors in this growth are as follows:

- Total revenues increased by $1,135,072, primarily from the recycled water revenue of $320,000; increase in rent, $193,962; increase in late fees, $240,500 and increase in reconnect fees, $79,100; increase in sales tax, $104,009; increase in property tax, $93,402 and real property transfer tax $29,236; and increase in in reimbursable charges, $114,724. Other insignificant increase and decreases offset the difference.

- Total expenditures increased by $1,406,314, primarily from the contribution to the other postemployment benefits (OPEB), $698,000; increase in salaries, $522,976; increase in deferred compensation, $265,450, increase in overtime, $249,015, and increase in worker's compensation benefits, $442,520; offset by the refund received from the County for prior years' overcharge of property tax administration, $697,995.

- Transfers out for debt service decreased $717,771 due to the refunding of the 2002 certificates of participation; decrease in transfers to Community Development, $40,200; decrease in transfers out to Parks, Recreation and Cultural Services, $467,825; decrease in transfers for vehicle replacements, $310,000 and the decrease in transfer to the Capital Outlay Reserve in prior year, $643,072.

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 Wastewater Fund was $14,258,298, Water Fund was $4,188,348 and for the Transit Fund, $3,255,896. The Electric Fund unrestricted net position was ($6,875,136) and the Internal Services Funds unrestricted net position was $262,242. 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 $183,375. The increase in appropriations can be briefly summarized as follows:

- $18,573 increase in general government
- $202 decrease in public protection
- $109,325 increase in public works
- $55,679 increase in library

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

- Taxes – a favorable variance of $466,290 was due to positive variances in property tax ($104,387), real property transfer tax (21,179), transient occupancy tax ($112,243), in-lieu of vehicle license fees ($75,237), card room tax ($44,566), business license tax ($64,962), cable TV franchise fees ($41,251), and waste removal franchise fees ($26,872), offset by a negative variance in electric, gas and industrial waste franchise ($24,407).
- Intergovernmental revenues – a favorable variance of $286,207 was mainly due to a positive variance in sales tax ($469,406) offset by a negative variance in Police Hiring grant ($225,351).
- Fines, forfeits and penalties – a favorable variance of $310,670 resulted from a positive variance in late payment fees ($303,568) and utility reconnection fees ($111,728), offset by a negative variance in vehicle code and moving violation fines ($116,077).
- For expenditures, a favorable variance between the final budget and actual expenditures of $1,050,368 was due to savings from vacancies and the continued overall effort to reduce spending and costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to $361,847,131 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, works of art, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was $7,237,254, a 2.04% increase (a 1.72% decrease in governmental activities and 4.19% increase in business-type activities) as shown in the table below.

Changes in Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 24,094,424	$ 23,693,292	$ 5,535,718	$ 5,535,718	$ 29,630,142	$ 29,229,010
Buildings and Improvements	37,263,520	37,729,107	31,368,774	32,016,153	68,632,294	69,745,260
Machinery and Equipment	1,064,146	1,495,080	191,367,138	148,320,501	192,431,284	149,815,581
Vehicles	816,472	872,518	3,033,279	1,179,412	3,849,751	2,051,930
Infrastructure	57,023,439	61,364,827			57,023,439	61,364,827
Work of Art	304,907	304,907			304,907	304,907
Construction in Progress	6,074,289	3,397,338	3,901,025	38,701,024	9,975,314	42,098,362
Total	$ 126,641,197	$ 128,857,069	$ 235,205,934	$ 225,752,808	$ 361,847,131	$ 354,609,877

A significant increase in machinery and equipment compared to prior year was primarily due to the ongoing improvements to the White Slough Pollution Control Facility; the Surface Water Treatment Plant construction costs; and the water meter installation project. The increase in vehicles was the addition of six CNG buses in the transit operations.

Additional information on the City's capital assets can be found in Note 6 on pages 49-51 of this report.

Long-term debt

At the end of the current fiscal year, the City had total bonded debt outstanding of $179,442,636. Of this amount, $19,568,577 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 $159,874,059 from the business-type activities consists of $37,621,906 for the Water Fund; $51,920,344 for the Wastewater Fund; and $70,331,809 for the Electric Fund.

City of Lodi's Outstanding Debt

	Governmental Activities	Business-type activities	Total
Certificates of Participation	$ 19,568,577	159,874,059	179,442,636

The City's total bonded debt decreased by $8,155,794 during the current fiscal year.

Bond Rating

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

In October 2010, Standard & Poor's Rating Services issued a rating of AA- with a stable outlook in regards to the $38,665,000 Water Revenue bonds. Moody's Investor Services assigned a rating of Aa3 to this new issue.

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

On August 7, 2012, Fitch Rating Services and Standard & Poor's Rating Services issued a rating of AA- and A with a stable outlook, respectively, in regards to the $19,080,000 2012 Refunding bonds; and an A+ with a stable outlook rating from both rating agencies in regards to the $17,105,000 2012 Refunding Wastewater Revenue bonds.

Additional information on the City's long-term debt can be found in Note 8 on pages 52-58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The impacts of the global economic recession continue to affect Lodi's families, businesses, institutions and the City. Although economic times continue to be somewhat difficult throughout the region, Lodi is growing. General Fund revenues are projected to increase for the second consecutive year.

This past year has seen the maturation of the Costco and Home Depot stores that opened in 2012 in a commercial development in the southeastern corner of the City. Additional retailers are moving forward with plans to complete other sections of the development. The City also

received a favorable ruling on litigation regarding a Wal-Mart Environmental Impact Report and expects the retailer to be open for business late in the fiscal year.

The viability of the General Fund continues to be of greatest concern. The General Fund is dependent upon tax revenues and is most vulnerable to economic fluctuations. The City has reduced its workforce by 20% over the past nine years, from 470 full-time budgeted employees in 2004/05 to 377 full-time budgeted employees in 2013/14. Employee furloughs will be ending during the budget year. Although there have been reductions in frequency, or delays in timeliness, the City nevertheless continues to offer the same basic range of municipal services.

The 2013-14 budget has several issues that were taken into consideration: employee costs and contributions; capital programs; and cost increases beyond the City's control.

The City has been operating under annual concession agreements with all of its bargaining units. While concession agreements have allowed the City to meet its budgetary requirements, such concession agreements are not conducive to long-term planning. Of the City's nine bargaining units, eight have agreements that expired during FY 2011/12. The City has negotiated successor agreements with all of these units, along with modifying the benefits for Executive, Council Appointees and Confidential employees. All nine bargaining unit agreements expire in fiscal year 2013/14.

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

As the City renegotiated with its bargaining units, three principal elements of successor agreements were to: (1) have all employees pay the full share of the employee portion of pension costs; (2) cap the City's exposure to medical cost increases; and (3) establish a second tier retirement benefit for new employees.

The City has also used early retirement to reduce its work force. Over the course of the last five years, the City has offered a retirement incentive multiple times to selected employee classifications. As employees have accepted the incentive, the City has left the positions vacant. A total of 40 employees have taken advantage of the retirement incentive.

Capital programs – The City continues to utilize one-time funds for capital maintenance, rather than ongoing operations. In prior years, the City assessed its physical plant and is using one-time funds generated by the Lodi Energy Center, to address deferred maintenance projects on its buildings. Scheduled to be completed this year are a retrofit of a portion of the unused space in the City hall annex and resurfacing of the various city owned parking lots in the downtown area as well as the improvements to the parking lot at the Municipal Services Center and Kofu Park. Additionally, the FY 2013/14 budget allocates funding for the replacement of the City's financial and billing systems. The Municipal Service Center /Kofu Park and financial/billing system projects are jointly funded by the General Fund and the enterprise funds. The above projects total $1.8 million.

Costs beyond the City's control – While revenues have increased slightly, the cost of retirement and insurance continue to rise. In the last few years, CalPERS has revised a number of its actuarial assumptions and policies. Rates for 2013/14 incorporate the impact of changes to the

discount rate approved in prior years. Rates for Miscellaneous plan employees rose 1.8 percent while Safety plan rates increased 4.3 percent. Total additional cost to the City is about $330,000. CalPERS has provided estimated rates for 2014/15 that reflect a projected cost increase of an additional $735,000. For FY 2015/16 and beyond, the City expects rates to continue to increase, advised by the CalPERS chief actuary. Preliminary estimates indicate that rates for the Miscellaneous plans could be in excess of 26 percent and Safety plans in excess of 48 percent of salary for the 2019/20 fiscal year. Note that these cost increases fall solely on the employer portion of the rate. Estimated annual cost would be about $5 million more than FY 2013/14.

A second cost increase that is a cause of concern is medical insurance. While the City has negotiated a medical insurance cap with its bargaining units, costs are expected to increase and impact the net pay of the workforce. Staff is evaluating the impact of the Affordable Care Act and no provision has been made in the budget.

A third cost increase that is a cause of concern is worker's compensation. The City is self-insured for worker's compensation costs. There has been a gradual increase in the cost and severity of claims and the City expects that the actuarial liability will also increase.

Economic Development

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

The City's unemployment rate continues to track roughly 3 percent lower than that of San Joaquin County. The City's diversified economic base continues to help the City maintain its revenue base.

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

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

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City' 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, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 35,531,414	30,930,224	$ 66,461,638
Accounts receivable, net	3,824,364	8,547,280	12,371,644
Property tax receivable	23,644		23,644
Interest receivable	19,953	23,941	43,894
Internal balances	(1,842,596)	1,842,596	
Due from other governmental agencies	752,684	1,791,183	2,543,867
Restricted assets	10,355	36,375,125	36,385,480
Loans receivable	44,707	132,401	177,108
Advance receivable		5,270,130	5,270,130
Inventory	142,127	2,990,628	3,132,755
Other assets	9,918	9,489	19,407
Deferred charges	234,166	3,265,983	3,500,149
Capital assets, net:			
Nondepreciable	30,473,620	9,436,743	39,910,363
Depreciable, net	96,167,577	225,769,191	321,936,768
TOTAL ASSETS	165,391,933	326,384,914	491,776,847
LIABILITIES			
Accounts payable and accrued liabilities	4,924,299	6,296,973	11,221,272
Accrued salaries and wages	714,085		714,085
Accrued interest	211,203	2,634,331	2,845,534
Unearned revenue	84,885	1,400,682	1,485,567
Long-term liabilities:			
Due within one year	3,779,267	10,470,090	14,249,357
Due in more than one year	35,092,238	171,147,696	206,239,934
TOTAL LIABILITIES	44,805,977	191,949,772	236,755,749
NET POSITION			
Net investment in capital assets	106,827,620	113,008,124	219,835,744
Restricted for:			
Capital projects	11,434,796		11,434,796
Debt service		6,599,612	6,599,612
Other purposes	1,166,066		1,166,066
Unrestricted (deficit)	1,157,474	14,827,406	15,984,880
TOTAL NET POSITION	$ 120,585,956	134,435,142	$ 255,021,098

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

CITY OF LODI
STATEMENT OF ACTIVITIES
Year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	$ 8,943,223	2,337,372	86,173	251	(6,519,427)		$ (6,519,427)
Public protection	25,929,936	537,790	1,266,544	183,912	(23,941,690)		(23,941,690)
Public works	10,546,173	223,407	962,088	3,689,817	(5,670,861)		(5,670,861)
Community development	1,049,897	1,458,264			408,367		408,367
Library	1,341,845	43,850	26,521		(1,271,474)		(1,271,474)
Parks & recreation	2,932,819	1,404,274		341,655	(1,186,890)		(1,186,890)
Interest on long-term debt	416,322				(416,322)		(416,322)
Total governmental activities	51,160,215	6,004,957	2,341,326	4,215,635	(38,598,297)		(38,598,297)
Business-type activities:							
Electric	61,106,066	63,229,645	2,018,416	264,255		4,406,250	4,406,250
Wastewater	13,422,950	13,747,216		29,338		353,604	353,604
Water	(34,876,879)	12,441,039	633,246	767,350		48,718,514	48,718,514
Transit	4,140,592	184,726	2,526,797	3,653,801		2,224,732	2,224,732
Total business-type activities	43,792,729	89,602,626	5,178,459	4,714,744		55,703,100	55,703,100
Total primary government	$ 94,952,944	95,607,583	7,519,785	8,930,379	(38,598,297)	55,703,100	$ 17,104,803
General revenues:							
Taxes:							
Property taxes					12,217,633		12,217,633
Franchise taxes					8,734,866		8,734,866
Business license tax					1,524,428		1,524,428
Transient occupancy tax					545,443		545,443
Grants and contributions not restricted to specific programs					9,382,422		9,382,422
Investment earnings					43,719	497,096	540,815
Litigation - environmental lawsuits proceeds						1,106,400	1,106,400
Other					1,980,425	1,258,304	3,238,729
Transfers					5,681,567	(5,681,567)	
Total general revenues and transfers					40,110,503	(2,819,767)	37,290,736
Change in net position					1,512,206	52,883,333	54,395,539
Net position, beginning of year, as previously reported					120,157,750	81,551,809	201,709,559
Adjustment to loans receivable					(1,084,000)		(1,084,000)
Net position, beginning of year, as restated					119,073,750	81,551,809	200,625,559
Net position, end of year					$ 120,585,956	134,435,142	$ 255,021,098

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

FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

Governmental Fund Types

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

Major Governmental Fund:

General Fund

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

Proprietary Fund Types

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

Major Enterprise Funds include:

Electric Fund

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

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

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

Nonmajor Enterprise Fund:

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

Fiduciary Fund 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.

CITY OF LODI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	$ 7,649,868	15,144,099	$ 22,793,967
Restricted assets		10,355	10,355
Receivables:			
Accounts, net	3,301,609	500,130	3,801,739
Property taxes	23,644		23,644
Interest	6,632	6,273	12,905
Due from other funds	463,962	151,451	615,413
Due from other governmental agencies	67,391	685,293	752,684
Loans receivable		44,707	44,707
Inventory		3,339	3,339
Other assets	8,567	1,351	9,918
Total assets	$ 11,521,673	16,546,998	$ 28,068,671
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other liabilities	$ 2,802,864	1,951,620	$ 4,754,484
Accrued salaries and wages	714,085		714,085
Due to other funds		615,413	615,413
Advances from other funds		1,842,596	1,842,596
Deferred revenue	39,512	90,080	129,592
Total liabilities	3,556,461	4,499,709	8,056,170
Fund balances:			
Nonspendable			
Inventory		3,339	3,339
Other assets	8,567		8,567
Restricted			
Capital projects		11,390,089	11,390,089
Debt service			
Other purposes		1,166,066	1,166,066
Committed			
Video- related capital projects	277,209		277,209
Assigned			
Encumbrances	65,392		65,392
Unassigned	7,614,044	(512,205)	7,101,839
Total fund balances	7,965,212	12,047,289	20,012,501
Total liabilities and fund balances	$ 11,521,673	16,546,998	$ 28,068,671

The notes to the 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, 2013

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

Fund balances - total governmental funds	$	20,012,501
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Nondepreciable capital assets		30,473,620
Depreciable capital assets, net		96,137,187
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds as follows:		
Compensated absences		(6,584,077)
Long-term debt		(19,325,000)
Deferred charge for issuance costs (to be amortized over life of debt)		234,166
Issuance premium (to be amortized as interest expense)		(977,910)
Unamortized gain on defeasance (to be amortized as interest expense)		489,333
Accrued interest		(211,203)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		44,707
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		292,632
Net position of governmental activities	$	120,585,956

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

CITY OF LODI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 23,022,370		$ 23,022,370
Licenses and permits	62,582	858,549	921,131
Intergovernmental revenues	10,531,871	4,093,766	14,625,637
Charges for services	1,105,178	2,774,645	3,879,823
Fines, forfeits and penalties	1,628,870	2,600	1,631,470
Investment and rental income	979,100	410,282	1,389,382
Miscellaneous revenue	393,300	684,539	1,077,839
Total revenues	37,723,271	8,824,381	46,547,652
Expenditures:			
Current:			
General government	5,943,193	2,579,285	8,522,478
Public protection	25,920,654	361,031	26,281,685
Public works	1,555,833	2,975,881	4,531,714
Community development		1,110,620	1,110,620
Library	1,410,657		1,410,657
Parks and recreation		2,370,375	2,370,375
Capital outlay		6,270,442	6,270,442
Debt service:			
Interest and fiscal charges		483,420	483,420
Bond issuance costs		244,908	244,908
Advance refunding escrow		1,689,269	1,689,269
Total expenditures	34,830,337	18,085,231	52,915,568
Excess (deficiency) of revenues over (under) expenditures	2,892,934	(9,260,850)	(6,367,916)
Other financing sources (uses):			
Transfers in	5,367,990	7,177,737	12,545,727
Transfers out	(6,584,665)	(279,495)	(6,864,160)
Refunding bonds issued		20,102,768	20,102,768
Payment to refunded bond escrow agent		(19,847,510)	(19,847,510)
Total other financing sources (uses)	1,216,675	7,153,500	5,936,825
Net change in fund balances	1,676,259	(2,107,350)	(431,091)
Fund balances, beginning of year	6,288,953	14,154,639	20,443,592
Fund balances, end of year	$ 7,965,212	12,047,289	$ 20,012,501

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

CITY OF LODI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2013

Amounts reported for governmental activities are different because:

Net change in fund balances - total governmental funds	$	(431,091)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays, capital contributions and depreciation expense are as follows:		
Capitalized capital outlays		6,270,442
Capital asset contributions		450,223
Depreciation expense		(8,935,089)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt proceeds increases long-term liabilities in the statement of net position. Repayments of the principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.		
Proceeds from long-term debt:		
Refunding bonds issued		(19,080,000)
Bond premium		(1,022,768)
Cost of issuance		244,908
Payment to escrow agent for refunding		21,536,779
Internal service funds are used by management to charge the costs of certain activities, such as health benefits and self-insurance, costs of operation and maintenance of the City's fleet, to individual funds. The net revenue (expenses) of the internal service funds are reported with governmental activities.		2,338,797
Revenues reported in the funds since they provide current financial resources are not reported as revenues in the statement of activities this year since they were reported in the previous year.		(31,002)
Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.		
Change in compensated absences		114,651
Amortization of gain on defeasance		(22,446)
Amortization of issuance costs		(10,742)
Amortization of bond premium		44,858
Change in accrued interest		44,686
Change in net position of governmental activities	$	1,512,206

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

CITY OF LODI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
ASSETS						
Current assets:						
Cash and investments	$ 6,636,200	13,695,513	9,044,659	1,553,852	$ 30,930,224	$ 12,737,447
Restricted cash and investments			15,983,265		15,983,265	
Restricted assets with fiscal agents	12,164,989	747,074	5,309,947		18,222,010	
Receivables:						
Accounts, net	5,482,841	889,279	967,551	1,207,609	8,547,280	22,625
Interest	3,683	7,602	11,794	862	23,941	7,048
Due from other governmental agencies		4,837	55,170	1,731,176	1,791,183	
Advance receivable	5,270,130				5,270,130	
Loans receivable	132,401				132,401	
Inventory	2,672,122	22,226	296,280		2,990,628	138,788
Other assets		8,214	1,275		9,489	
Total current assets	32,362,366	15,374,745	31,669,941	4,493,499	83,900,551	12,905,908
Noncurrent assets:						
Restricted assets with fiscal agents		2,169,850			2,169,850	
Advances to other funds		633,571	1,209,025		1,842,596	
Deferred charges	2,200,961	687,020	378,002		3,265,983	
Capital assets, net:						
Nondepreciable	763,785	4,184,004	3,483,657	1,005,297	9,436,743	
Depreciable, net	43,976,506	88,098,337	79,090,355	14,603,993	225,769,191	30,390
Total capital assets	44,740,291	92,282,341	82,574,012	15,609,290	235,205,934	30,390
Total noncurrent assets	46,941,252	95,772,782	84,161,039	15,609,290	242,484,363	30,390
TOTAL ASSETS	79,303,618	111,147,527	115,830,980	20,102,789	326,384,914	12,936,298
LIABILITIES						
Current liabilities:						
Accounts payable and other liabilities	2,643,671	202,760	2,831,252	619,290	6,296,973	169,815
Accrued interest	1,862,914	592,699	178,718		2,634,331	
Unearned revenue			868,218	532,464	1,400,682	
Self-insurance liability						1,911,196
Accrued compensated absences	261,200	210,648	25,485	23,680	521,013	44,094
Certificates of participation payable	4,473,253	4,631,124	844,700		9,949,077	
Total current liabilities	9,241,038	5,637,231	4,748,373	1,175,434	20,802,076	2,125,105
Noncurrent liabilities:						
Self-insurance liability						7,205,866
Accrued compensated absences	621,688	683,857		62,169	1,367,714	62,169
Certificates of participation payable	65,858,556	47,289,220	36,777,206		149,924,982	
Net OPEB obligation						3,250,526
Pollution remediation obligation			19,855,000		19,855,000	
Total noncurrent liabilities	66,480,244	47,973,077	56,632,206	62,169	171,147,696	10,518,561
TOTAL LIABILITIES	75,721,282	53,610,308	61,380,579	1,237,603	191,949,772	12,643,666
NET POSITION						
Net investment in capital assets	3,857,860	43,278,921	50,262,053	15,609,290	113,008,124	30,390
Restricted:						
Debt service	6,599,612				6,599,612	
Unrestricted	(6,875,136)	14,258,298	4,188,348	3,255,896	14,827,406	262,242
TOTAL NET POSITION	$ 3,582,336	57,537,219	54,450,401	18,865,186	$ 134,435,142	$ 292,632

