



CITY OF LODI  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES, LOW CARBON TRANSIT OPERATIONS PROGRAM FUND  
AND TRANSIT ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2024

INDEPENDENT AUDITORS' REPORTS, FUND FINANCIAL  
STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION,  
AND COMPLIANCE REPORT

Focused  
on YOU



CITY OF LODI  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES, LOW CARBON TRANSIT OPERATIONS PROGRAM FUND  
AND TRANSIT ENTERPRISE FUND

Independent Auditors' Reports, Fund Financial Statements,  
Required Supplementary Information,  
and Compliance Report

For the Year Ended June 30, 2024

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Independent Auditors' Reports, Fund Financial Statements,  
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 and Compliance Report

For the Year Ended June 30, 2024

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CITY OF LODI  
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NON-TRANSIT PURPOSES, LOW CARBON TRANSIT OPERATIONS PROGRAM FUND  
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Independent Auditors' Reports, Fund Financial Statements,  
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For the Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Lodi  
Lodi, California

**Report on the Financial Statements**

***Modified and Unmodified Opinions***

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Fund and Measure K Fund, allocated for non-transit purposes, the Low Carbon Transit Operations Program (LCTOP) Fund and the Transit Enterprise Fund (collectively the "Funds") of the City of Lodi, California, (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Funds' financial statements as listed in the table of contents.

*Summary of Opinions*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Transportation Development Act Fund	Unmodified
Measure K Fund	Unmodified
Low Carbon Transit Operations Program Fund	Unmodified
Transit Fund	Modified

*Modified Opinions*

In our opinion, except for the possible effects of the matter discussed in the Basis for Modified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Funds of the City, as of June 30, 2024, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds of the City, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis Modified and Unmodified Opinions***

We conducted our audit of the financial statements of the Funds in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified and unmodified audit opinions.



To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Lodi  
Lodi, California

### *Matter Giving Rise to Modified Opinion*

The City has been incorrectly reporting cash-out activity to the California Public Employees' Retirement System (CalPERS). Although the activity has been reconciled to existing CalPERS pension-generated reports, the reports related to Governmental Accounting Standards Board (GASB) Statement No. 68 cannot be fully relied upon without the complete submission of activity by the City to CalPERS. According to GASB 68 and the associated CalPERS requirements, it is necessary that all pension-related activities, especially cash-out activities, are accurately reported to ensure that financial statements reflect true and fair values of pension liabilities. Compliance with Government Auditing Standards (GAS) also requires that public entities maintain accurate and complete records of all financial transactions and activities to avoid misstatements and ensure regulatory compliance. Consequently, inaccurate reporting increases the risk of misstatements in the City's financial statements, potentially leading to non-compliance with GASB 68 requirements, and affects the reliability of CalPERS pension reports, impacting the accuracy of reported pension liabilities and expenses. The impact of this departure on the pension liability, deferred inflows and outflows of resources, net position, and pension-related expense of the Funds has not been determined.

### ***Emphasis of Matter***

As discussed in Note 1, these financial statements present only the Funds of the City and do not purport to, and do not, present fairly the financial position of the City as a whole, as of June 30, 2024, and the changes in its financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Funds' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Lodi  
Lodi, California

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules and the required pension benefits schedules, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***Summarized Comparative Information***

We have previously audited the financial statements of the Funds of the City for the year ended June 30, 2023, and expressed an unmodified audit opinion on those financial statements in our report dated March 12, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2025 on our consideration of the Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' 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 Funds' internal control over financial reporting and compliance.

***LSL, LLP***

Sacramento, California  
December 23, 2025

CITY OF LODI  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES, and LOW CARBON TRANSIT OPERATIONS PROGRAM FUND  
Balance Sheet  
June 30, 2024, with Comparative Totals