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

CITY OF LODI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year ended June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
OPERATING REVENUES						
Charges for services	$ 63,229,645	13,747,216	12,441,039	184,726	$ 89,602,626	$ 12,684,277
OPERATING EXPENSES						
Personnel services	5,279,504	3,089,930	2,272,568	316,744	10,958,746	932,989
Supplies, materials and services	10,811,560	1,900,710	2,882,547	2,228,469	17,823,286	7,015,049
Pollution remediation			(45,448,874)		(45,448,874)	
Utilities	39,238,460	683,508	683,635	64,971	40,670,574	21,007
Depreciation and amortization	1,749,059	4,283,528	2,566,638	884,216	9,483,441	1,448
Claims						2,503,895
TOTAL OPERATING EXPENSES	57,078,583	9,957,676	(37,043,486)	3,494,400	33,487,173	10,474,388
OPERATING INCOME (LOSS)	6,151,062	3,789,540	49,484,525	(3,309,674)	56,115,453	2,209,889
NONOPERATING REVENUES (EXPENSES)						
Investment income	92,508	301,347	97,256	5,985	497,096	23,981
Interest expense	(4,027,483)	(2,646,676)	(2,166,607)		(8,840,766)	
Operating grants			633,246	2,526,797	3,160,043	
Greenhouse gas allowance	2,018,416				2,018,416	
Litigation-environmental lawsuits proceeds			1,106,400		1,106,400	
Loss on disposal of capital assets		(818,598)		(646,192)	(1,464,790)	
Other revenues	652,380	227,530	269,335	109,059	1,258,304	104,927
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,264,179)	(2,936,397)	(60,370)	1,995,649	(2,265,297)	128,908
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	4,886,883	853,143	49,424,155	(1,314,025)	53,850,156	2,338,797
Capital contributions	264,255	29,338	767,350	3,653,801	4,714,744	
Transfers out	(3,169,967)	(1,451,480)	(1,060,120)		(5,681,567)	
Net capital contributions and transfers	(2,905,712)	(1,422,142)	(292,770)	3,653,801	(966,823)	
Change in net position	1,981,171	(568,999)	49,131,385	2,339,776	52,883,333	2,338,797
NET POSITION - BEGINNING OF YEAR	1,601,165	58,106,218	5,319,016	16,525,410	81,551,809	(2,046,165)
NET POSITION - END OF YEAR	$ 3,582,336	57,537,219	54,450,401	18,865,186	$ 134,435,142	$ 292,632

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

CITY OF LODI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Cash flows from operating activities:						
Receipts from customers and users	$ 69,441,625	13,898,065	12,566,669	293,785	$ 96,200,144	$ 90,907
Receipts from interfund services provided	147,230				147,230	12,684,277
Cash paid to suppliers for goods & services	(48,547,384)	(2,215,380)	(5,486,575)	(2,372,995)	(58,622,334)	(9,245,655)
Payments to employees	(5,295,035)	(3,066,926)	(2,255,605)	(316,376)	(10,933,942)	(932,823)
Payments for interfund services provided	(2,503)	(628,763)	(643,154)	(49,749)	(1,324,169)	
Proceeds from litigation settlements			1,106,400		1,106,400	
Net cash provided by (used in) operating activities	15,743,933	7,986,996	5,287,735	(2,445,335)	26,573,329	2,596,706
Cash flows from noncapital financing activities:						
Operating grants			633,246	1,346,495	1,979,741	
Loaned to other funds		(675,000)			(675,000)	
Repaid from other funds		96,429			96,429	
Received -greenhouse gas allowance	2,018,416				2,018,416	
Transfers out	(3,169,967)	(1,451,480)	(1,060,120)		(5,681,567)	
Net cash provided by (used in) noncapital financing activities	(1,151,551)	(2,030,051)	(426,874)	1,346,495	(2,261,981)	
Cash flows from capital and related financing activities:						
Proceeds from Certificates of Participation		157,378			157,378	
Fees received for water meter installations			585,965		585,965	
Issuance costs - Certificates of Participation		(145,828)			(145,828)	
Acquisition and construction of capital assets	(1,678,255)	(1,047,362)	(13,243,546)	(3,817,303)	(19,786,466)	
Fees received from developers	6,226	29,338	2,529		38,093	
Capital grants received				2,576,216	2,576,216	
Principal payments on debt	(4,575,000)	(1,500,000)	(800,000)		(6,875,000)	
Interest payments on debt	(3,839,396)	(2,559,804)	(2,168,606)		(8,567,806)	
Net cash used in capital and related financing activities	(10,086,425)	(5,066,278)	(15,623,658)	(1,241,087)	(32,017,448)	
Cash flows from investing activities:						
Interest on investments	66,125	165,006	89,308	9,726	330,165	28,632
Net increase (decrease) in cash and cash equivalents	4,572,082	1,055,673	(10,673,489)	(2,330,201)	(7,375,935)	2,625,338
Cash and cash equivalents, beginning of year	14,229,107	13,386,914	41,011,360	3,884,053	72,511,434	10,112,109
Cash and cash equivalents, end of year	$ 18,801,189	14,442,587	30,337,871	1,553,852	$ 65,135,499	$ 12,737,447

(continued)

CITY OF LODI
STATEMENT OF CASH FLOWS - continued
PROPRIETARY FUNDS
Year ended June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Reconciliation to the statement of net position:						
Cash and investments	$ 6,636,200	13,695,513	9,044,659	1,553,852	$ 30,930,224	$ 12,737,447
Restricted cash and investments			15,983,265		15,983,265	
Restricted assets with fiscal agents - current	12,164,989	747,074	5,309,947		18,222,010	
Total cash and cash equivalents	$ 18,801,189	14,442,587	30,337,871	1,553,852	$ 65,135,499	$ 12,737,447
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating Income (loss)	$ 6,151,062	3,789,540	49,484,525	(3,309,674)	$ 56,115,453	$ 2,209,889
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	1,749,059	4,283,528	2,566,638	884,216	9,483,441	1,448
Proceeds from litigation settlements			1,106,400		1,106,400	
Other revenues	652,380	227,530	269,335	109,059	1,258,304	104,927
Change in assets and liabilities:						
Decrease in loans receivable	112,987				112,987	
Increase in accounts receivable	(599,472)	(67,230)	(143,705)		(810,407)	(14,020)
Decrease in advance receivables	6,306,302				6,306,302	
Increase in due from other governmental agencies		(4,837)			(4,837)	
Decrease (increase) in inventory	466,169	(10,252)	(65,053)		390,864	(9,619)
Increase in other assets		(4,614)			(4,614)	
Increase (decrease) in accounts payable and other liabilities	920,977	(249,673)	(2,498,494)	(129,304)	(1,956,494)	29,751
Increase (decrease) in compensated absences	(15,531)	23,004	16,963	368	24,804	166
Increase in self-insurance liability						645,231
Decrease in pollution remediation obligation			(45,448,874)		(45,448,874)	
Decrease in net OPEB obligation						(371,067)
Net cash provided by (used in) operating activities	$ 15,743,933	7,986,996	5,287,735	(2,445,335)	$ 26,573,329	$ 2,596,706
Noncash Investing, Capital and Financing Activities						
Capital asset contributions	$ 258,029		178,856		$ 436,885	
Book value of disposed capital assets		818,598		646,192	1,464,790	
Defeasance of old costs of issuance		342,669				
Costs of issuance paid out of debt proceeds		88,541				
Refunding debt proceeds deposited into escrow		18,688,528				
Defeasance of old debt		17,370,324				

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

CITY OF LODI
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Private-Purpose Trust Funds	Agency Fund
ASSETS		
Cash and investments	$ 274,917	$ 396,984
Receivables:		
Interest		223
TOTAL ASSETS	274,917	397,207
LIABILITIES		
Agency obligations		397,207
NET POSITION	$ 274,917	$

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

CITY OF LODI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year ended June 30, 2013

	Private-Purpose Trust Funds
ADDITIONS	
Investment and rental income	$ 20,270
DEDUCTIONS	
Current	
Library	4,077
CHANGE IN NET POSITION	16,193
NET POSITION, BEGINNING OF YEAR	258,724
NET POSITION, END OF YEAR	$ 274,917

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

NOTES TO BASIC FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Financial Reporting Entity

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

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

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

Blended Component Units

The blended component units of the City are as follows:

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

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

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

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

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

(b) Government-Wide and Fund Financial Statements

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

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

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

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

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

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 fund:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

(d) Cash and Investments

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

(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 Assets with Fiscal Agents

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

In the Electric Enterprise Fund, restricted assets represent the proceeds of the 2002D and the 2008 Certificates of Participation restricted for debt service. In the Capital Outlay Reserve Fund, the restricted assets represent the proceeds of the 2012 Refunding bonds restricted for debt service. In the Wastewater fund, the restricted assets represent the proceeds of the 2004A and the 2007A Certificates of Participation issued for improvements to the City's wastewater collection, treatment and disposal system. In the Water Fund, restricted assets represent the proceeds of the 2010A and 2010B Certificates of Participation issued for the purpose of providing funds to pay the cost of a new Water Treatment Facility.

(g) Property Taxes

San Joaquin County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is liened based on the assessed value listed as of the prior January 1st for all real and personal property located in the City. Property sold after the assessment date (January 1st) is reassessed and the amount of property tax assessed is prorated. The assessed value at January 1, 2012, upon which the 2012-13 levy was based, was $4,973,587,000.

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, 2013, are recorded as receivables, net of estimated uncollectible amounts. Property taxes paid to the City by the County within 60 days of the fiscal year end are considered "available" and are, therefore, recognized as revenue in 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 cities receive 95% of the property taxes in advance from the County and the 5% remaining after reconciling the cities' balances at June 30. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes.

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

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds." Long-term interfund loans receivable are reported as "advances to other funds." The corresponding long-term interfund loans payable are reported as "advances from other funds." In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Receivables and payables between the governmental activities and the business-type activities are classified as internal balances.

(i) Transfers

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

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

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

(j) Long-term Obligations

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

(k) Loans Receivable

Loans receivable reported in the HOME Program & Community Development Block Grants Special Revenue Fund represent funds loaned to 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.

In October 2010, the City established a loan fund in its public benefits program from which G2 electric utility rate commercial and industrial customers may borrow money to implement energy conservation projects in their facilities. The loan is at zero interest rate payable in two years capped at $50,000 per customer. As of June 30, 2013, a total of seventeen loans to industrial and commercial customers have been approved.

(l) Advance Receivable

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

(m) Inventory

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

(n) Deferred Charges

Deferred charges reported in the Electric Enterprise Fund include costs incurred in connection with the issuance of the 2008 Certificates of Participation Series A amortized over 24 years. The deferred charges reported in the Wastewater Enterprise Fund include costs incurred on the issuance of the 2003B and 2007A Certificates of Participation amortized over 20 years and the 2012 Refunding Certificates of Participation amortized over 11 years. Deferred charges reported in the Water Enterprise Fund include costs incurred in the issuance of the 2010 Certificates of Participation Series A and B amortized over 30 years. Deferred charges reported in the governmental activities include costs incurred in the issuance of the 2012 Refunding Certificates of Participation.

(o) Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, infrastructure (e.g., streets, streetlights, traffic signals, sidewalks, and bridges), and electric lines, wastewater lines and storm drains are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the City as assets with individual cost of $3,000 or more and have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the General and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

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

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

	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) Self-Insurance

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

(r) Net 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 outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – Assets restricted by external creditors, grantors, contributors, 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 do not meet the definition of net investment in capital assets or restricted net position.

(s) Fund Balance

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified in categories based upon the type of restrictions imposed on the use of funds. The City evaluated each of its funds at June 30, 2013 and classified fund balances into the following five categories:

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

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

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

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

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

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

The City does not have a policy on the order of spending unrestricted amounts when an expenditure is incurred for which amounts in any of the unrestricted fund balance classifications could be used. Therefore, by default under GASB Statement No. 54, the City uses committed resources first, then assigned resources and unassigned resources last as they are needed.
It is the City's policy to maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds of at least 25% of operating expenses and the target for the Electric enterprise fund working capital is $28.7 million. The policy allows for variations from year-to-year to account for economic and fiscal changes.

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

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

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

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

(t) Statement of Cash Flows

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

(u) Use of Estimates

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

(v) Implementation of New Governmental Accounting Standards

During the fiscal year ending June 30, 2013, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement incorporates into the GASB authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989.

During the fiscal year ending June 30, 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This statement incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net positions, rather than net assets.

(w) Future Implementation of New Governmental Accounting Standards

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that are currently reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that are currently reported as assets and liabilities. This statement is effective for the City's fiscal year ending June 30, 2014.

In March 2012, GASB issued Statement No. 66, *Technical Corrections: 2012 – An Amendment of GASB Statements No. 10 and No. 62.* This statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. This statement is effective for the City's fiscal year ending June 30, 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement will require the City to record a net pension liability related to its defined benefit pension plans, as defined by the standard. This statement is effective for the City's fiscal year ending June 30, 2015.

(2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	$	66,461,638
Restricted assets		36,385,480
Fiduciary funds cash and investments:		
Private-purpose trust funds		274,917
Agency fund		396,984
Total cash and investments	$	103,519,019

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	$	2,771
Deposits with financial institutions		4,815,799
Investments		98,700,449
Total cash and investments	$	103,519,019

(a) Authorized Investments

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

The following table identifies the permitted investment types authorized per the City's investment policy. The table also identifies certain provisions that address interest rate risk and concentration of credit risk.

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

(b) Investments Authorized by Debt Agreements

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

(c) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

Investment as of June 30, 2013	Maturity Less than One Year	Maturity One to Five Years	Total
LAIF	$ 39,021,007		$ 39,021,007
CALTRUST		39,004,582	39,004,582
Money Market Mutual Funds	151,064		151,064
Held by bond trustee:			
Negotiable Certificates of Deposit	702,040	5,350,963	6,053,003
LAIF	1,844,357		1,844,357
Money Market Mutual Funds	10,335,008		10,335,008
Guaranteed investment contracts (GICs)		2,169,850	2,169,850
Total investments subject to interest rate risk	$ 52,053,476	46,525,395	98,578,871
Equities and options			121,578
Total investments			$ 98,700,449

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

(d) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market mutual funds are registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and have a rating by S&P of "AAAm-G," "AAA-m" or "AA-m" and rated by Moody's "Aaa," "Aa1" or "Aa2." The GICs and LAIF do not have a rating provided by a nationally recognized statistical rating organization. The CALTRUST Short term fund is rated "AA/S1+" by S&P while the CALTRUST Medium term fund is rated "A or better." The negotiable certificates of deposit are all rated AAA.

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

(e) Concentration of Credit Risk

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

(f) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured deposits. $5,201,624 of the City's deposits with financial institutions, which exceeded federal depository insurance limits, was collateralized in this fashion.

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

(g) Investments in Investment Pools

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

The total amount invested by all public agencies in LAIF at June 30, 2013 was $21.9 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2013 had a balance of $58.8 billion. Of this amount, 1.96% was invested in medium-term and short-term structured notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 278 days as of June 30, 2013.

The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool of shares in LAIF, which maybe withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's portion of the pool. Withdrawals from LAIF are done on a dollar for dollar basis.

In accordance with GASB Statement 31, investments are marked to fair values annually and an adjustment is made to each fund accordingly. However, actual daily activity is done on a dollar to dollar basis and only a withdrawal from the pool size that jeopardizes pool participants would cause the withdrawal to be done at market value.

The City is also a participant in the Investment Trust of California Joint Powers Authority Pool (CALTRUST). At June 30, 2013, the City's investment in CALTRUST is $39 million. CALTRUST is an innovative partnership between the CSAC Finance Corporation and the League of California Cities to provide a convenient method for local agencies to pool their assets for investment. The weighted average to maturity of CALTRUST investments was as follows: CALTRUST Short Term, 15 months and CALTRUST Medium, 24 months. The Board of Trustees, which is made up of experienced local treasurers and Investment Officers has oversight responsibility for CALTRUST. The value of the pool shares in CALTRUST, which may be withdrawn, is determined on a fair value basis, which may be different than the amortized cost of the City's portion of the pool. The total amount invested in CALTRUST by California public agencies, as of June 30, 2013 was divided among the following asset classes: CALTRUST Medium Term was $667 million and CALTRUST Short term was $667 million.

(3) ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

Uncollectibles related to late charges and services	$	21,500
Uncollectibles related to electric sales and services		204,800
Uncollectibles related to wastewater services		46,000
Uncollectibles related to water sales and services		117,000
Total uncollectibles of the current fiscal year	$	389,300

(4) INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables at June 30, 2013 are as follows:

Due from	Due to		Amount
Other governmental	General	$	463,962
Other governmental	Other governmental		151,451
		$	615,413

"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 $463,962 and $151,451 represent cash deficits in other governmental funds.

Advances from	Advances to		Amount
Wastewater	Other governmental	$	633,571
Water	Other governmental		1,209,025
		$	1,842,596

The $633,571 advance from Wastewater Fund was used for the Impact Mitigation Fees update, $55,000; and $578,571 was used for the Grape Bowl Improvements - Phase 3. The $1,209,025 advance from the Water Fund was used for the construction of Fire Station #4.

(5) TRANSFERS

Transfers for the year ended June 30, 2013, are summarized as follows:

	Transfers in		
Transfers out:	General	Other Governmental	Total
General	$	6,584,665	$ 6,584,665
Other governmental		279,495	279,495
Electric	2,856,390	313,577	3,169,967
Wastewater	1,451,480		1,451,480
Water	1,060,120		1,060,120
Total	$ 5,367,990	7,177,737	$ 12,545,727

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

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

The transfer of $6,584,665 from the General Fund to other governmental represents transfer of $291,045 to the Debt Service Fund for the interest required to pay the 2012 Refunding Certificates of Participation; $3,413,695 to Parks, Recreation and Community Services for operating costs; $110,000 to Community Development for operating costs; $216,900 to the Vehicle and Equipment Fund for vehicle replacements and computer replacements; and $1,985,195 to the Capital Outlay Reserve Fund for various capital projects; and $567,830 to the Street Fund for various streets projects

The transfer out of $279,495 from other governmental to other governmental includes $192,375 transferred from Parks, Recreation and Community Services to Debt Service Fund for the interest required to pay the 2012 Refunding Certificates of Participation, and $20,000 for turf replacement at the Grape Bowl; and transfer of $2,510 from the Community Development and $64,610 from the Parks, Recreation and Community Services to the Vehicle and Equipment Fund for fleet replacement.

The transfer out from the Electric Fund to other governmental of $313,577 represents public benefits program funds transferred to the Capital Outlay Reserve Fund, $280,000; and $33,577 to the Parks Capital Fund; for various capital projects.

(6) CAPITAL ASSETS

Capital assets activity of the primary government for the year-ended June 30, 2013, was as follows:

Governmental activities	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 23,693,292	401,132		$ 24,094,424
Work of Art	304,907			304,907
Construction in progress	3,397,338	5,944,218	(3,267,267)	6,074,289
Total capital assets, not being depreciated	27,395,537	6,345,350	(3,267,267)	30,473,620
Capital assets, being depreciated:				
Buildings and improvements	64,312,466	1,283,191		65,595,657
Machinery and equipment	11,064,153	136,928	(27,830)	11,173,251
Vehicles	9,696,959	350,934	(165,456)	9,882,437
Infrastructure	133,783,793	1,871,529		135,655,322
Total capital assets, being depreciated	218,857,371	3,642,582	(193,286)	222,306,667
Less accumulated depreciation for:				
Buildings and improvements	26,583,359	1,748,778		28,332,137
Machinery and equipment	9,569,073	567,862	(27,830)	10,109,105
Vehicles	8,824,441	406,980	(165,456)	9,065,965
Infrastructure	72,418,966	6,212,917		78,631,883
Total accumulated depreciation	117,395,839	8,936,537	(193,286)	126,139,090
Total capital assets, being depreciated, net	101,461,532	(5,293,955)		96,167,577
Governmental activities capital assets, net	$ 128,857,069	1,051,395	(3,267,267)	$ 126,641,197

Business-type activities	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 5,535,718			$ 5,535,718
Construction in progress	38,701,024	14,120,774	(48,920,773)	3,901,025
Total capital assets, not being depreciated	44,236,742	14,120,774	(48,920,773)	9,436,743
Capital assets, being depreciated:				
Buildings and improvements	45,721,798	596,499		46,318,297
Machinery and equipment	207,485,271	51,312,478	(839,588)	257,958,161
Vehicles	8,822,082	3,114,373	(2,471,773)	9,464,682
Total capital assets, being depreciated	262,029,151	55,023,350	(3,311,361)	313,741,140
Less accumulated depreciation for:				
Buildings and improvements	13,705,645	1,243,878		14,949,523
Machinery and equipment	59,164,770	7,447,243	(20,990)	66,591,023
Vehicles	7,642,670	614,314	(1,825,581)	6,431,403
Total accumulated depreciation	80,513,085	9,305,435	(1,846,571)	87,971,949
Total capital assets, being depreciated, net	181,516,066	45,717,915	(1,464,790)	225,769,191
Business-type activities capital assets, net	$ 225,752,808	59,838,689	(50,385,563)	$ 235,205,934

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

Governmental activities:		
General government	$	710,883
Public protection		1,022,380
Public works		6,352,497
Community development		6,084
Library		38,490
Parks and recreation		804,755
Internal service funds		1,448
Total depreciation expense - governmental activities	$	8,936,537
Business-type activities:		
Electric	$	1,633,219
Wastewater		4,237,440
Water		2,550,560
Transit		884,216
Total depreciation expense - business-type activities	$	9,305,435

(7) OPERATING LEASES

The City is obligated under an operating lease for the use of facilities. Total costs for such lease was $21,000 for the year ended June 30, 2013.

Future minimum lease payments required by this lease agreement that has a remaining noncancellable lease term of one year or more as of June 30, 2013, are as follows:

Fiscal Years Ending		
2014	$	21,000
Total minimum lease payments required under operating leases	$	21,000

(8) LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the City for the year ended June 30, 2013:

	Interest Rates	June 30, 2012	Additions	Reductions	June 30, 2013	Amounts Due Within One Year
Governmental activities:						
Compensated absences		$ 6,804,825	1,841,177	(1,955,662)	$ 6,690,340	$ 1,841,177
2002 Certificates of Participation	3.0-5.0%	21,025,000		(21,025,000)		
2012 Certificates of Participation	2.0-5.0%		19,080,000		19,080,000	
Add deferred amounts:						
For issuance premium			1,022,768	(44,858)	977,910	53,830
Less deferred amounts:						
From refunding			(511,779)	22,446	(489,333)	(26,936)
Net			19,590,989	(22,412)	19,568,577	26,894
Note payable	6.0%	245,000			245,000	
Self-insurance liability		8,471,831	1,911,196	(1,265,965)	9,117,062	1,911,196
Net OPEB obligation		3,621,593	1,283,605	(1,654,672)	3,250,526	
Governmental activity long-term liabilities		$ 40,168,249	24,626,967	(25,923,711)	$ 38,871,505	$ 3,779,267

	Interest Rates	June 30, 2012	Additions	Reductions	June 30, 2013	Amounts Due Within One Year
Business-type activities:						
Compensated absences		$ 1,863,923	521,012	(496,208)	1,888,727	$ 521,013
Pollution remediation obligation		65,303,874		(46,148,874)	19,155,000	
Certificates of Participation:						
2010 Certificates of Participation A & B	2.50-6.637%	37,890,000		(800,000)	37,090,000	825,000
Add deferred amounts:						
For issuance premium		551,606		(19,700)	531,906	19,700
Total		38,441,606		(819,700)	37,621,906	844,700
2008 Certificates of Participation A	3.8-5.05%	60,685,000			60,685,000	
Add deferred amounts:						
For issuance premium		498,174		(24,909)	473,265	24,909
Less deferred amounts:						
From refunding		(6,033,112)		301,656	(5,731,456)	(301,656)
Net		55,150,062		276,747	55,426,809	(276,747)
2002 Certificates of Participation C & D	1.54-5.25%	19,480,000		(4,575,000)	14,905,000	4,750,000
2003 Certificates of Participation B	2.0-5.0%	3,415,000		(225,000)	3,190,000	3,190,000
Add deferred amounts:						
For issuance premium		46,147		(4,102)	42,045	42,045
Total		3,461,147		(229,102)	3,232,045	3,232,045
2004 Certificates of Participation A	2.0-5.5%	20,330,000		(18,260,000)	2,070,000	
Add deferred amounts:						
For issuance premium		260,644		(260,644)		
Total		20,590,644		(18,520,644)	2,070,000	

	Interest Rates	June 30, 2012	Additions	Reductions	June 30, 2013	Amounts Due Within One Year
2007 Certificates of Participation A	4.0-5.0%	29,875,000		(130,000)	29,745,000	140,000
Add deferred amounts:						
For issuance premium		209,090		(8,253)	200,837	8,253
Less deferred amounts:						
From refunding		(634,119)		44,499	(589,620)	(44,499)
Net		29,449,971		(93,754)	29,356,217	103,754
2012 Certificates of Participation	2.0-5.0%		17,105,000		17,105,000	1,280,000
Add deferred amounts:						
For issuance premium			1,829,447	(124,734)	1,704,713	166,313
Less deferred amounts:						
From refunding			(1,660,873)	113,242	(1,547,631)	(150,988)
Net			17,273,574	(11,492)	17,262,082	1,295,325
Total Certificates of Participation		166,573,430	17,273,574	(23,972,945)	159,874,059	9,949,077
Business-type activity long-term liabilities		$ 233,741,227	17,794,586	(70,618,027)	$ 180,917,786	$ 10,470,090

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, internal service funds self-insurance liability for $9,117,062 and $3,250,526 for net OPEB obligation were included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund and the internal service funds.

Long-term debt payable at June 30, 2013, comprised of the following individual issues:

Note Payable

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

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

Fiscal Year Ending June 30,	Governmental Activities Principal	Governmental Activities Interest
2014	$	$ 14,700
2015		14,700
2016		14,700
2017	245,000	11,025
Total	$ 245,000	$ 55,125

Certificates of Participation

$5,000,000 California Statewide Communities Development Authority Water and Wastewater Revenue Bonds were issued on October 7, 2003. The City of Lodi along with the City of Fort Bragg issued $9.855 million 2003 Series B revenue bonds through the California Statewide Communities Development Authority (the "Authority") pooled financing program. The City of Lodi's portion is $5.0 million for the upgrade of its wastewater facilities. Principal is payable annually on October 1 in amounts from $185,000 to $365,000 with final payment due October 1, 2023. The City has pledged future wastewater revenues, net of specified operating expenses, to repay $5.0 million in wastewater revenue bonds. The bonds are payable solely from wastewater customer net revenues. The total principal and interest remaining to be paid on the bonds is $3,280,111. Principal and interest paid for the current year and total net revenues were $381,122 and $8,631,283, respectively.

The Authority's Water and Wastewater Pooled Financing Program is available to California water and wastewater agencies to facilitate the financing or refinancing of capital improvements. The program is available to California cities and special districts that operate water or wastewater enterprises. The Authority is authorized pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code to issue bonds to finance and refinance water and wastewater public capital improvements of local agencies located throughout California.

$27,360,000 Certificates of Participation (2004A COP) were issued on May 12, 2004 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. Principal is payable annually on October 1 in amounts from $170,000 to $2,070,000 with final payment due October 1, 2024. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is $3,151,575. Principal and interest paid for the current year and total net revenues were $1,705,213 and $8,631,283, respectively. These Certificates of Participation were partially refunded in the current year.

$30,320,000 Certificates of Participation (2007A COP) were issued on November 16, 2007 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City and to provide resources for the repayment of the 1991 Certificates of Participation (Wastewater Treatment Plant Expansion Refunding Project). Principal is payable annually on October 1 in amounts ranging from $105,000 to $2,980,000 with final payment due October 1, 2037. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is $55,635,988. Principal and interest paid for the current year and total net revenues were $1,598,950 and $8,631,283, respectively.

$26,745,000 Certificates of Participation (2002 COP) were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. As of June 30, 2013, there are no outstanding balances of these refunded Certificates. The 1995 Certificates of Participation (1995 COP) were sold in October 1995 to finance the City Downtown Revitalization and the Cherokee Lane Beautification projects. The 1996 Certificates of Participation (1996 COP) were sold in August 1996 to finance the construction of the Hutchins Street Square Conference and Performing Arts Center. Principal is payable annually on October 1 in amounts ranging from $730,000 to $1,600,000 with final payment due October 1, 2031. These Certificates of Participation were refunded in the current fiscal year.

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

In February 2001, the City entered into an energy purchase agreement (the Original Agreement) with Calpine Energy Services L.P. (Calpine) to purchase 25 MW of energy at $65/mwh for a ten-year period beginning January 1, 2002. Since the execution of the Original Agreement, actions of the State in connection with the energy market conditions, including the initiation of conservation programs, and other factors, have resulted in lower electric load requirements and reduced energy costs throughout the State. As a result, the City's need for the energy purchased under the Original Agreement to serve its load has been reduced. The Original Agreement was amended on September 4, 2002, and was divided into three parts. The City sold its interests in the energy purchased under the Original Agreement to Calpine and nets the payments due from the City with respect to its purchase of such energy against the payments due from Calpine with respect to its purchase of the City's rights to such energy. On November 21, 2002, the City issued $21,225,000 Revenue Certificates of Participation 2002 Series C and $22,740,000 Revenue Certificates of Participation 2002 Taxable Series D to buy out the amended contract in the amount of $42,406,175. Principal is payable annually on July 1 in amounts ranging from $110,000 to $5,195,000 with final payment due July 1, 2015.

The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is $16,089,942. Principal and interest paid for the current year and total net revenues were $5,456,621 and $12,765,289, respectively.

The City issued $**60,685,000** Certificates of Participation (2008A COP) on July 24, 2008 to allow the City to prepay and cause the immediate defeasance of the outstanding $46,760,000 Certificates of Participation (Electric System Revenue Certificates of Participation 2002 Series A Variable Rate Certificates) and to pay $8,979,000 for the termination of a swap agreement related to the refunded 2002 certificates. Principal is

payable annually on July 1 in amounts ranging from $2,390,000 to $5,090,000 with final payment due July 1, 2032. The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is $96,815,950. Principal and interest paid for the current year and total net revenues were $2,957,775 and $12,765,289, respectively.

On October 1, 2010, the City issued **$9,015,000** Water Revenue Certificates of Participation, 2010 Series A and **$29,650,000** Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system. Principal is payable annually on June 1 in amounts 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 $75,206,658. Principal and interest paid for the current year and total net revenues were $2,335,360 and $6,467,980, respectively.

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

Current and advance refunding

The City issued **$19,080,000** Certificates of Participation (2012 COP) on September 1, 2012 to allow the City to prepay and cause the immediate defeasance of the outstanding $21,025,000 Certificates of Participation (2002 COP). As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Governmental Activities column of the Statement of Net Position. This current refunding was undertaken to reduce total debt service payments over the next 19 years resulting in economic gain of $3,246,004 and a reduction of $3,425,612 in future debt payments. The reacquisition price exceeded the net carrying amount of the old debt by $511,779. This amount is being netted against the new debt and amortized over the life of the old debt which is the same as the refunding debt obligation. The total principal and interest remaining to be paid on the bonds is $29,145,582. 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.

In addition, the City issued $17,105,000 Wastewater Revenue Refunding Bonds for an advance refunding of the $17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation. The refunding was undertaken to reduce future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by $1,660,873. This amount is being netted against the new debt and amortized over the life of the old debt which is the same as the refunding debt obligation. At June 30, 2013, the unamortized deferred amount on refunding was $1,547,631. The transaction also resulted in an economic gain of $854,477 and a reduction of $979,193 in future debt payments. 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 bonds is $21,406,000. 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. Principal and interest paid for the current year and total net revenues were $374,519 and $8,631,283 respectively. At June 30, 2013, the remaining balance of the refunded debt is $17,115,000.

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

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	$	$ 844,813	$ 10,185,000	$ 8,044,182
2015		844,813	7,310,000	7,649,614
2016	260,000	840,913	9,990,000	7,324,025
2017	830,000	824,563	5,000,000	6,969,356
2018	860,000	794,912	5,210,000	6,767,006
2019-2023	4,880,000	3,380,935	29,640,000	30,228,643
2024-2028	6,205,000	2,023,235	37,450,000	22,168,327
2029-2033	6,045,000	511,398	35,200,000	12,413,994
2034-2038			20,475,000	4,797,017
2039-2040			4,330,000	434,060
Total	$ 19,080,000	$ 10,065,582	$ 164,790,000	$ 106,796,224

Industrial Development Bonds

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

Woodbridge Irrigation District Bonds

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

(9) DEFINED BENEFIT PENSION PLAN

(a) Plan Description

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

(b) Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Employees pay a portion of the contributions required of City employees at a range of 1% to 9%. The City is required to contribute at an actuarially determined rate; the current rate is 14.411% for miscellaneous employees, 31.335% for fire and police employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

(c) Annual Pension Cost

For the year ended June 30, 2013, the City's annual pension cost of $3,500,602 for the Safety Plan and $2,253,549 for the Miscellaneous Plan were equal to the City's required contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) (b) projected annual salary increases that vary by age, length of service, and type of employment (c) 3.25% payroll growth, and (d) 3.00% inflation. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. The actuarial assumption used to determine the required contributions are the same as those used to determine the funded status. Amortization of the remaining period for the Safety Plan was 28 years and for the Miscellaneous Plan was 21 years as of June 30, 2012.

(d) Trend Information

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

SAFETY PLAN

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	$ 2,726	100%	$0
6/30/12	3,239	100%	$0
6/30/13	3,501	100%	$0

MISCELLANEOUS PLAN

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	$ 2,080	100%	$0
6/30/12	2,110	100%	$0
6/30/13	2,254	100%	$0

(e) Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the Safety Plan was 73.6% funded and the Miscellaneous Plan was 84.3% funded. The actuarial accrued liability for benefits was $132 million for the Safety Plan and $143 million for the Miscellaneous Plan, and the actuarial value of assets was $97 million for the Safety Plan and $120 million for the Miscellaneous Plan; resulting in an unfunded actuarial accrued liability (UAAL) of $35 million for the Safety Plan and $23 million for the Miscellaneous Plan. The covered payroll (annual payroll of active employees covered by the plans) was $10 million for the Safety Plan and $17 million for the Miscellaneous Plan, and the ratio of the UAAL to the covered payroll was 333.5% and 132.0% for the Safety and Miscellaneous plans, respectively. The actuarial assumptions used for the June 30, 2011 valuation differ from those previously disclosed for the June 30, 2010 valuation as follows: (a) 7.50% discount rate (net of administrative expenses), (b) 3.00% payroll growth, and (c) 2.75% inflation.

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

(10) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(a) Plan Description

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

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

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

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

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

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

(b) Funding Policy

Contribution requirements of the postemployment benefit are based on pay-as-you-go financing. For fiscal year 2012-13, the City contributed $1,654,672, or 127.55%, of the actuarially required contributions.

(c) Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution	$	1,297,272
Interest on net OPEB obligation		146,828
Adjustment to annual required contribution		(160,495)
Annual OPEB cost (expense)		1,283,605
Contribution made		(1,654,672)
Decrease in net OPEB obligation		(371,067)
Net OPEB obligation - beginning of year		3,621,593
Net OPEB obligation - end of year	$	3,250,526

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

Fiscal year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2011	$ 1,414,182	33.21%	$ 3,014,788
06/30/2012	1,221,126	50.31%	3,621,593
06/30/2013	1,283,605	128.91%	3,250,526

(d) Funding Status and Funding Progress

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

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

(e) Actuarial Methods and Assumptions

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

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

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

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

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

(11) CLAIMS AND BENEFITS

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

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

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

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

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 $9,117,062 at June 30, 2013, for all self-insured claims in the Internal Service Fund-Insurance Funds that includes an amount for incurred but not reported claims. The liability amount is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In the opinion of the City, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes in the self-insurance liability for fiscal years ended June 30, 2013 and 2012 are as follows:

	Beginning	Current-Year Claims and Changes in Estimates	Claim Payments	Ending
FY 11-12	$ 8,350,338	1,520,134	(1,398,641)	$ 8,471,831
FY 12-13	$ 8,471,831	1,911,196	(1,265,965)	$ 9,117,062

(12) PARTICIPATION IN JOINT VENTURES

Northern California Power Agency

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

Project Financing and Construction

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

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

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

General Operating Reserve with NCPA

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

As of June 30, 2013, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is $5,270,130.

Project Participation

The NCPA members and their percentage share at June 30, 2013, which is the most recent available data, are as follows:

NCPA MEMBERS	Geothermal Project	Hydro Electric Project	Combustion Turbine Project #1	Multiple Capital Facilities	Transmission Project	Lodi Energy Center
Alameda	16.8825%	10.00%	21.820%	19.00%	30.7802%	%
BART						6.6000
Biggs	0.2270		0.197		0.3446	0.2679
Gridley	0.3360		0.350		0.6248	1.9643
Healdsburg	3.6740	1.66	5.833		6.6947	1.6428
Lodi	10.2800	10.37	13.393	39.50	20.6077	9.5000
Lompoc	3.6810	2.30	5.833	5.00	6.7101	2.0357
Palo Alto		22.92				
Plumas-Sierra Rural Electric Coop	0.7010	1.69	1.817		1.3112	0.7857
PCWA						2.6679
Roseville	7.8830	12.00		36.50	13.0846	
Santa Clara	44.3905	37.02	41.667			25.7500
Turlock Irrigation District	6.3305				9.6106	
Ukiah	5.6145	2.04	9.090		10.2315	1.7857
NON-MEMBERS						
Azusa						2.7857
CDWR						33.5000
Modesto Irrigation District						10.7143

Bulk power purchased by the City through NCPA amounted to $39,190,554 during the year ended June 30, 2013 and is reflected in utilities expense in the Electric Enterprise Fund.

NCPA Geothermal Project

A purchase power agreement with NCPA obligates the City for a 10.28% share of the operating costs and debt service of two of NCPA's 110-megawatt steam powered plants, Project Number 2 and Project Number 3. Outstanding long-term debt related to this project was approximately $34 million at June 30, 2012.

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

Calaveras Hydroelectric Project

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

Under a power purchase agreement the City is obligated to pay 10.37% of the debt service and operating costs. At June 30, 2012, approximately $436 million in long-term debt used to finance this project was outstanding.

NCPA Combustion Turbine Project

The project consists of five combustion turbine units; each nominally rated at 25 megawatts. Two such units are located in Roseville, two in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time. Under the NCPA power agreement, the City is obligated to pay 13.393% of the debt service and operating costs. At June 30, 2012, there was no outstanding long-term debt related to this project.

Transmission Project

The project was undertaken to meet certain obligations of NCPA under the NCPA/PG & E Interconnection Agreement. The project includes an ownership interest in PG & E's 230kv Castle Rock to Lakeville Substation Transmission Line in Sonoma County, additional firm transmission rights in that Transmission Line, and a central scheduling and dispatch facility in service at the NCPA headquarters in Roseville, California. Under a power purchase agreement, the City is obligated to pay 20.6077% of the debt service and operating costs. At June 30, 2012, there was no outstanding long-term debt related to this project.

Capital Facilities Project

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

Under a power purchase agreement, the City is obligated to pay 39.5% of the debt service and operating costs. At June 30, 2012, approximately $55 million in long-term debt was outstanding.

Lodi Energy Center

The Lodi Energy Center project is a 280 MW base load, combined cycle, natural gas-fired, combustion turbine generating station (one gas turbine and one steam turbine) built in Lodi on city property.

Under a power purchase agreement, the City is obligated to pay 17.03% of the debt service and 9.5% of operating costs. At June 30, 2012, approximately $396 million in long-term debt was outstanding.

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

Combined Balance Sheet
June 30, 2012
(in thousands)

Assets			**Liabilities and Net Assets**		
Current assets	$	68,042	Current portion of long-term debt	$	20,635
Restricted assets		221,700	Other current liabilities		59,846
Electric plant, net		684,399	Other liabilities and deferred credits		233,992
Other assets and deferred charges		212,421	Long-term debt, net		843,692
			Net assets		28,397
Total assets	$	1,186,562	Total liabilities and net assets	$	1,186,562

Combined Statement of Revenues, Expenses and Changes in Net Assets Year ended June 30, 2012 (in thousands)

Sales for resale	$	277,257
Operating expenses		(241,977)
Other expenses		(28,608)
Future recoverable costs		6,514
Net revenues before refunds		13,186
Refunds to participants		(12,788)
Increase in net position		398
Net assets, beginning of year		27,999
Net assets, end of year	$	28,397

Combined Statement of Cash Flow Year ended June 30, 2012 (in thousands)

Net cash from operating activities	$	77,853
Net from investing activities		(880)
Net cash from capital and related financing activities		(158,227)
Net cash from noncapital and related financing activities		(12,131)
Increase in cash and cash equivalents		(93,385)
Cash and cash equivalents, beginning of year		218,870
Cash and cash equivalents end of year	$	125,485

At June 30, 2012, NCPA's total net outstanding long-term debt was $864,327,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2012, was $20,635,000.

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

Northern California Power Agency
180 Cirby Way
Roseville, CA 95678

Transmission Agency of Northern California

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

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

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

California-Oregon Transmission Project

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

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

Under the TANC joint powers agreement, the City is obligated to pay 1.89% of its debt service and operating costs. At June 30, 2012, approximately $370 million in long-term debt was outstanding of which $27 million is considered current.

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

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

(13) MEMBERSHIP IN INSURANCE POOLS

California Joint Powers Risk Management Authority

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

The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience and will be determined through an actuarial analysis of loss history during the ten-year period preceding the three years prior to the end of the current program year. The City periodically pays deposits to the CJPRMA. These deposits are recorded as expenses in the year paid, as they are a reasonable estimate of the actual cost of the program. During the year ended June 30, 2013, premiums of $1,625 were paid to CJPRMA for the liability program.

The participants at June 30, 2013, are as follows: Alameda, Chico, Central San Joaquin Valley Risk Management Authority, Fairfield, Fremont, Livermore, Lodi, Manteca, Municipal Pooling Authority of Northern California, Northern California Cities Self Insurance Fund, Petaluma, Pomona, Public Entity Risk Management Authority, Redding, Redwood Empire Municipal Insurance Fund, Richmond, Roseville, San Leandro, San Rafael, Santa Barbara Area Joint Powers Insurance Authority, Santa Rosa, Small Cities Organized Risk Effort, Stockton, Sunnyvale, Vacaville, Vallejo, and Yolo County Public Agencies Risk Management Insurance Authority.

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

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

Local Agency Workers' Compensation Excess Joint Powers Authority

The City, along with thirty-two other public agencies, is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which was formed July 1992, for the purpose of sharing the risk of workers' compensation losses. LAWCX offers $150,000, 250,000, $350,000, $500,000 and $1 million self-insured retentions (SIR) or a member can attach directly to the purchased excess insurance. LAWCX covers the layer above the member SIR up to $5 million. The City of Lodi's self-insured retention is $250,000. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) to obtain coverage up to statutory limits. The City paid $293,700 in premiums to LAWCX during the fiscal year ended June 30, 2013.

The participants at June 30, 2013, are as follows: City of Alameda, Association of Bay Area Governments Shared Risk Pool (ABAG SHARP), Bay Cities Joint Powers Insurance Authority (BCJPIA), City of Benicia, Contra Costa County Transit Agency (CCCTA), Central San Joaquin Valley Risk Management Authority (CSJVRMA), City of Clovis, City of Coronado, City of Encinitas, Fire Agencies Self Insurance System (FASIS), City of Gilroy, City of Livermore, City of Lodi, Town of Los Gatos, City of Merced, Monterey County Local Agencies Insurance Authority (MCLAIA), City of Morgan Hill, City of Newark, City of Placentia, City of Pleasanton, Public Agency Risk Sharing Authority of California (PARSAC), City of Roseville, Public Entity Risk Management Authority (PERMA), City of San Leandro, City of Santa Maria, City of Santee, Small Cities Organized Risk Effort (SCORE), City of South Lake Tahoe, City of Suisun City, City of Vacaville, City of Vallejo, Vector Control Joint Powers Agency (VCJPA) and City of Vista.

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

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

California Transit Insurance Pool

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

Liability protection coverage is provided under two programs:

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

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

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

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

The City paid $70,591 in premiums to CalTIP during the fiscal year ended June 30, 2013. There have been no reductions in insurance coverage from the prior year and there were no insurance settlements in excess of insurance coverage in any of the last three years.

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

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

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

(14) DEFICIT IN FUND EQUITY

Nonmajor Governmental Fund – Parks, Recreation and Community Services – A deficit in fund equity in the amount of $508,866 at June 30, 2013, (a reduction of $352,977 from prior year) is attributed to the City raising its fees, reducing full-time staffing, and using donations to help offset the cost of repairs and maintenance in a concerted effort to eliminate this deficit.

Internal Service Funds - Benefits Fund – A deficit in fund equity in the amount of $2,204,516 at June 30, 2013, is attributed to the net OPEB obligation set up in accordance with the requirements of GASB Statement No. 45. Net OPEB obligation as of June 30, 2013, was $3,250,526. The City will continue to address annual funding to eliminate the deficit during the budget process.

(15) POLLUTION REMEDIATION OBLIGATION

Lodi relies on groundwater for its drinking water and in the late 1980's, PCE and TCE pollution was discovered in several municipal water supply wells. Investigations conducted by the California Regional Water Quality Control Board (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 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 total litigation based estimate of the pollution remediation 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 Board's Resolution No. 92-49 Policies and Procedures for Investigation and Cleanup and Abatement of Discharges Under the Water Code Section 13304 and with the Regional Boards' Water Quality Control Plan for the Sacramento River and San Joaquin River. The City then engaged the services of Treadwell and Rollo to advise the City on courses of action in the preparation of feasibility studies, remedial design, and remedial action plan to comply with the technical and reporting requirements of the State Board. The City's estimated total pollution remediation obligation as of June 30, 2013, is $19,855,000. This amount is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

Over the course of the last several years, the City has performed remedial action on a number of the sites, conducted additional studies and consulted with RWQCB staff. This additional work and consultation with regulatory agencies has determined that much of the work initially anticipated will not be necessary. As a result, the estimate has been revised to reflect current anticipated level of remediation work necessary. An adjustment of $45,448,874 is reflected as a reduction in expenses in the Water Fund in the current year. This adjustment represents a reduction of estimated costs due to change in remedial tasks necessary to complete the remediation and the reduction in the number of years necessary to monitor the groundwater contamination from 50 years to 30 years. The original estimate for remediation was $70.6 million and the City has paid remediation costs to date of $5.3 million.

(16) COMMITMENTS AND CONTINGENCIES

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

The City owns a 1,000 acre wastewater treatment facility known as "White Slough" approximately 5 miles west of the contiguous city limit. Neighboring farming and dairy operations are in litigation over elevated nitrate levels in the area. Efforts to join the City in the litigation have been so far unsuccessful but are expected to continue. It is too early at this stage to estimate liability or damages if the City is joined in the action. However, the City Attorney does not currently expect the matter to have a material effect on the City's financial condition.

All other actions against the City are under $75,000 or have no arguable cost and will therefore not have a material financial effect on the City.

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

Arbitrage Earnings Rebate Liability – Arbitrage earnings are defined as income earned on the unexpended tax-exempt certificate proceeds in excess of that which would have been earned had the moneys been invested in securities with a yield of the effective rate of the certificates. Currently, arbitrage earnings must be rebated to the United States Treasury every five years. There is no cumulative arbitrage liability as of June 30, 2013, for any of the City's outstanding Certificates of Participation.

(17) RESTATEMENT OF NET POSITION

In prior years, a loan receivable of $1,084,000 was reported in the HOME Program & Community Development Block Grants (CDBG) Special Revenue Fund representing HOME and CDBG funds loaned to a developer in 1995 for a low-income housing project through the U.S. Department of Housing and Urban Development's (HUD) Urban County program via San Joaquin County. Proceeds of the loan were originally due to the City in 2025 to be available for future projects or new loans. However, due to the City's separation from HUD's Urban County program and becoming a participant of HUD's Entitlement City program in 2009, it was confirmed that the loan proceeds will be retained by San Joaquin County and not repaid to the City as originally stated.

(18) SUBSEQUENT EVENTS

On November 7, 2013, the City fully redeemed the outstanding balance of its allocable portion of the California Statewide Communities Development Authority Water and Wastewater Revenue Bonds that were issued on October 7, 2003. The City of Lodi along with the City of Fort Bragg issued $9.855 million 2003 Series B revenue bonds through the California Statewide Communities Development Authority (the "Authority") pooled financing program. The City of Lodi's portion was $5.0 million for the upgrade of its wastewater facilities. Total principal and interest paid for the redemption was $2,974,298.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lodi
Required Supplementary Information
Schedule of Funding Progress - Pension Plan
June 30, 2013
(in thousands of dollars)

Plan	Actuarial Valuation Date	Actuarial Asset Value (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll {[(B) – (A)]/(C)}
Safety	6/30/09	$ 88,892	$ 115,657	$ 26,765	76.9%	$ 11,409	234.6%
	6/30/10	93,058	122,477	29,419	76.0%	11,394	258.2%
	6/30/11	97,287	132,267	34,980	73.6%	10,489	333.5%
Miscellaneous	6/30/09	110,318	127,535	17,217	86.5%	18,696	92.1%
	6/30/10	114,994	133,618	18,624	86.1%	17,856	104.3%
	6/30/11	120,203	142,608	22,405	84.3%	16,970	132.0%

City of Lodi
Required Supplementary Information
Schedule of Funding Progress – OPEB Plan
June 30, 2013
(in thousands of dollars)

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

CITY OF LODI
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2013

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 22,556,080	22,556,080	23,022,370	$ 466,290
Licenses and permits	94,880	94,880	62,582	(32,298)
Intergovernmental revenues	10,084,330	10,245,664	10,531,871	286,207
Charges for services	1,769,350	1,129,350	1,105,178	(24,172)
Fines, forfeits and penalties	1,318,200	1,318,200	1,628,870	310,670
Investment and rental income	452,600	1,092,600	979,100	(113,500)
Miscellaneous revenue	279,760	279,760	393,300	113,540
Total revenues	36,555,200	36,716,534	37,723,271	1,006,737
EXPENDITURES				
Current:				
General government:				
City Council	155,690	155,690	128,105	27,585
City Manager	1,036,730	875,004	867,022	7,982
City Clerk	429,650	438,060	417,027	21,033
City Attorney	466,730	475,140	437,155	37,985
Human Resources	514,090	522,500	466,221	56,279
Information Systems	983,540	1,000,359	979,057	21,302
Financial Services	1,517,320	1,564,975	1,478,812	86,163
Budget and Treasury	359,470	367,880	359,701	8,179
Non Departmental	986,520	1,068,705	810,093	258,612
Total general government	6,449,740	6,468,313	5,943,193	525,120
Public protection:				
Police	16,844,700	16,693,125	16,341,056	352,069
Fire	9,480,940	9,632,313	9,579,598	52,715
Total public protection	26,325,640	26,325,438	25,920,654	404,784
Public Works	1,566,420	1,675,745	1,555,833	119,912
Library	1,355,530	1,411,209	1,410,657	552
Total expenditures	35,697,330	35,880,705	34,830,337	1,050,368
EXCESS OF REVENUES OVER EXPENDITURES	857,870	835,829	2,892,934	2,057,105
OTHER FINANCING SOURCES (USES)				
Transfers in	5,367,990	5,367,990	5,367,990	
Transfers out	(6,216,099)	(6,584,665)	(6,584,665)	
Total other financing sources (uses)	848,109	1,216,675	1,216,675	
NET CHANGE IN FUND BALANCE	9,761	(380,846)	1,676,259	2,057,105
FUND BALANCE , beginning of year	4,009,975	4,009,975	6,288,953	2,278,978
FUND BALANCE, end of year	$ 4,019,736	3,629,129	7,965,212	$ 4,336,083

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

CITY OF LODI
Note to the Required Supplementary Information
June 30, 2013

Budgetary Data

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

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

Original Budget

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

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

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

Final Budget

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

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

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

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

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Governmental Funds include:

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

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

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

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue	Capital Projects	Total
Assets			
Cash and investments	$ 6,421,227	8,722,872	$ 15,144,099
Restricted assets		10,355	10,355
Receivables:			
Accounts, net	323,630	176,500	500,130
Interest	2,809	3,464	6,273
Due from other funds	151,451		151,451
Due from other governmental agencies	685,293		685,293
Loans receivable	44,707		44,707
Inventory	3,339		3,339
Other assets	1,351		1,351
Total assets	$ 7,633,807	8,913,191	$ 16,546,998
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 1,306,878	644,742	$ 1,951,620
Due to other funds	615,413		615,413
Advances from other funds		1,842,596	1,842,596
Deferred revenue	90,080		90,080
Total liabilities	2,012,371	2,487,338	4,499,709
Fund Balances:			
Nonspendable:			
Inventory	3,339		3,339
Restricted for:			
Capital projects	4,964,236	6,425,853	11,390,089
Debt service			
Other purposes	1,166,066		1,166,066
Unassigned	(512,205)		(512,205)
Total fund balances	5,621,436	6,425,853	12,047,289
Total liabilities and fund balances	$ 7,633,807	8,913,191	$ 16,546,998

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2013

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Licenses and permits	$ 858,549			$ 858,549
Intergovernmental revenues	4,093,766			4,093,766
Charges for services	2,758,141		16,504	2,774,645
Fines, forfeits and penalties	2,600			2,600
Investment and rental income	401,381		8,901	410,282
Miscellaneous revenue	328,048		356,491	684,539
Total revenues	8,442,485		381,896	8,824,381
Expenditures:				
Current:				
General government	2,579,285			2,579,285
Public protection	361,031			361,031
Public works	2,975,881			2,975,881
Community development	1,110,620			1,110,620
Parks and recreation	2,370,375			2,370,375
Capital outlay	3,414,201		2,856,241	6,270,442
Debt service:				
Interest and fiscal charges		483,420		483,420
Bond issuance costs			244,908	244,908
Advance refunding escrow			1,689,269	1,689,269
Total expenditures	12,811,393	483,420	4,790,418	18,085,231
Deficiency of revenues under expenditures	(4,368,908)	(483,420)	(4,408,522)	(9,260,850)
Other financing sources (uses):				
Transfers in	4,091,525	483,420	2,602,792	7,177,737
Transfers out	(279,495)			(279,495)
Refunding bonds issued			20,102,768	20,102,768
Payment to refunded bond escrow agent			(19,847,510)	(19,847,510)
Total other financing sources (uses)	3,812,030	483,420	2,858,050	7,153,500
Net change in fund balances	(556,878)		(1,550,472)	(2,107,350)
Fund balances, beginning of year	6,178,314		7,976,325	14,154,639
Fund balances, end of year	$ 5,621,436		6,425,853	$ 12,047,289

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

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

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

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

Streets Fund

This fund was established to account for the following:

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

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

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

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

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

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

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2013

	Parks, Recreation & Community Services	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
ASSETS							
Cash and Investments	$	114,232	853,943	5,453,052			$ 6,421,227
Receivables:							
Accounts, net	66,500		1,796	216,155	39,179		323,630
Interest		161	473	2,175			2,809
Due from other funds			21,570	129,881			151,451
Due from other governmental agencies		187,560		11,242		486,491	685,293
Loans receivable						44,707	44,707
Inventory	3,339						3,339
Other assets	1,286		65				1,351
TOTAL ASSETS	$ 71,125	301,953	877,847	5,812,505	39,179	531,198	$ 7,633,807
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and other liabilities	$ 116,029	4,509	2,046	841,443	21	342,830	$ 1,306,878
Due to other funds	463,962				38,792	112,659	615,413
Deferred revenue		7,545		6,826		75,709	90,080
TOTAL LIABILITIES	579,991	12,054	2,046	848,269	38,813	531,198	2,012,371
FUND BALANCES (DEFICIT)							
Nonspendable							
Inventory	3,339						3,339
Restricted for:							
Capital projects				4,964,236			4,964,236
Other purposes		289,899	875,801		366		1,166,066
Unassigned	(512,205)						(512,205)
TOTAL FUND BALANCES (DEFICIT)	(508,866)	289,899	875,801	4,964,236	366		5,621,436
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 71,125	301,953	877,847	5,812,505	39,179	531,198	$ 7,633,807

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2013

	Parks Recreation & Community Services	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
REVENUES							
Licenses and permits	$		858,549				$ 858,549
Intergovernmental revenues		430,310		2,524,177	39,097	1,100,182	4,093,766
Charges for services	1,703,288		599,715	455,138			2,758,141
Fines, forfeits and penalties		2,600					2,600
Investment and rental income	389,003	447	1,147	10,784			401,381
Miscellaneous revenue	73,636		104,777	149,635			328,048
Total revenues	2,165,927	433,357	1,564,188	3,139,734	39,097	1,100,182	8,442,485
EXPENDITURES							
Current							
General government	2,579,285						2,579,285
Public protection		361,031					361,031
Public works				1,897,269		1,078,612	2,975,881
Community development			1,089,050			21,570	1,110,620
Parks and recreation	2,370,375						2,370,375
Capital outlay				3,359,070	55,131		3,414,201
Total expenditures	4,949,660	361,031	1,089,050	5,256,339	55,131	1,100,182	12,811,393
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,783,733)	72,326	475,138	(2,116,605)	(16,034)		(4,368,908)
OTHER FINANCING SOURCES (USES)							
Transfers in	3,413,695		110,000	567,830			4,091,525
Transfers out	(276,985)		(2,510)				(279,495)
Total other financing sources (uses)	3,136,710		107,490	567,830			3,812,030
NET CHANGE IN FUND BALANCES	352,977	72,326	582,628	(1,548,775)	(16,034)		(556,878)
FUND BALANCES (DEFICIT), beginning of year	(861,843)	217,573	293,173	6,513,011	16,400		6,178,314
FUND BALANCES (DEFICIT), end of year	$ (508,866)	289,899	875,801	4,964,236	366		$ 5,621,436

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2013

	PARKS, RECREATION & COMMUNITY SERVICES		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Charges for services	$ 1,748,480	1,703,288	$ (45,192)
Investment and rental income	380,000	389,003	9,003
Miscellaneous revenue	57,397	73,636	16,239
Total Revenue	2,185,877	2,165,927	(19,950)
EXPENDITURES			
Current			
General government	2,855,862	2,579,285	276,577
Parks and recreation	2,453,157	2,370,375	82,782
Total Expenditures	5,309,019	4,949,660	359,359
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,123,142)	(2,783,733)	339,409
OTHER FINANCING SOURCES (USES)			
Transfers in	3,413,695	3,413,695	
Transfers out	(276,985)	(276,985)	
Total other financing sources (uses)	3,136,710	3,136,710	
NET CHANGE IN FUND BALANCE	13,568	352,977	339,409
FUND DEFICIT, BEGINNING OF YEAR	(861,843)	(861,843)	
FUND DEFICIT, END OF YEAR	$ (848,275)	(508,866)	$ 339,409

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2013

	PUBLIC SAFETY		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 643,307	430,310	$ (212,997)
Fines, forfeits and penalties		2,600	2,600
Investment and rental income	1,240	447	(793)
Miscellaneous revenue	1,000		(1,000)
Total Revenue	645,547	433,357	(212,190)
EXPENDITURES			
Current			
Public protection	677,636	361,031	316,605
NET CHANGE IN FUND BALANCE	(32,089)	72,326	104,415
FUND BALANCE, BEGINNING OF YEAR	203,034	217,573	
FUND BALANCE, END OF YEAR	$ 170,945	289,899	$ 104,415

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2013

	COMMUNITY DEVELOPMENT		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Licenses and permits	$ 531,730	858,549	$ 326,819
Charges for services	393,970	599,715	205,745
Investment and rental income	970	1,147	177
Miscellaneous revenue	140,000	104,777	(35,223)
Total Revenue	1,066,670	1,564,188	497,518
EXPENDITURES			
Current			
Community development	1,185,040	1,089,050	95,990
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(118,370)	475,138	593,508
OTHER FINANCING SOURCES (USES)			
Transfers in	110,000	110,000	
Transfers out	(2,510)	(2,510)	
Total other financing sources (uses)	107,490	107,490	
NET CHANGE IN FUND BALANCE	(10,880)	582,628	593,508
FUND BALANCE, BEGINNING OF YEAR	293,173	293,173	
FUND BALANCE, END OF YEAR	$ 282,293	875,801	$ 593,508

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2013

	STREETS		
	FINAL BUDGET	Actual	Variance with Final Budget
REVENUES			
Intergovernmental revenues	$ 3,229,100	2,524,177	$ (704,923)
Charges for services	452,860	455,138	2,278
Investment and rental income	26,180	10,784	(15,396)
Miscellaneous revenue	20,000	149,635	129,635
Total Revenue	3,728,140	3,139,734	(588,406)
EXPENDITURES			
Current			
Public works	1,897,310	1,897,269	41
Capital outlay	4,421,424	3,359,070	1,062,354
Total Expenditures	6,318,734	5,256,339	1,062,395
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,590,594)	(2,116,605)	473,989
OTHER FINANCING SOURCES			
Transfers in	567,830	567,830	
NET CHANGE IN FUND BALANCE	(2,022,764)	(1,548,775)	473,989
FUND BALANCE, BEGINNING OF YEAR	6,513,011	6,513,011	
FUND BALANCE, END OF YEAR	$ 4,490,247	4,964,236	$ 473,989

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2013

	TRANSPORTATION		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 39,200	39,097	$ (103)
EXPENDITURES			
Capital outlay	55,614	55,131	483
NET CHANGE IN FUND BALANCE	(16,414)	(16,034)	380
FUND BALANCE, BEGINNING OF YEAR	16,400	16,400	
FUND BALANCE, END OF YEAR	$ 14	366	$ 380

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2013

	HOME PROGRAM and COMMUNITY DEVELOPMENT BLOCK GRANTS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 1,604,733	1,100,182	$ (504,551)
EXPENDITURES			
Current			
General government			
Public works	1,583,163	1,078,612	504,551
Community development	21,570	21,570	
Total Expenditures	1,604,733	1,100,182	504,551
NET CHANGE IN FUND BALANCE			
FUND BALANCE, BEGINNING OF YEAR			
FUND BALANCE, END OF YEAR	$		$

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS

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

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

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

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

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
June 30, 2013

	Vehicle and Equipment	Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total
ASSETS					
Cash and investments	$ 2,481,432	2,181	4,631,451	1,607,808	$ 8,722,872
Restricted assets			10,355		10,355
Receivables:					
Accounts, net				176,500	176,500
Interest			2,571	893	3,464
TOTAL ASSETS	$ 2,481,432	2,181	4,644,377	1,785,201	$ 8,913,191
LIABILITIES					
Accounts payable and other liabilities	$ 88,189		287,002	269,551	$ 644,742
Advances from other funds			1,264,025	578,571	1,842,596
TOTAL LIABILITIES	88,189		1,551,027	848,122	2,487,338
FUND BALANCES					
Restricted for:					
Capital projects	2,393,243	2,181	3,093,350	937,079	6,425,853
TOTAL LIABILITIES AND FUND BALANCES	$ 2,481,432	2,181	4,644,377	1,785,201	$ 8,913,191

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
Year ended June 30, 2013

	Vehicle and Equipment	Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total
REVENUES					
Charges for services			2,407	14,097	16,504
Investment and rental income			5,532	3,369	8,901
Miscellaneous revenue	16,420			340,071	356,491
Total revenues	16,420		7,939	357,537	381,896
EXPENDITURES					
Current					
Capital outlay	402,090		1,627,293	826,858	2,856,241
Debt service:					
Bond issuance costs			244,908		244,908
Advance refunding escrow			1,689,269		1,689,269
Total expenditures	402,090		3,561,470	826,858	4,790,418
DEFICIENCY OF REVENUE UNDER EXPENDITURES	(385,670)		(3,553,531)	(469,321)	(4,408,522)
OTHER FINANCING SOURCES (USES)					
Transfers in	284,020		2,265,195	53,577	2,602,792
Refunding bonds issued			20,102,768		20,102,768
Payment to refunded bond escrow agent			(19,847,510)		(19,847,510)
Total other financing sources (uses)	284,020		2,520,453	53,577	2,858,050
NET CHANGE IN FUND BALANCES	(101,650)		(1,033,078)	(415,744)	(1,550,472)
FUND BALANCES, BEGINNING OF YEAR	2,494,893	2,181	4,126,428	1,352,823	7,976,325
FUND BALANCES, END OF YEAR	$ 2,393,243	2,181	3,093,350	937,079	$ 6,425,853

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INTERNAL SERVICE FUNDS

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

Fleet Services

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

Benefits

This fund is used to account for the following employee benefits:

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

Insurance

This fund is used to account for the following insurances:

General Liability
Workers' Compensation
Other Insurance

CITY OF LODI
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

	Fleet Services	Benefits	Insurance	Total
ASSETS				
Current assets:				
Cash and investments	$ 55,979	1,088,103	11,593,365	$ 12,737,447
Receivables:				
Accounts, net		22,625		22,625
Interest	31	605	6,412	7,048
Inventory	138,788			138,788
Noncurrent assets:				
Capital assets (net)	30,390			30,390
Total current assets	225,188	1,111,333	11,599,777	12,936,298
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	86,586	65,323	17,906	169,815
Self-insurance liability			1,911,196	1,911,196
Accrued compensated absences	44,094			44,094
Noncurrent liabilities:				
Self-insurance liability			7,205,866	7,205,866
Accrued compensated absences	62,169			62,169
Net OPEB obligation		3,250,526		3,250,526
Total liabilities	192,849	3,315,849	9,134,968	12,643,666
NET POSITION				
Net investment in capital assets	30,390			30,390
Unrestricted (deficit)	1,949	(2,204,516)	2,464,809	262,242
Total net position	$ 32,339	(2,204,516)	2,464,809	$ 292,632

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year ended June 30, 2013

	Fleet Services	Benefits	Insurance	Total
OPERATING REVENUES				
Charges for services	$ 1,575,842	7,999,931	3,108,504	$ 12,684,277
OPERATING EXPENSES				
Personnel services	708,335	224,654		932,989
Supplies, materials and services	877,258	5,812,927	324,864	7,015,049
Utilities	21,007			21,007
Depreciation and amortization	1,448			1,448
Claims	13,140	579,559	1,911,196	2,503,895
TOTAL OPERATING EXPENSES	1,621,188	6,617,140	2,236,060	10,474,388
OPERATING INCOME (LOSS)	(45,346)	1,382,791	872,444	2,209,889
NONOPERATING REVENUES				
Investment income	213	1,321	22,447	23,981
Other revenues	68	33,037	71,822	104,927
TOTAL NONOPERATING REVENUES	281	34,358	94,269	128,908
Change in net position	(45,065)	1,417,149	966,713	2,338,797
NET POSITION - BEGINNING OF YEAR	77,404	(3,621,665)	1,498,096	(2,046,165)
NET POSITION - END OF YEAR	$ 32,339	(2,204,516)	2,464,809	$ 292,632

CITY OF LODI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2013

	Fleet Services	Benefits	Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	$ 68	10,412	80,427	$ 90,907
Receipts from interfund services provided	1,575,842	7,999,931	3,108,504	12,684,277
Cash paid to suppliers for goods & services	(898,284)	(6,739,091)	(1,608,280)	(9,245,655)
Payments to employees	(708,169)	(224,654)		(932,823)
Net cash provided by (used for) operating activities	(30,543)	1,046,598	1,580,651	2,596,706
Cash flows from investing activities:				
Interest on investments	182	716	27,734	28,632
Net increase (decrease) in cash and cash equivalents	(30,361)	1,047,314	1,608,385	2,625,338
Cash and cash equivalents, beginning of year	86,340	40,789	9,984,980	10,112,109
Cash and cash equivalents, end of year	$ 55,979	1,088,103	11,593,365	$ 12,737,447
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating Income (loss)	$ (45,346)	1,382,791	872,444	$ 2,209,889
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,448			1,448
Other revenues	68	33,037	71,822	104,927
Change in assets and liabilities:				
Decrease (increasse) in accounts receivable		(22,625)	8,605	(14,020)
Increase in inventory	(9,619)			(9,619)
Increase (decrease) in accounts payable and other liabilities	22,740	24,462	(17,451)	29,751
Increase in compensated absences	166			166
Increase in self-insurance liability			645,231	645,231
Decrease in net OPEB obligation		(371,067)		(371,067)
Net cash provided by (used for) operating activities	$ (30,543)	1,046,598	1,580,651	$ 2,596,706

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FIDUCIARY FUNDS

Private-purpose Trust Funds

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

Agency Fund

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

CITY OF LODI
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2013

	Library	Hutchins Street Square Bequest	Total
ASSETS			
Cash and Investments	$ 273,411	1,506	$ 274,917
NET POSITION	$ 273,411	1,506	$ 274,917

CITY OF LODI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
Year ended June 30, 2013

	Library	Hutchins Street Square Bequest	Total
ADDITIONS			
Investment income and donations	$ 20,267	3	$ 20,270
DEDUCTIONS			
Current			
Library	4,077		4,077
CHANGE IN NET POSITION	16,190	3	16,193
NET POSITION, BEGINNING OF YEAR	257,221	1,503	258,724
NET POSITION, END OF YEAR	$ 273,411	1,506	$ 274,917

CITY OF LODI
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year ended June 30, 2013

	Special Assessments			
	Balance 7/1/12	Additions	Deductions	Balance 6/30/13
ASSETS				
Cash and investments	$ 366,130	509,708	478,854	$ 396,984
Interest receivable	535	223	535	223
TOTAL ASSETS	$ 366,665	509,931	479,389	$ 397,207
LIABILITIES				
Agency obligations	$ 366,665	30,542		$ 397,207

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STATISTICAL TABLES

UNAUDITED

STATISTICAL SECTION

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

Contents **Pages**

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well-being has changed over time. 108-113

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. 114-119

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. 120-126

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. 127-129

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. 130-134

Sources

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

CITY OF LODI

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Net investment in capital assets	$ 106,828	$ 107,587	$ 114,165	$ 113,308	$ 115,036	$ 107,874	$ 110,815	$ 111,572	$ 106,293	$ 100,749
Restricted	12,601	16,176	14,894	13,233	13,492	15,043	15,044	14,526	13,465	11,205
Unrestricted	1,157	(3,606)	(5,148)	(6,110)	(3,462)	(4,162)	(3,968)	(8,838)	(8,801)	(9,437)
Total governmental activities net position	$ 120,586	$ 120,157	$ 123,911	$ 120,431	$ 125,066	$ 118,755	$ 121,891	$ 117,260	$ 110,957	$ 102,517
Business-type activities:										
Net investment in capital assets	$ 113,008	$ 109,582	$ 104,858	$ 100,233	$ 95,533	$ 98,109	$ 97,961	$ 77,494	$ 67,668	$ 64,214
Restricted	6,600	6,533	5,303			8,657	8,711	10,969	2,351	2,578
Unrestricted	14,827	(34,563)	(34,129)	(28,591)	(35,448)	26,460	6,417	1,880	7,445	(7,511)
Total business-type activities net position	$ 134,435	$ 81,552	$ 76,032	$ 71,642	$ 60,085	$ 133,226	$ 113,089	$ 90,343	$ 77,464	$ 59,281
Primary government:										
Net investment in capital assets	$ 219,836	$ 217,169	$ 219,023	$ 213,541	$ 210,569	$ 205,983	$ 208,776	$ 189,066	$ 173,961	$ 164,963
Restricted	19,201	22,709	20,197	13,233	13,492	23,700	23,755	25,495	15,816	13,783
Unrestricted	15,984	(38,169)	(39,277)	(34,701)	(38,910)	22,298	2,449	(6,958)	(1,356)	(16,948)
Total primary government net position	$ 255,021	$ 201,709	$ 199,943	$ 192,073	$ 185,151	$ 251,981	$ 234,980	$ 207,603	$ 188,421	$ 161,798

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities:										
General government	$ 8,943	$ 9,381	$ 8,262	$ 8,749	$ 9,451	$ 8,307	$ 7,853	$ 9,746	$ 9,958	$ 13,167
Public protection	25,930	25,432	25,113	27,186	27,110	25,531	23,328	22,105	22,253	19,162
Public works	10,546	10,248	9,305	10,462	10,464	12,224	10,599	13,229	12,377	11,868
Community development	1,050	1,003	973	1,114	1,323	2,027	2,130	2,290		
Library	1,342	1,381	1,355	1,440	1,495	1,696	1,630	1,485	1,484	1,409
Parks and recreation	2,933	2,913	5,778	5,077	4,609	4,414	4,172	4,114	4,565	4,095
Interest and fiscal charges	416	1,033	1,075	1,105	1,134	1,166	1,201	1,234	1,617	1,267
Total governmental activities expenses	51,160	51,391	51,861	55,133	55,586	55,365	50,913	54,203	52,254	50,968
Business-type activities:										
Electric	61,106	62,599	63,399	64,364	73,358	65,201	67,534	63,780	57,308	55,943
Wastewater	13,423	17,441	11,687	11,289	10,940	12,227	9,271	8,574	10,653	6,297
Water	(34,877)	7,953	8,188	6,148	9,604	9,920	9,875	8,256	11,748	7,489
Transit	4,141	4,256	4,132	4,785	4,832	3,908	3,577	3,643	3,018	3,064
Total business-type activities expenses	43,793	92,249	87,406	86,586	98,734	91,256	90,257	84,253	82,727	72,793
Total primary government expenses	$ 94,953	$ 143,640	$ 139,267	$ 141,719	$ 154,320	$ 146,621	$ 141,170	$ 138,456	$ 134,981	$ 123,761
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 2,337	$ 1,718	$ 1,793	$ 2,184	$ 1,631	$ 1,544	$ 1,280	$ 1,232	$ 3,639	$ 3,144
Public protection	538	500	643	714	844	837	582	563	623	525
Public works	224	166	356	326	358	755	295	320	461	430
Community development	1,458	993	1,601	786	749	1,085	1,174	1,630		
Library	44	43	47	48	44	53	53	54	49	50
Parks and recreation	1,404	1,241	1,245	1,269	1,158	851	1,007	918	833	679
Operating grants and contributions	2,341	2,300	2,236	1,927	1,951	2,305	2,589	2,587	2,195	2,321
Capital grants and contributions	4,216	5,025	6,737	5,122	10,822	4,717	6,975	14,631	17,559	13,894
Total governmental activities program revenues	12,562	11,986	14,658	12,376	17,557	12,147	13,955	21,935	25,359	21,043
Business-type activities:										
Charges for services:										
Electric	63,230	64,251	62,167	69,664	74,000	69,284	65,809	59,112	53,908	52,899
Wastewater	13,747	13,280	13,090	11,513	9,276	9,091	8,524	8,927	8,086	6,560
Water	12,441	12,083	11,940	11,716	11,787	11,350	10,040	8,343	7,713	6,007
Transit	185	186	195	217	251	278	401	386	340	244
Operating grants and contributions	5,178	4,214	3,983	3,449	3,653	3,381	2,621	3,377	2,731	2,547
Capital grants and contributions	4,715	3,206	5,150	1,408	5,774	8,064	19,984	11,146	3,401	8,268
Total business-type activities program revenues	99,496	97,220	96,525	97,967	104,741	101,448	107,379	91,291	76,179	76,525
Total primary government program revenues	$ 112,058	$ 109,206	$ 111,183	$ 110,343	$ 122,298	$ 113,595	$ 121,334	$ 113,226	$ 101,538	$ 97,568
Net (Expense)/Revenue										
Governmental activities	$ (38,598)	$ (39,405)	$ (37,203)	$ (42,757)	$ (38,029)	$ (43,218)	$ (36,958)	$ (32,268)	$ (26,895)	$ (29,925)
Business-type activities	55,703	4,971	9,119	11,381	6,007	10,192	17,122	7,038	(6,548)	3,732
Total primary government net expense	$ 17,105	$ (34,434)	$ (28,084)	$ (31,376)	$ (32,022)	$ (33,026)	$ (19,836)	$ (25,230)	$ (33,443)	$ (26,193)

(Continued)

CITY OF LODI

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
Property	$ 12,218	$ 12,103	$ 12,698	$ 12,836	$ 13,564	$ 13,838	$ 9,524	$ 8,031	$ 7,124	$ 7,188
Franchise taxes	8,735	8,712	8,692	8,658	8,357	9,338	9,609	8,721	8,918	8,381
Business license tax	1,524	1,628	1,246	1,242	1,190	1,140	1,082	973	982	874
Transient occupancy tax	546	486	426	382	405	396	380	368	352	317
Grants and contributions not restricted to specific programs	9,382	9,277	8,954	7,064	8,249	9,593	14,772	14,215	13,193	11,895
Investment earnings	44	132	133	155	467	1,008	874	328	150	125
Other	1,980	2,052	1,556	1,917	2,382	1,077	621	1,012	608	590
Special item-gain on sale of parkland			321							
Transfers	5,682	1,261	6,657	5,868	5,368	3,693	4,727	4,923	4,008	2,915
Total governmental activities	40,111	35,651	40,683	38,122	39,982	40,083	41,589	38,571	35,335	32,285
Business-type activities:										
Investment earnings	497	566	575	731	1,385	2,028	2,380	2,008	1,880	2,242
Litigation- environmental lawsuits proceeds	1,107		-	300	2,010	8,892	6,222	6,700	9,150	865
Other	1,258	1,244	1,353	923	1,891	2,717	1,749	2,056	2,432	2,635
Special item-forgiveness of debt									15,277	
Special item-swap termination					(8,979)					
Transfers	(5,682)	(1,261)	(6,657)	(5,868)	(5,368)	(3,693)	(4,727)	(4,923)	(4,008)	(2,915)
Total business-type activities	(2,820)	549	(4,729)	(3,914)	(9,061)	9,944	5,624	5,841	24,731	2,827
Total primary government	$ 37,291	$ 36,200	$ 35,954	$ 34,208	$ 30,921	$ 50,027	$ 47,213	$ 44,412	$ 60,066	$ 35,112
Change in Net Position										
Governmental activities	$ 1,513	$ (3,754)	$ 3,480	$ (4,635)	$ 1,953	$ (3,135)	$ 4,631	$ 6,303	$ 8,440	$ 2,360
Business-type activities	52,883	5,520	4,390	7,467	(3,054)	20,136	22,746	12,879	18,183	6,559
Total primary government	$ 54,396	$ 1,766	$ 7,870	$ 2,832	$ (1,101)	$ 17,001	$ 27,377	$ 19,182	$ 26,623	$ 8,919

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Reserved	$	$	$	$ 389	$ 383	$ 1,150	$ 1,144	$ 1,321	$ 1,185	$ 1,296
Unreserved				3,896	3,383	4,159	5,175	3,048	1,507	157
Nonspendable	9	6	357							
Committed	277		0							
Assigned	65	50	136							
Unassigned	7,614	6,233	5,654							
Total General Fund	$ 7,965	$ 6,289	$ 6,147	$ 4,285	$ 3,766	$ 5,309	$ 6,319	$ 4,369	$ 2,692	$ 1,453
All other governmental funds										
Reserved	$	$	$	$ 7,801	$ 1,487	$ 1,932	$ 1,874	$ 1,138	$ 4,942	$ 3,778
Unreserved, reported in:										
Special revenue funds				963	6,540	7,433	6,651	6,271	1,400	534
Capital projects funds				3,649	5,217	5,504	6,200	5,663	5,650	5,720
Nonspendable	3	1								
Restricted	12,556	15,017	13,786							
Unassigned	(512)	(863)	(846)							
Total all other governmental funds	$ 12,047	$ 14,155	$ 12,940	$ 12,413	$ 13,244	$ 14,869	$ 14,725	$ 13,072	$ 11,992	$ 10,032
	$ 20,012	$ 20,444	$ 19,087	$ 16,698	$ 17,010	$ 20,178	$ 21,044	$ 17,441	$ 14,684	$ 11,485

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Taxes	$ 23,022	$ 22,928	$ 23,061	$ 23,118	$ 23,516	$ 24,712	$ 20,594	$ 18,094	$ 17,606	$ 16,908
Licenses and permits	921	686	954	520	431	683	717	1,020	2,511	2,021
Intergovernmental revenues	14,625	15,289	16,865	12,579	13,229	14,980	19,892	25,491	22,834	16,657
Charges for services	3,880	3,427	3,946	4,116	3,329	4,757	4,696	3,848	9,404	4,479
Fines and forfeitures	1,632	1,357	1,407	1,444	1,416	1,321	1,245	1,173	1,190	1,085
Investment and rental income	1,389	1,264	817	923	922	1,312	998	707	753	537
Contributions and donations			689							
Miscellaneous revenue	1,078	813	799	1,093	1,762	822	304	653	458	473
Total revenues	46,547	45,764	48,538	43,793	44,605	48,587	48,446	50,986	54,756	42,160
Expenditures:										
Current:										
General government	8,522	8,820	7,667	7,666	8,431	9,545	8,893	8,345	10,858	10,815
Public protection	26,282	25,249	24,489	24,466	24,716	23,979	22,211	20,863	20,351	17,491
Public works	4,532	4,174	3,715	4,383	4,657	5,842	5,587	7,827	7,361	7,303
Community development	1,111	1,037	969	1,013	1,341	2,006	2,062	1,847		
Library	1,411	1,381	1,357	1,322	1,500	1,673	1,588	1,468	1,420	1,356
Parks and recreation	2,370	2,254	4,127	4,180	3,776	3,826	3,598	3,440	3,691	3,412
Capital outlay	6,271	2,961	9,377	5,108	6,791	4,207	3,526	7,232	9,508	10,041
Debt service:										
Interest and fiscal charges	483	1,039	1,081	1,110	1,139	1,170	1,205	1,238	1,645	1,245
Principal payments	245	630	752	725	789	898	900	892	855	759
Advance refunding escrow	1,689									
Total expenditures	52,916	47,545	53,534	49,973	53,140	53,146	49,570	53,152	55,689	52,422
Excess (deficiency) of revenues Over (under) expenditures	(6,369)	(1,781)	(4,996)	(6,180)	(8,535)	(4,559)	(1,124)	(2,166)	(933)	(10,262)

(Continued)

CITY OF LODI

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Other financing sources (uses):										
Transfers in	12,546	14,486	11,881	11,173	10,609	7,058	8,863	9,142	8,017	9,774
Transfers out	(6,864)	(11,348)	(5,224)	(5,305)	(5,242)	(3,365)	(4,136)	(4,219)	(4,009)	(6,859)
Proceeds from sale of land			98							
Capital lease proceeds									124	883
Refunding bonds issued	20,103									
Payment to refunded bond escrow agent	(19,848)									
Total other financing sources (uses)	5,937	3,138	6,755	5,868	5,367	3,693	4,727	4,923	4,132	3,798
Special item- sale of parkland		-	630							
Net change in fund balances	(432)	1,357	2,389	(312)	(3,168)	(866)	3,603	2,757	3,199	(6,464)
Fund balances, beginning of year	20,444	19,087	16,698	17,010	20,178	21,044	17,441	14,684	11,485	17,949
Fund balances, end of year	$ 20,012	$ 20,444	$ 19,087	$ 16,698	$ 17,010	$ 20,178	$ 21,044	$ 17,441	$ 14,684	$ 11,485
Debt service as a percentage of noncapital expenditures	5.5%	3.9%	4.3%	4.3%	4.3%	4.4%	4.8%	4.9%	5.7%	5.0%

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 2004 to 2013
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	
Property	$ 7,955	$ 7,861	$ 8,285	$ 8,342	$ 8,887	$ 9,210	$ 9,289	$ 7,676	$ 6,771	$ 6,948	14%
Sales & Use	9,350	9,246	8,663	6,873	8,028	9,296	10,137	9,812	9,183	8,533	10%
Transient Occupancy	545	486	426	382	405	396	380	368	352	317	72%
Franchise	1,758	1,734	1,715	1,681	1,415	976	929	890	821	800	120%
Documentary Transfer	120	91	95	117	114	125	235	355	353	240	-50%
Motor Vehicle in Lieu	4,143	4,151	4,317	4,377	4,784	4,797	4,635	4,402	4,606	2,767	50%
Public Protection	325	295	250	267	296	338	390	310	304	264	23%
Business License	1,187	1,182	958	962	1,038	1,140	1,082	973	982	874	36%
In Lieu Franchise	6,977	6,977	6,977	6,977	6,942	8,362	8,680	7,831	8,097	7,581	-8%
Totals	$ 32,360	$ 32,023	$ 31,686	$ 29,978	$ 31,909	$ 34,640	$ 35,757	$ 32,617	$ 31,469	$ 28,324	14%

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

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Secured roll	$ 4,737,807	$ 4,738,823	$ 4,907,588	$ 4,986,693	$ 5,156,706	$ 5,069,788	$ 4,799,141	$ 4,254,184	$ 3,877,398	$ 3,619,116
Utility roll	2,382	2,382	2,423	2,423	2,031	2,035	2,773	3,654	3,782	3,893
Unsecured roll	233,398	226,651	270,600	270,315	263,648	258,687	242,082	216,065	215,469	202,785
Gross assessed value	4,973,587	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903	4,096,649	3,825,794
Less exemptions (1)	327,783	314,448	321,138	332,701	265,154	243,259	229,049	220,590	217,077	212,102
Net assessed value	4,645,804	4,653,408	4,859,473	4,926,730	5,157,231	5,087,251	4,814,947	4,253,313	3,879,572	3,613,692
Land	1,227,969	1,264,884	1,322,830	1,345,815	1,562,729	1,537,554	1,431,203	1,226,293	1,107,776	1,027,462
Improvements	3,445,328	3,401,792	3,534,778	3,600,824	3,577,741	3,503,186	3,327,453	2,989,575	2,739,061	2,549,860
Personal property	300,290	301,180	323,003	312,792	281,915	289,770	285,340	258,035	249,812	248,472
Gross assessed value	4,973,587	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903	4,096,649	3,825,794
Less exemptions (1)	327,783	314,448	321,138	332,701	265,154	243,259	229,049	220,590	217,077	212,102
Net assessed value	$ 4,645,804	$ 4,653,408	$ 4,859,473	$ 4,926,730	$ 5,157,231	$ 5,087,251	$ 4,814,947	$ 4,253,313	$ 3,879,572	$ 3,613,692
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - $64,112 and other - $263,671 =$327,783

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

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI

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

Fiscal Year	Basic Countywide Levy	School	All Other	Total
2013	1.0000	0.0646	0.0000	1.0646
2012	1.0000	0.0658	0.0000	1.0658
2011	1.0000	0.0626	0.0000	1.0626
2010	1.0000	0.0575	0.0000	1.0575
2009	1.0000	0.0517	0.0000	1.0517
2008	1.0000	0.0478	0.0000	1.0478
2007	1.0000	0.0478	0.0000	1.0478
2006	1.0000	0.0570	0.0000	1.0570
2005	1.0000	0.0311	0.0000	1.0311
2004	1.0000	0.0475	0.0000	1.0475

Source: San Joaquin County Tax Collector

CITY OF LODI

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

	Fiscal Year					
	2013			2006		
Taxpayer	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Lodi Memorial Hospital Assn	$ 147,153	1	3.291 %			
General Mills	133,725	2	3.006	$ 152,102	1	3.768 %
Pacific Coast Producers	80,933	3	1.820	43,068	2	1.067
Calif Physicians Service Corp	57,739	4	1.206			
Cottage Bakery Inc	43,695	5	0.889	25,341	4	0.628
Westcore Vine LP	24,109	6	0.505			
Costco	20,014	7	0.447			
Dart Container Corp	18,573	8	0.382	17,625	8	0.437
Archer Daniels Midland Co Corp	17,188	9	0.367			
Certainteed Corp	15,390	10	0.340	18,842	7	0.467
Pacific Coast Producers Corp.				34,267	3	0.849
Kristmont West				21,961	5	0.544
Parinehs Exchange 2004 LLC				19,539	6	0.484
Fountains at Lodi LLC				13,031	9	0.323
Panattoni, Carl D ETAL				12,984	10	0.322
Principal Secured Property Valuation	558,519		12.665	358,760		8.889
Other Secured Taxpayers	4,179,288		94.768	3,895,424		96.575
Exemptions relative to secured tax roll	327,783		7.433	220,590		5.464
Total Secured Property Valuation	$ 4,410,024		100.000 %	$ 4,033,594		100.000 %

Information for 2005 and 2004 is not available.

Source: San Joaquin County Assessor's Office

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
2013	$ 7,865	$ 7,865	100.0%	$ 7,865	100.0%
2012	7,754	7,754	100.0%	7,754	100.0%
2011	8,143	8,143	100.0%	8,143	100.0%
2010	8,291	8,291	100.0%	8,291	100.0%
2009	7,966	7,966	100.0%	7,966	100.0%
2008	8,167	8,167	100.0%	8,167	100.0%
2007	8,170	8,170	100.0%	8,170	100.0%
2006	7,815	7,815	100.0%	7,815	100.0%
2005	7,057	7,057	100.0%	7,057	100.0%
2004	6,570	6,570	100.0%	6,570	100.0%

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

Source: San Joaquin County Auditor/Controller's Office

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

Type of Customer	Billed Accounts							
	2013	2012	2011	2010	2009	2008	2007	2006
City Accounts	204	195	197	189	189	187	186	184
Contract Large Industrial						5	5	6
Contract Medium Industrial						1	1	2
Contract Small Industrial						1	0	1
Domestic Residential	22,541	22,361	22,360	22,525	22,506	22,510	22,938	22,860
Domestic Mobile Home Park	13	13	13	13	13	13	13	13
Dusk to Dawn	88	92	89	89	92	92	95	95
Large Commercial	344	336	350	357	377	380	375	359
Large Industrial	40	38	40	39	37	32	33	33
Medium Industrial	11	9	9	9	8	8	10	13
Residental Low Income	2,582	2,531	2,258	2,193	1,847	1,943	2,003	1,910
Small Commerical	3,358	3,340	3,324	3,280	3,249	3,199	3,241	3,279
Small Industrial	9	11	11	10	10	9	9	9
Total	29,190	28,926	28,651	28,704	28,328	28,380	28,909	28,764

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

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Governmental Activities				Business-type Activities					
Fiscal Year	Certificates of Participation	Loan Payable	Notes Payable	Total Governmental Activities	Certificates of Participation	Notes Payable	Total Business-type Activities	Total Primary Government	Percent of Personal Income (1)	Per Capita (1)
2013	$ 19,080		$ 245	$ 19,325	$ 164,790	$	$ 164,790	$ 184,115	9.43 %	2,926
2012	21,025		245	21,270	171,675		171,675	192,945	10.25	3,071
2011	21,655		245	21,900	177,150		177,150	199,050	10.58	3,186
2010	22,265		245	22,510	142,935	1,409	144,344	166,854	8.43	2,626
2009	22,855		245	23,100	147,175	1,585	148,760	171,860	8.74	2,714
2008	23,420	94	245	23,759	139,760	1,755	141,515	165,274	8.94	2,608
2007	23,975	187	245	24,407	121,675	1,918	123,593	148,000	8.12	2,335
2006	24,510	279	245	25,034	125,340	2,077	127,417	152,451	8.90	2,427
2005	25,030	368	245	25,643	126,615	2,230	128,845	154,488	9.43	2,473
2004	25,530	456	245	26,231	148,675	2,378	151,053	177,284	11.43	2,917

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

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

Source: City of Lodi Financial Services Division

CITY OF LODI

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

Fiscal Year	Certificates of Participation	Less Amounts Available for Debt Service	Net	Percent of Assessed Value (1) of Property	Per Capita
2013	$ 19,080	$ 10	$ 19,070	0.4 %	303.04
2012	21,025	1,692	19,333	0.4	307.73
2011	21,655	1,692	19,963	0.4	319.55
2010	22,265	1,692	20,573	0.4	323.73
2009	22,855	1,692	21,163	0.4	334.26
2008	23,420	1,692	21,728	0.4	342.92
2007	23,975	1,692	22,283	0.4	351.49
2006	24,510	1,692	22,818	0.5	363.25
2005	25,030	1,692	23,338	0.6	373.61
2004	25,530	1,692	23,838	0.6	392.27

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Assessed valuation (1)	$ 4,709,916	$ 4,718,766	$ 4,926,130	$ 4,995,362	$ 5,227,580	$ 5,159,269	$ 4,887,074	$ 4,325,000	$ 3,951,862	$ 3,686,227
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,177,479	1,179,692	1,231,533	1,248,841	1,306,895	1,289,817	1,221,769	1,081,250	987,966	921,557
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	176,622	176,954	184,730	187,326	196,034	193,473	183,265	162,188	148,195	138,234
Total net debt applicable to limit	19,070	19,333	19,963	20,573	21,163	21,728	22,283	22,818	23,338	23,838
Legal debt margin	$ 157,552	$ 157,621	$ 164,767	$ 166,753	$ 174,871	$ 171,745	$ 160,982	$ 139,370	$ 124,857	$ 114,396
Total net debt applicable to the limit as a percent of debt limit	10.8%	10.9%	10.8%	11.0%	10.8%	11.2%	12.2%	14.1%	15.7%	17.2%

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

(1) Reflects City assessed valuation with other exemptions of $263,671 deducted for 2013.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2013

	Total Debt	Percentage Applicable (1)	City's Share of Debt
OVERLAPPING DEBT:			
San Joaquin Community College District	$ 125,821,425	8.865 %	$ 11,154,069
Lodi Unified School District	94,740,000	37.209	35,251,807
San Joaquin County Certificates of Participation	161,110,000	9.821	15,822,613
Lodi Unified School District Certificates of Participation	39,800,000	37.209	14,809,182
SUBTOTAL OVERLAPPING DEBT			77,037,671
DIRECT DEBT:			
City of Lodi Certificates of Participation	19,080,000	100.00	19,080,000
City of Lodi - Note payable	245,000	100.00	245,000
SUBTOTAL DIRECT DEBT			19,325,000
TOTAL DIRECT AND OVERLAPPING DEBT(2)			$ 96,362,671

			Per Capita	Value
2012-13 Assessed Valuation	$ 4,973,587,000			
2012-13 Population	62,930			
DEBT RATIOS	Total Gross Debt	$ 96,362,671	$ 1,531	1.94%

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

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

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

CITY OF LODI

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

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Electric Revenue Certificates of Participation							
2013	$ 63,974	$ 51,209	$ 12,765	$ 4,575	$ 3,839	$ 8,414	1.52
2012	65,220	50,164	15,056	3,270	4,021	7,291	2.07
2011	63,307	48,397	14,910	3,080	4,152	7,232	2.06
2010	70,288	49,949	20,339	2,920	4,274	7,194	2.83
2009	75,195	58,370	16,825	5,240	4,720	9,960	1.69
2008	74,923	54,437	20,486	2,305	3,961	6,266	3.27
2007	67,865	52,984	14,881	2,350	3,977	6,327	2.35
2006	61,066	51,131	9,935	-	3,613	3,613	2.75
2005	60,793	44,252	16,541	5,895	3,146	9,041	1.83
2004	56,347	45,045	11,302	2,150	3,261	5,411	2.09

Source: City of Lodi Financial Services Division

continued

CITY OF LODI

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

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Wastewater Certificates of Participation							
2013	$ 14,305	$ 5,674	$ 8,631	$ 1,500	$ 2,560	$ 4,060	2.13
2012	13,787	6,659	7,128	1,430	2,688	4,118	1.73
2011	16,508	5,972	10,536	1,370	2,748	4,118	2.56
2010	12,284	6,180	6,104	1,320	2,832	4,152	1.47
2009	10,764	5,921	4,843	1,270	2,882	4,152	1.17
2008	10,530	6,189	4,341	1,355	2,334	3,689	1.18
2007	9,881	5,287	4,594	1,315	2,017	3,332	1.38
2006	9,865	4,886	4,979	1,275	2,056	3,331	1.49
2005	9,232	4,781	4,451	540	2,210	2,750	1.62
2004	7,211	4,385	2,826	175	715	890	3.18

Source: City of Lodi Financial Services Division

continued

CITY OF LODI

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

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest (3)	Total	
Water Certificates of Participation							
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 the Note 8 of these financial statements.
(1) and other revenue.

(2) depreciation and amortization.
Net of Build America Bonds interest subsidy.

Source: City of Lodi Financial Services Division

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
2013	13.92	62,930	0.2%	698,414	9.0%	137	$ 1,952	31,013	9.0%
2012	13.92	62,825	0.8%	695,750	9.0%	136	1,931	30,732	11.3%
2011	13.92	62,473	0.6%	690,899	9.0%	135	1,882	30,132	13.4%
2010	13.92	63,549	0.6%	694,293	9.2%	136	1,980	31,166	13.3%
2009	13.92	63,313	-0.1%	689,480	9.2%	135	1,967	31,071	12.2%
2008	13.92	63,362	-0.1%	685,600	9.2%	133	1,849	29,178	7.1%
2007	13.17	63,395	0.9%	679,687	9.3%	129	1,822	28,743	6.1%
2006	12.81	62,817	0.6%	668,265	9.4%	131	1,713	27,272	5.5%
2005	12.81	62,467	2.8%	653,333	9.6%	131	1,639	26,239	5.9%
2004	12.79	60,769	0.4%	630,600	9.6%	130	1,551	25,527	6.5%

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 Reseach Unit and Department of Labor.

CITY OF LODI

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	Current			Nine Years Ago		
Employer	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Lodi Unified School District	3,650	1	13.97 %	2,940	1	11.25 %
Lodi Memorial Hospital	1,320	2	5.05	1,121	2	4.29
Pacific Coast Producers	1,000	3	3.83	800	3	3.06
Blue Shield	778	4	2.98			
Cottage Bakery	509	5	1.95			
General Mills	435	6	1.67	500	4	1.91
City of Lodi	377	7	1.44	428	5	1.64
Walmart	230	8	0.88	340	7	1.30
Farmers & Merchants Bank	190	9	0.73	310	8	1.19
Target	160	10	0.61	189	9	0.72
Valley Industries				360	6	1.38
CertainTeed				106	10	0.41
Total	8,649		33.11	7,094		27.15

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

CITY OF LODI

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

	Fiscal Year									
	2013	2012	2011*	2010	2009	2008	2007	2006	2005	2004
Department:										
Administration	10	12	13	31	32	19	35	33	37	36
Community Development	9	9	13	13	13	14	18	17	17	17
Electric	40	40	41	51	50	48	64	65	52	52
Financial Services				24	26	39	30	28	38	38
Fire	53	54	64	64	64	64	64	61	68	61
Internal Services	31	29	35							
Library	11	12	14	14	14	14	16	14	15	15
Parks & Recreation				31	31	30	34	31	34	34
Parks, Recreation and Cultural Services	27	29	37							
Police	104	103	125	125	125	125	116	117	117	116
Public Works	92	93	98	102	102	107	114	99	111	110
Total	377	381	440	455	457	460	491	465	489	479

* 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 (continued)
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2013	2012	2011	2010	2009	2008	2007	2006
General government:								
Building permits issued	1,578	1,461	2,022	1,709	1,754	1,851	2,317	2,699
Business tax certificates:								
Retail sales and service	2,526	2,485	2,530	2,406	2,496	2,442	2,632	2,565
Manufacturers and processors	78	77	76	80	82	78	78	125
Professions	362	364	371	373	380	398	404	322
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1,456	1,362	1,357	1,312	1,411	1,063	1,127	533
Utility billing/customer service:								
Number of customers	23,927	23,761	23,575	25,573	25,555	25,555	25,712	25,655
Energy sales (KWH)	435,822,465	435,655,731	421,130,329	434,200,987	452,075,554	450,407,709	458,740,745	459,637,092
Peak demand (MW)	122	116	116	120	134	134	144	127
Public safety:								
Police:								
Major reported crimes	2,643	3,573	2,885	2,377	2,454	2,993	3,096	3,234
Total arrests	3,825	4,350	4,410	4,238	4,646	5,590	5,463	5,162
Dispatched calls for service	50,124	46,756	52,061	51,870	56,391	55,911	53,686	55,937
Fire:								
Interior structure fire calls	67	57	56	47	69	88	79	66
Non-structural fire calls	209	163	121	123	123	160	163	158
Hazardous materials calls	58	41	69	70	70	35	27	26
Emergency medical calls	3,882	3,820	3,752	3,494	3,364	3,420	3,213	2,912
Total emergency calls	5,823	5,620	5,753	5,385	5,392	5,346	5,000	4,447
Total number of units dispatched	7,954	7,855	7,835	7,390	7,038	7,841	7,005	6,055
Public works:								
Miles of streets resurfaced	6	6	6	3	6	5	4	33
Fleet job orders completed	1,803	1,953	2,810	3,303	3,921	3,520	6,938	5,608
Trees planted	131				96	130	95	-
Water utility:								
New connections	8	7	8	17	17	35	110	266
Water main breaks	14	10	8	6	4	4	10	8
Wastewater utility:								
Average daily treatment (million gal/day)	5.10MG	6.5MG	6.5MG	6.5MG	6.5MG	6.5MG	6.9MG	6.7MG
Library:								
Registered borrowers	51,594	47,147	43,927	39,199	53,530	48,969	44,558	52,779
Circulation of library materials	215,293	217,742	248,250	251,967	219,711	280,466	273,270	281,216
Reference, research and informational questions answered	16,270	14,463	16,234	16,501	15,379	19,257	18,854	17,342
Annual attendance at libraries	224,762	222,148	210,279	207,123	n/a	296,793	288,070	287,986
Number of programs offered	407	432	388	344	316	348	339	320
Annual attendance at programs	14,443	12,993	13,133	10,676	8,765	11,242	10,700	10,872
Public access computer usage	45,871	47,428	58,990	52,124	38,388	38,999	35,260	29,896

(Continued)

CITY OF LODI

OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT (continued)
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2013	2012	2011	2010	2009	2008	2007	2006
Community center:								
Community center bookings	718	698	926	789	475	494	302	220
Instructional classes	580	307	536	583	507	530	478	509
Registered students	2,819	3,713	3,438	3,525	3,316	5,550	3,548	4,369
Yearly attendance	13,925	13,925	14,217	13,355	14,050	14,410	14,429	15,369
Parks and recreation:								
After school program registration (number of participants/sites)	1,715/20	3,232/20	1,920/4	1,920/4	1,920/4	3,014/4	145,000/12	135,000/12
Adult sports								
Program/Participation	2,246	2,420	2,528	2,528	2,284	28,000	36,000	36,000
Programs offered	16	15	16	16	13	11	11	11
Partnerships	2	3	5	5	1	3	3	5
Tournaments	6	12	7	7	10	10	20	20
Youth/Teen sports								
Program attendance	3,643	3,889	4,251	4,251	215,000	195,000	200,000	200,000
Programs offered	19	24	16	16	24	14	14	20
Aquatics								
Program attendance	23,414	34,366	32,566	32,566	2,433	50,000	59,000	59,000
Number of programs	13	25	13	13	6	3	8	6

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

Source: City of Lodi

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT (continued)
LAST NINE FISCAL YEARS

	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government:									
Total square miles	13.92	13.92	13.92	13.92	13.92	13.92	13.17	12.81	12.81
Public safety:									
Police:									
Facilities:									
Stations	1	1	1	1	1	1	1	1	1
Animal control facility	1	1	1	1	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1	1	1	1	1
Vehicles:									
Marked patrol cars	23	23	23	23	25	25	25	28	28
Motorcycles and scooters	5	5	5	5	5	5	5	4	1
Animal control vehicles	2	2	2	2	2	2	2	3	3
Other automobiles	37	37	37	37	38	40	41	41	41
Fire:									
Facilities:									
Fire stations	4	4	4	4	4	4	4	4	4
Vehicles:									
Fire engines	6	6	7	7	7	6	6	5	5
Trucks/Trailers	6	5	5	6	6	9	8	7	7
Other automobiles	11	9	8	10	12	7	10	11	11
Public works:									
Miles of streets	202	202	202	202	202	200	184	198	100
Miles of alley ways	16	16	16	16	16	16	16	16	14
Traffic signals	67	67	67	62	62	64	66	64	60
Street lights	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,203	6,995

(Continued)

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT (continued)
LAST NINE FISCAL YEARS

	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
Parks and recreation:									
Parks and squares	26	26	26	26	26	23	23	23	23
Park acreage	361	373	373	373	371	275	275	275	275
Boating facilities - launch lanes	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1
Swimming pools	4	4	4	4	4	3	3	3	3
Baseball/softball diamonds	20	24	24	24	24	26	26	26	26
Tennis courts	11	11	11	11	11	11	11	11	11
Skateboard park	1	1	1	1	1	1	1	1	1
Playgrounds	20	22	25	25	25	22	22	22	22
Ballpark	24	24	24	24	24	26	26	26	26
Soccer Field	22	22	22	22	22	22	22	22	22
Football Field	1	1	1	1	1	3	3	3	3
Handball/Basketball/Volleyball Courts/Bocce Courts	12	10	10	10	10	8	8	8	8
Horseshoe Pits	8	8	6	6	6	7	10	10	10
Library:									
Central library	1	1	1	1	1	1	1	1	1
Total items in collection	149,243	135,113	134,804	130,530	135,197	142,885	142,098	134,129	137,673
Integrated library system	1	1	1	1	1	1	1	1	1
Microfilm readers	1	1	1	1	1	1	1	1	1
Microfilm readers/printers	1	1	1	1	1	1	1	1	1
Self check out machines	2	2	2	2	2	0	1	1	1
Electric utility:									
Overhead lines 12kv (miles)	133	133	133	130	130	130	129	129	129
Overhead lines 60kv (miles)	14	14	13	13	13	13	13	13	13
Underground lines (miles)	159	159	157	155	154	153	151	151	151

(Continued)

CITY OF LODI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT (continued)
LAST NINE FISCAL YEARS

	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
Water utility:									
Water main lines	236	236	236	237	233	233	238	235	230
Water storage capacity (gallons)	4,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Water wells	28	27	27	26	26	26	26	26	25
Water reservoirs	3	2	2	2	2	2	2	2	2
Wastewater utility:									
Wastewater main lines (miles)	196	196	196	191	194	194	189	182	182
Treatment capacity	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG
Wastewater treatment plant	1	1	1	1	1	1	1	1	1
Stormwater utility:									
Stormwater main drain lines (miles)	124	124	124	124	161	119	161	115	114
Stormwater pump stations	14	14	14	14	14	14	14	13	14
Central parking district:									
Parking structure	1	1	1	1	1	1	1	1	1
Parking spaces	2,453	2,453	2,453	2,453	2,453	2,453	2,453	2,453	2,453
Parking lots	25	25	25	25	25	25	25	25	25

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

Source: City of Lodi Departments

SINGLE AUDIT REPORTS

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor Pass-through Grantor or Direct Program Title	CFDA Number	Grant/Project Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants - 2010-11 Program Year	14.218	B-10-MC-06-0038	$ 138,959
Community Development Block Grants/Entitlement Grants - 2011-12 Program Year	14.218	B-11-MC-06-0038	284,498
Community Development Block Grants/Entitlement Grants - 2012-13 Program Year	14.218	B-12-MC-06-0038	522,310
Total Community Development Block Grants/Entitlement Grants			945,767
Passed through State of California Department of Housing and Community Development:			
Home Investment Partnerships Program	14.239	09-HOME-6271	21,570
Home Investment Partnerships Program - prior year loans with continuing compliance requirements	14.239	09-HOME-6271	44,707
Total Home Investment Partnerships Program			66,277
Passed through California State University of Fresno:			
Sustainable Communities Planning Grant	14.703	CARIP0004-10	132,845
Total U.S. Department of Housing and Urban Development			$ 1,144,889
U.S. Department of Justice			
Direct:			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0151	250,449
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0941	2,374
Total U.S. Department of Justice			$ 252,823

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

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor Pass-through Grantor or Direct Program Title	CFDA Number	Grant/Project Number	Expenditures
U.S. Department of Transportation			
Direct:			
Federal Transit - Formula Grants	20.507	CA-95-X169-00	$ 1,839,790
Federal Transit - Formula Grants	20.507	CA-90-Y565-00	80,656
Federal Transit - Formula Grants	20.507	CA-90-Y634-00	37,100
Federal Transit - Formula Grants	20.507	CA-90-Y736-00	71,181
Federal Transit - Formula Grants	20.507	CA-90-Z094-00	1,255,425
ARRA - Federal Transit - Formula Grants	20.507	CA-96-X052-01	402,537
Total Federal Transit - Formula Grants			3,686,689
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	STPL-5154(040)	160,739
Passed through State of California Office of Traffic Safety			
State and Community Highway Safety	20.600	DD1331	17,379
State and Community Highway Safety	20.600	PT1357	36,768
Total State and Community Highway Safety			54,147
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	20564	25,570
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1357	9,371
Passed through University of Berkeley:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC11230	58,743
Passed through City of Stockton:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1160	18,861
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			86,975
Total U.S. Department of Transportation			4,014,120
Total Federal Awards			$ 5,411,832

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

CITY OF LODI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2013, presents the activity of all federal award programs of the City of Lodi, California (City). The City reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE

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

NOTE 4 – LOAN PROGRAM

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs maintain servicing and trust arrangements with the City to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest and programs funded by these repayments are reported as expenditures in the SEFA. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under the programs. In accordance with Subpart B, Section 205 of the Office of Management and Budget Circular A-133, the City has reported the value of total outstanding and new loans made during the current year.

The following is a summary of the loan program balances and activities that have continuing compliance requirements at June 30, 2013.

Program Title	CFDA Number	June 30, 2013 Loans Outstanding	Prior Year Loans With Continuing Compliance Requirements	Fiscal Year 2013 Loan Disbursements
Home Investment Partnerships Program	14.239	$ 44,707	$ 44,707	$ -

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Newport Beach

San Diego

Seattle

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

The Honorable Members of City Council
City of Lodi, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

City's Response to Findings

The City's response to the finding 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

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

Macias Gini & O'Connell LLP

Sacramento, California
December 2, 2013

Certified Public Accountants.

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LA/Century City

Newport Beach

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Seattle

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

The Honorable Members of City Council
City of Lodi, California

Report on Compliance for Each major Federal Program

We have audited the City of Lodi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirement's of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 types of 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, 2013.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-1, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Sacramento, California
December 2, 2013

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

Identification of major programs:

Federal Program Title	CFDA No.
ARRA – Public Safety Partnership and Community Policing Grants	16.710
Federal Transit – Formula Grants (ARRA and non-ARRA)	20.507

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Reference Number: **2013-1**

Criteria:
Pursuant to Subpart C, section .300(d) of Office of Management and Budget (OMB) Circular A-133, *Audits, of States, Local Governments, and Non-Profit Organizations*, the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310." Per Section 310(b)(3), "the schedule of expenditures of federal awards shall provide total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available."

Condition:
The expenditures for the Public Safety Partnership and Community Policing Grants were not properly reported on the first draft of the schedule of expenditures of federal award (SEFA). The City had included the matching expenditures as federal expenditures, thus overstating the federal expenditures by $238,922.

Questioned Costs:
There are no questioned costs.

Effect:
The City inaccurately prepared the SEFA by overstating federal expenditures, which required an audit adjustment to correct. In addition, the City exposed itself to the risk of an incorrect assessment of major programs.

Cause:
It appears that there was no formal review of federal expenditures reported on the SEFA.

Recommendation:
It is recommend that the City develop written policies and procedures that document the process for measuring and reporting federal expenditures as it pertains to the SEFA and Federal Audit Clearinghouse Data Collection Form (SF-SAC) pursuant to the requirements of OMB Circular A-133. The new policies and procedures should provide staff with the proper guidelines on the reporting requirements and provide a framework for ensuring consistency and continuity in the identification and reporting of federal expenditures.

Management Response and Corrective Action:
Staff will develop written policies and procedures as recommended. The City is also in the process of implementing a new ERP system that has a specialized grant and project accounting system that will ensure proper reporting and tracking of all the grants received by the City.

Section III – Federal Award Findings and Questioned Costs

See Finding 2013-1 above.

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Financial Statement Findings

Reference Number: **2012-A**

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

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

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

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

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

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

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

Status:
For the year ended June 30, 2013, the City addressed our recommendation to develop a plan to begin charging funds and/or departments their share of the Benefits Internal Service Fund's expenses, and as a result the net deficit balance of the Benefits Internal Service Fund decreased from $3,621,665 to $2,204,516. The City will continue to address this deficit during its annual preparation of the City budget. Therefore, we consider our recommendation implemented and will continue to monitor this issue in future audits.

Federal Award Findings and Questioned Costs

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

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

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

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

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

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

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

Questioned Costs:
There are no questioned costs.

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

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

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

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

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

Status:
During the fourth quarter of the year ended June 30, 2013, the City implemented procedures to correctly report the expenditures in the respective quarter they were incurred. Therefore, our recommendation is considered implemented.

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

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

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

The award agreement terms and conditions require quarterly reports.

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

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

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

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

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

Questioned Costs:
There are no questioned costs.

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

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

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

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

Management Response and Corrective Action:
All grant funds have been spent and the City is awaiting final instructions to close out the grant.

Status:
The City submitted their final reports for this grant in fiscal year 2012 and the City closed out the grant during the year ended June 30, 2013. Since there were no reports to test in fiscal year 2013, this finding is considered resolved.

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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 2012-13

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

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

ANNUAL REPORT FOR ELECTRIC UTILITY

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

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

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

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2013, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

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

CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
POWER SUPPLY RESOURCES

Source	Capacity Available (MW)[1][4]	Actual Energy (MWh)	% of Total Energy
Purchased Power[2]:			
Western	4.7	15,720	2.99%
NCPA			
Geothermal Project	13.3	87,354	16.59
Hydroelectric Project	26.2	27,764	5.27
Combustion Turbine Project No. 1	9.4	102	0.02
Capital Facilities, Unit One	19.6	865	0.16
Lodi Energy Center [6]	26.6	64,453	12.24
Contracts, Exchanges and Bilaterals[3]	70.0	330,290	62.73
Total	169.8	526,548[4] [5]	100.00%
Total Capacity and Energy Sold at Wholesale	N/A	74,223	
City System Requirement for Retail Load	143.2	452,325	

(1) Non-coincident capacity available.

(2) Entitlements, firm allocations and contract amounts.

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

(4) Units at Backbone Output.

(5) Includes supply from exchanges and line losses.

(6) Lodi Energy Center came online mid-year.

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,				
	2009	2010	2011	2012	2013
Number of Customers:					
Residential	22,465	21,981	22,251	22,244	22,369
Commercial	2,696	3,163	2,865	2,834	2,902
Industrial	37	31	39	37	39
Other	188	194	229	235	246
Total Customers	25,386	25,369	25,384	25,350	25,556
Kilowatt-Hour (kWh) Sales:					
Residential	153,487,430	150,811,587	144,256,683	149,814,375	151,814,834
Commercial	155,206,324	146,644,990	137,584,723	138,735,487	140,733,500
Industrial	131,059,764	125,000,860	128,072,575	135,620,441	131,473,405
Other	12,322,036	11,563,550	11,216,348	11,485,428	11,800,726
Total kWh sales	452,075,554	434,020,987	421,130,329	435,655,731	435,822,465
Revenues from Sale of Energy:					
Residential	$ 29,016,776	$ 27,642,200	$ 24,513,202	$ 25,606,368	$ 25,377,978
Commercial	26,883,557	24,901,257	21,870,624	21,814,073	21,816,149
Industrial	15,875,038	15,015,036	13,914,539	14,876,828	14,173,951
Other	2,224,567	2,105,196	1,868,985	1,954,099	1,861,567
Total Revenues from Sale of Energy:	$ 73,999,939	$ 69,663,689	$ 62,167,350	$ 64,251,368	$ 63,229,645
Peak Demand (MW)	117.4	119.6	123.9	116.0	123.3

Excludes revenues from California Energy Commission Tax.

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

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

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

	Outstanding Debt	Lodi's Participation[1]	Lodi's Share of Outstanding Debt
NCPA			
Hydroelectric Project	$ 383.0	10.37%[2]	$ 39.7
Capital Facilities Project Unit One	48.1	39.50	19.0
Lodi Energy Center Project	245.7	17.03	41.8
TANC			
COTP	343.2	1.92[3]	6.6
TOTAL*	$ 1,020.0	10.50%	$ 107.1

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

(1) Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without the written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.

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

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

Source: City of Lodi.

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

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

	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013
Operating Revenues					
Rate Revenue	$ 65,229	$ 62,613	$ 59,676	$ 61,658	$ 61,888
ECA Revenue	8,771	7,050	2,491	2,593	1,341
Other Revenue	1,195	625	1,140	969	745
Total Operating Revenue	75,195	70,288	63,307	65,220	63,974
Operating Expenses					
Purchased Power	46,405	37,943	35,282	39,416	39,191
Non-Power Costs [2]	11,965	12,006	13,115	10,748	12,018
Total Operating Expenses	58,370	49,949	48,397	50,164	51,209
Net Revenue Available for Debt Service	16,825	20,339	14,910	15,056	12,765
Parity Debt Service					
2002 C & D, 2008 A Bonds	9,960	7,194	7,232	7,291	8,414
Total Net Debt Service	9,960	7,194	7,232	7,291	8,414
Debt Service Coverage	1.69	2.83	2.06	2.07	1.52
Remaining Revenue Available for Other Purposes	6,865	13,145	7,678	7,765	4,351
Non-Operating Revenue/Expenses					
Greenhouse gas allowance					2,018
In-Lieu Transfer to General Fund	(6,942)	(6,977)	(6,977)	(6,977)	(6,977)
Net Cash Flow Before Capital Expenditures	(77)	6,168	701	788	(608)
Beginning Operating Reserve	14,513	13,854	25,899	28,455	30,384
Changes in GOR	(582)	5,877	1,854	1,141	1,306
Net Deposit/Withdrawal from Reserves	(77)	6,168	701	788	(608)
Ending Operating Reserve	$ 13,854	$ 25,899	28,454	30,384	31,082

Source: City of Lodi
(1) As defined in the Installment Purchase Contract, which may or may not be on the same basis as Generally Accepted Accounting Principles.
(2) Non-power costs include cost of services provided by other departments and does not include depreciation and amortization expense.

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

CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
RATE CHANGES

Effective Date	Percent Change
July 2013	Established Electric Vehicle and Industrial Equipment Charging Rates
April 2009	Established Economic Development Rates updated July 2013
December 2007	Established Solar Initiative Surcharge of $0.00125 per kilowatt-hour
August 2007	Implemented monthly Energy Cost Adjustment
December 2005	Average 17% increase across all rate classes
December 2002	4.5% average rate increase
August 2001	Increased MCA for all but contract customers: 10% to 12% rate change
June 2001	Implemented MCA for residential and small commercial: 8% to 10% rate change
December 1998	5.00% rate decrease for small commercial/industrial customers
May 1998	2.50% general rate increase to fund public benefit programs
September 1997	4.5 to 5.5 cents per kilowatt-hour, non-demand, non-time-use, contract rate available for new large commercial/industrial loads
December 1996	10% to 40% economic development discount on new small to medium commercial/industrial electric loads
November 1996	Economic Stimulus Rate Credit increased to 1.262 cents per kilowatt-hour from 0.4 cents per kilowatt-hour for largest primary service customers (estimated 19% reduction)

Source: City of Lodi.

ANNUAL REPORT FOR WASTEWATER UTILITY

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

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

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

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

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2013, 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 2012-13 Service Charge Revenue by User Type

User Type	2009	2010	2011	2012	2013	% of FY 12/13 Service Charge Revenue
Residential	22,227	21,974	21,956	21,864	21,959	76.6%
Commercial/Industrial	1,815	1,768	1,785	1,819	1,851	23.4%
Total All Users	24,042	23,742	23,741	23,683	23,810	100.0%

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 2012-13

User Type	Percentage of Total Annual Service Charge Revenue
Single Family Residential	60.4%
Multiple Family Residential	16.2%
Commercial/Industrial	23.4%
Total	100.0%

Source: City of Lodi

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

City of Lodi
Wastewater System
Largest Users by Service Charge Revenues
Fiscal Year 2012-13

User	Type of Business		Service Charge Revenue	Percentage of Total Annual Service Charge Revenue
Cottage Bakery	Specialty bakery, frozen dough	$	442,855	3.22%
Lodi Unified School District	K-12, adult education		280,907	2.04
General Mills	Cereals, bread mixes, snack foods		267,590	1.95
City of Lodi	Government		63,836	.46
Pacific Coast Producers	Private label fruit canning		49,641	.36
Miller Packing Company	Hot dog producer		40,551	.29
Lodi Memorial Hospital	Health Care		39,842	.29
Archer Daniels Midland	Agricultural processor		37,217	.27
Blue shield of California	Health Insurance		36,548	.27
Del Castillo Foods	Tortilla producer		25,946	.19
Total top ten users		$	1,284,933	9.34%
Total System		**$**	**13,747,216**	**100.00%**

Table 4 **A table showing the schedule of service charges.**

City of Lodi
Wastewater System
Schedule of Wastewater Service Charges

	Service Charge (effective July 16, 2009)	Service Charge (effective July 1, 2010	Service Charge (effective July 1, 2011)	Service Charge (effective July 1, 2012)
For Residential Users (per month):				
1 Bedroom	$20.81	$23.30	$24.47	$25.20
2 Bedrooms	27.74	31.07	32.62	33.60
3 Bedrooms	34.68	38.84	40.78	42.00
4 Bedrooms	41.61	46.61	48.93	50.40
5 Bedrooms	48.55	54.37	57.09	58.80
6 Bedrooms	55.48	62.14	65.24	67.20
7 Bedrooms	62.42	69.91	73.40	75.60
For Commercial/Industrial Users:				
Moderate Strength (annual per Sewage Service Unit (SSU)	$332.88	372.84	$391.44	$403.20
High Strength:				
Flow (annual per MG)	2,808.88	3,145.95	3,303.25	3,402.35
BOD (annual per 1,000 lbs.)	463.54	519.16	545.12	561.47
SS (annual per 1,000 lbs.)	289.83	324.61	340.84	351.07
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal.)	245.44	274.89	288.63	297.29
Septic Holding Tank Waste Outside City Limits (per 1,000 gal.)	521.03	583.55	612.73	631.11
Disposal to Storm Drain System (per MG)	257.80	288.74	303.18	312.28
Disposal to Industrial System:				
Flow (per MG, annual basis)	2,218.78	2,485.03	2,609.28	2,687.56
BOD (per 1,000 lbs., annual basis)	20.34	22.78	23.92	24.64
Winery Waste (per 1,000 gallons)	248.53	278.35	292.27	301.01

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

City of Lodi
Wastewater System
Historical Operating Results and Debt Service Coverage
Fiscal Years 2008-09 through 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13
Operating Revenues					
Charges for Services	$9,276,217	$11,513,389	$13,089,679	$13,280,216	$13,747,216
Non-Operating Revenues					
Interest Income	428,586	298,337	220,600	216,108	301,347
Rent	221,422				
Other	838,007	472,578	3,198,194	290,819	256,868
Total System Revenues	10,764,232	12,284,304	16,508,473	13,787,143	14,305,431
Operating Expenses					
Personnel services	2,984,049	2,800,891	3,257,618	3,130,012	3.089,930
Supplies, Materials and services	2,067,646	2,532,246	1,955,464	2,818,041	1,900,710
Utilities	869,129	847,167	758,934	710,622	683,508
Total Operating Expenses	5,920,824	6,180,304	5,972,016	6,658,675	5,674,148
System Net Revenues	4,843,408	6,104,000	10,536,457	7,128,468	8,631,283
Parity Debt Service					
2003 Installment Payments	426,022	381,400	381,393	379,170	381,122
2004 Installment Payments	2,134,856	2,138,700	2,147,600	2,139,350	1,705,213
2007 Installment Payments	1,591,200	1,631,500	1,588,750	1,599,050	1,598,950
2012 Installment Payments					374,519
Total Parity Debt Service	4,152,078	4,151,600	4,117,743	4,117,570	4,059,804
Debt Service Coverage	1.17	1.47	2.56	1.73	2.13
Non-Operating Expenses					
Transfers (In)/Out	1,451,478	1,451,478	1,451,480	(778,092)	1,451,480
Total Non-Operating Expenses	1,451,478	1,451,478	1,451,480	(778,092)	1,451,480
Net Cashflow Before Capital Expenditures	$(760,148)	$500,922	4,967,234	$3,788,990	$3,119,999

Source: Financial Services Division

Additional Indebtedness

The Wastewater Utility did not incur any additional indebtedness during the 2012-13 fiscal year which is payable from the system net revenues on a parity with the installment payments.

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

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

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

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

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2013, 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 79 of this Comprehensive Annual Financial Report.

Table 2 **A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST FIVE YEARS

	2009	2010	2011	2012	2013
Revenues:					
Taxes	$ 23,516,164	23,118,461	23,061,164	22,928,438	23,022,370
Licenses and permits	61,783	72,171	83,395	79,745	62,582
Intergovernmental revenues	8,967,410	7,772,071	10,032,523	10,449,364	10,531,871
Charges for services	1,055,137	1,343,199	1,035,220	682,156	1,105,178
Fines, forfeits and penalties	1,415,174	1,441,354	1,404,307	1,355,101	1,628,870
Investment and rental income	231,181	516,304	455,923	807,270	979,100
Miscellaneous revenue	446,404	462,592	480,028	286,125	393,299
Total revenues	35,693,253	34,726,152	36,552,560	36,588,199	37,723,270
Expenditures:					
Current:					
General government	6,922,096	6,411,741	6,478,159	6,007,327	5,943,192
Public protection	24,463,771	23,854,905	24,091,472	24,923,155	25,920,654
Public works	2,967,402	1,471,779	1,421,238	1,112,569	1,555,833
Library	1,499,720	1,322,052	1,357,473	1,380,972	1,410,657
Parks and recreation	2,160,035	2,234,349	2,191,102		
Debt service:					
Interest and fiscal charges	18,516	12,578	6,427		
Principal payments	129,487	135,425	141,576		
Total expenditures	38,161,027	35,442,829	35,687,447	33,424,023	34,830,336
Deficiency of revenues under expenditures	(2,467,774)	(716,677)	865,113	3,164,176	2,892,934
Other financing sources (uses):					
Transfers in	5,367,983	5,867,983	5,379,186	5,370,230	5,367,990
Transfers out	(4,442,883)	(4,632,278)	(4,383,110)	(8,391,858)	(6,584,665)
Total other financing sources (uses)	925,100	1,235,705	996,076	3,021,628	1,216,675
Net change in fund balances	(1,542,674)	519,028	1,861,189	142,548	1,676,259
Fund balances, beginning of year	5,308,862	3,766,188	4,285,216	6,146,405	6,288,953
Fund balances, end of year	$ 3,766,188	4,285,216	6,146,405	6,288,953	7,965,212

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

Please refer to the table shown in the Statistical Section on page 115.

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 118.

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 117.

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, 2013

Bargaining Units	Employee Paid	City Paid	Total Employee Share
Council appointees	7.0%	%	7.0%
Executive management	7.0		7.0
Confidential mid-management	3.3	3.7	7.0
Confidential	3.3	3.7	7.0
Fire mid-management	3.0	6.0	9.0
Fire	5.3	3.7	9.0
Mid-management	3.3	3.7	7.0
General services	3.3	3.7	7.0
Maintenance and operators	3.3	3.7	7.0
IBEW		7.0	7.0
Police mid-management	9.0		9.0
Police	6.0	3.0	9.0
Dispatchers	3.0	4.0	7.0

ANNUAL REPORT FOR WATER UTILITY

The Lodi Water Utility has Continuing Disclosure requirements associated with its 2010 Series A and B Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Water Utility).

The annual report also contains the following four (4) tables as required in the Certificates:

1. A table setting forth the City's number of accounts and revenues by user type for the past five fiscal years.
2. A table showing the largest users by service charge revenues for the most recent fiscal year.
3. A table showing a schedule of selected rates effective January 1, 2013.
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, 2013, 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

	Commercial/Industrial/ Municipal		Residential	
Year Ending December 31	**Number of Accounts**	**Revenue**	**Number of Accounts**	**Revenue**
2007	1,445	$ 2,043,731	21,533	$ 8,715,928
2008	1,470	2,184,496	21,449	9,429,594
2009	1,382	2,188,486	21,577	9,600,129
2010	1,383	2,097,001	21,622	9,604,412
2011	1,396	2,169,967	21,593	9,706,537
2012	1,432	2,329,957	23,399	8,411,315

Source: City of Lodi

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

City of Lodi
Water System
Largest Users by Service Charge Revenues
Fiscal Year 2012-13

User	Type of Business		Service Charge Revenue	Percentage of Total Annual Service Charge Revenue
Lodi Unified School District	K-12, adult education	$	264,950	2.13%
City of Lodi	Government		215,680	1.73
Pacific Coast Producers	Private label fruit canning		140,472	1.13
General Mills	Cereals, bread mixes, snack foods		69,538	0.56
Cottage Bakery	Specialty bakery, frozen dough		62,835	0.51
Lodi Memorial Hospital	Health care		47,103	0.38
Heartland Steel Products	Steel products		20,142	0.16
Temple Baptist Church	Church		16,255	0.13
Miller Packing Company	Hot dog producer		14,341	0.11
CalTrans	Government		14,316	0.11
Subtotal Top Ten Users		$	865,632	6.95%
TOTAL SYSTEM		$	12,441,039	100.00%

Table 3 **A table showing selected rates effective January 1, 2013.**

CITY OF LODI
WATER SYSTEM
Selected Rates Effective January 1, 2013

Percent Increase	Current
Flat Rates ($/month)	
Single Family Residential Unit ($/month)	
1 Bedroom	$29.17
2 Bedroom	$35.03
3 Bedroom	$41.99
Metered Water Rates	
Service Charge ($/month)	
Single Family Residential	
Up to 3/4" Meter	$23.20
Multi-Family and Non-Residential	
1" Meter	$37.66
1 1/2" Meter	$58.77
2" Meter	$73.43
Water Usage rates ($/CCF)	
Single Family Residential	
Tier 1 - 0 to 10 CCF/month	$0.90
Tier 2 - 11 to 50 CCF/month	$1.35
Tier 3 - Over 50CCF/month	$1.78
Multi-Family and Non-Residential	
All Water Usage	0.90

Source: City of Lodi.

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

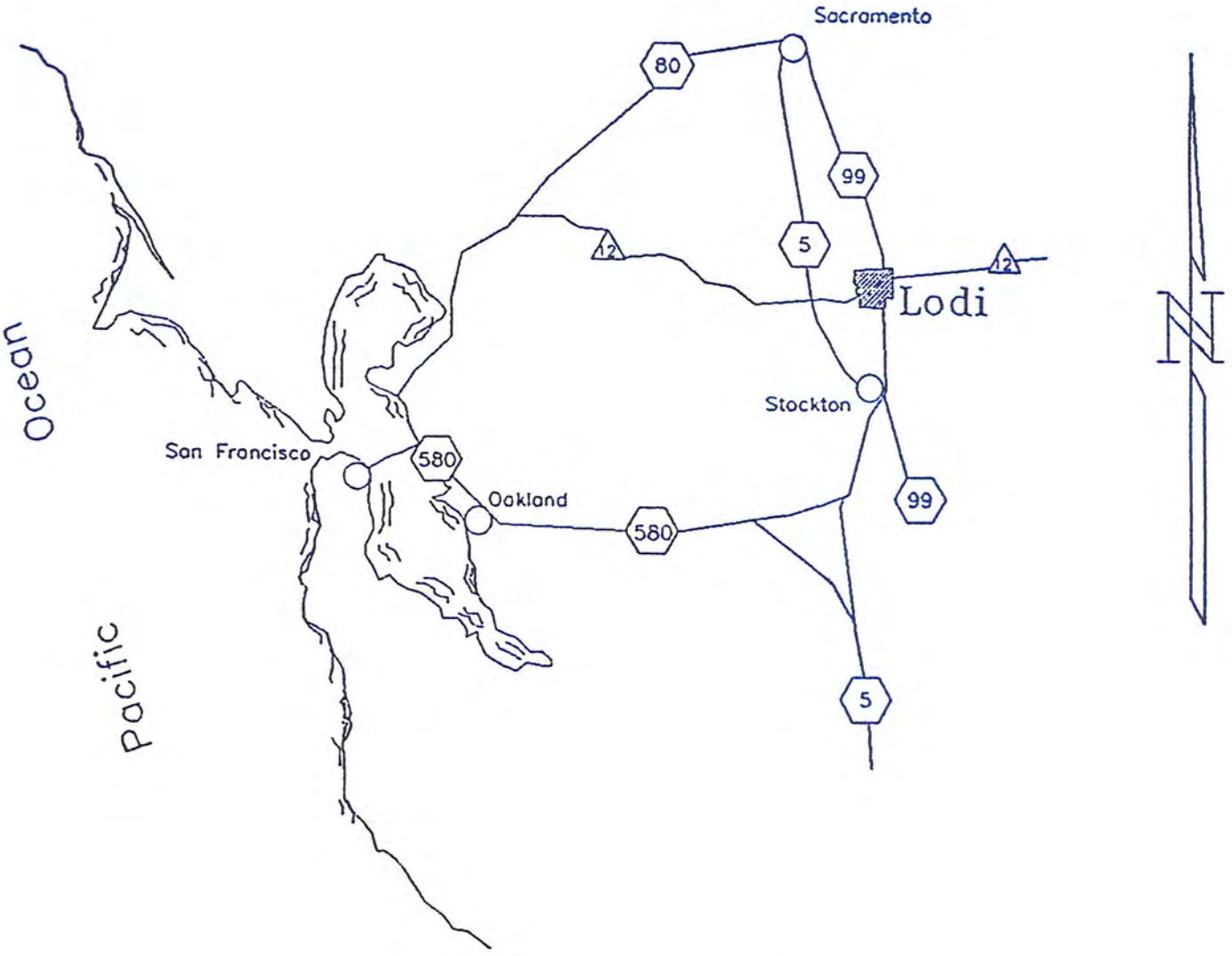
CITY OF LODI
WATER SYSTEM
Historical Operating results and Debt Service Coverage
Fiscal Years 2008-09 through 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13
Gross Revenues					
Water Sales [1]	$ 11,787,140	11,715,748	11,940,022	12,083,226	12,441,039
Investment Earnings	258,552	103,640	83,374	119,526	67,892
Water Impact Mitigation Fees	13,086	270,863	14,803	111,429	2,529
Meter Retrofit Installation Charges			1,653,399	675,815	585,965
Other Revenues [2]	350,950	372,034	359,979	285,093	269,335
Total Gross Revenues	12,409,728	12,462,285	14,051,577	13,275,089	13,366,850
Operating and Maintenance Expenses					
Personnel Services [3]	1,471,463	1,325,536	1,359,227	1,856,131	2,272,568
Supplies, Materials and Services [3]	2,490,875	1,981,880	2,590,222	1,781,622	2,882,547
New Treatment Plant Operations (net)					
Utilities	804,767	733,653	652,296	693,657	683,635
Administrative Overhead	1,060,122	1,060,122	1,060,120	1,060,120	1,060,120
Total O & M Expenses	5,827,227	5,101,191	5,661,865	5,391,530	6,898,870
Net Revenue Available for Debt Service	6,582,501	7,361,094	8,389,712	7,883,559	6,467,980
Debt Service					
1991 California DWR SRF loan [4]	228,012	228,025	1,433,395		
2010 Bonds [5]			849,968	2,304,811	2,335,360
Total Net Debt Service	228,012	228,025	2,283,363	2,304,811	2,335,360
Debt Service Coverage [6]					
Debt Service Coverage	28.87	32.28	3.67	3.42	2.77
Debt Service Coverage (excluding impact mitigation fees)	28.81	31.09	3.67	3.37	2.77
Net Remaining Revenues Available for Capital	6,354,489	7,133,069	6,106,349	5,578,748	4,132,620
Capital Improvement Projects					
Meter Retrofit Program [7]	582,000		919,555	6,325,558	6,536,687

Other Water System Improvements [8]	782,382	3,932,424	3,666,202	540,832	1,144,363
Total Capital Improvement Projects	1,364,382	3,932,424	4,585,757	6,866,390	7,681,050
Net Change in Reserve	4,990,107	3,200,645	1,520,592	(1,287,639)	(3,548,520)
Water Enterprise Fund [9]					
Beginning Cash Balance	17,621,590	13,469,170	14,120,605	12,807,412	12,465,350
Ending Cash Balance	$ 13,469,170	14,120,605	12,807,412	12,465,350	9,044,659

(1) Water sales reflect Council-adopted rate increases of 2.2% effective January 1, 2013.
(2) Includes rent, sales of City property, discounts, water reimbursements, and damage to property, water tap fees, DBCP reimbursements, and other miscellaneous revenues. DBCP reimbursements are expected to decline beginning in Fiscal Year 2012-13 as new plant becomes operational and groundwater draws diminish. PCE/TCE litigation revenues are excluded from Fiscal year 2005-06 through 2009-10. Fiscal year 2009-10 reflects one-time adjustments from prior years.
(3) PCE/TCE litigation expenses are excluded from Fiscal Year 2006-07 through Fiscal year 2010-11.
(4) Debt service on 1991 Loan was paid off in full on October 1, 2010.
(5) Reflects total debt service for the 2010 Water Revenue Bonds net of the 35% interest rate subsidy for the Series 2010B bonds.
(6) Coverage calculated based on Net Revenues divided by net Debt Service and Net Revenues less mitigation fees divided by Net Debt Service.
(7) Annual capital costs of transition to water meters. Program expected to be completed in Fiscal Year 2017-18.
(8) Excludes costs of the Project to be funded from proceeds of the Series 2010 Bonds.
(9) Water Enterprise Fund balance includes both operating and capital reserves and is presented on a cash basis. Cash position is expected to increase substantially upon completion of the water meter installation program.

Source: City of Lodi



LOCATION MAP

No Scale