	Transportation Development Act Fund	Measure K Fund	LCTOP Fund	Totals	
				2024	2023
<b>Assets:</b>					
Cash and cash equivalents	\$ -	\$ 2,275,351	\$ 116,629	\$ 2,391,980	3,457,223
Accounts receivable	665,897	1,711,702	-	2,377,599	1,173,411
Interest receivable	888	3,836	-	4,724	12,001
Due from other City funds	837,869	100,000	-	937,869	-
Prepaid items	-	-	-	-	41,749
<b>Total Assets</b>	<b>\$ 1,504,654</b>	<b>\$ 4,090,889</b>	<b>\$ 116,629</b>	<b>\$ 5,712,172</b>	<b>\$ 4,684,384</b>
<b>Liabilities and Fund Balances:</b>					
Liabilities:					
Accounts payable	\$ 49,441	\$ 96,130	\$ -	\$ 145,571	\$ 515,504
Total Liabilities	49,441	96,130	-	145,571	515,504
Fund Balances:					
Nonspendable fund balance	-	-	-	-	41,749
Restricted for street and road projects	-	3,994,759	-	3,994,759	3,525,497
Restricted for pedestrian and bicycle facilities	1,455,213	-	-	1,455,213	533,406
Restricted for LCTOP	-	-	116,629	116,629	68,228
Total Fund Balances	1,455,213	3,994,759	116,629	5,566,601	4,168,880
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,504,654</b>	<b>\$ 4,090,889</b>	<b>\$ 116,629</b>	<b>\$ 5,712,172</b>	<b>\$ 4,684,384</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LODI**  
**TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS**  
**NON-TRANSIT PURPOSES, and LOW CARBON TRANSIT OPERATIONS PROGRAM FUND**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**For the Year Ended June 30, 2024, with Comparative Totals**

	Transportation Development Act Fund	Measure K Fund	LCTOP Fund	Totals	
				2024	2023
<b>Revenues:</b>					
Local Transportation Fund:					
Streets and roads	\$ 1,561,793	\$ -	\$ -	\$ 1,561,793	\$ 557,141
Pedestrian and bicycle	165,897	-	-	165,897	87,337
Measure K Fund:					
Local street repair	-	1,344,438	-	1,344,438	1,642,563
Local street repair (safety)	-	218,862	-	218,862	-
Congestion relief	-	1,348,316	-	1,348,316	-
Pedestrian and bicycle	-	-	-	-	553,007
LCTOP Fund	-	-	143,810	143,810	-
Investment earnings	24,679	167,591	5,836	198,106	43,222
Other revenues	-	860	-	860	-
<b>Total Revenues</b>	<b>1,752,369</b>	<b>3,080,067</b>	<b>149,646</b>	<b>4,982,082</b>	<b>2,883,270</b>
<b>Expenditures:</b>					
Local street repair	-	1,510,124	-	1,510,124	1,622,652
Pedestrian and bicycle projects	80,562	-	-	80,562	15,724
LCTOP contractual services	-	-	101,245	101,245	145,867
<b>Total Expenditures</b>	<b>80,562</b>	<b>1,510,124</b>	<b>101,245</b>	<b>1,691,931</b>	<b>1,784,243</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,671,807	1,569,943	48,401	3,290,151	1,099,027
<b>Other Financing Sources (Uses):</b>					
Transfers from other City of Lodi funds	-	-	-	-	175,000
Transfers to other City of Lodi funds	(750,000)	(1,142,430)	-	(1,892,430)	(2,125,225)
<b>Total Other Financing Sources (Uses)</b>	<b>(750,000)</b>	<b>(1,142,430)</b>	<b>-</b>	<b>(1,892,430)</b>	<b>(1,950,225)</b>
Net Change in Fund Balances	921,807	427,513	48,401	1,397,721	(851,198)
Fund Balances, Beginning of Year	533,406	3,567,246	68,228	4,168,880	5,020,078
<b>Fund Balances, End of Year</b>	<b>\$ 1,455,213</b>	<b>\$ 3,994,759</b>	<b>\$ 116,629</b>	<b>\$ 5,566,601</b>	<b>\$ 4,168,880</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LODI**  
**TRANSIT ENTERPRISE FUND**  
**Statement of Net Positions**  
**June 30, 2024, with Comparative Totals**

	<b>2024</b>	<b>2023</b>
<b>Assets:</b>		
Current Assets:		
Cash and cash equivalents	\$ 926,920	\$ 39,659
Accounts receivable	4,730,413	5,401,922
Interest receivable	28	-
Prepaid	-	176
Due from other agencies	1,700,000	1,400,000
Lease receivable	43,080	42,454
<b>Total Current Assets</b>	<b>7,400,441</b>	<b>6,884,211</b>
Noncurrent Assets:		
Lease receivable	77,575	120,655
Capital assets		
Land and other assets not being depreciated	686,513	693,552
Facilities, vehicles and equipment, net of depreciation	16,931,468	14,121,766
<b>Total Capital Assets</b>	<b>17,695,556</b>	<b>14,935,973</b>
<b>Total Assets</b>	<b>25,095,997</b>	<b>21,820,184</b>
<b>Deferred Outflow of Resources:</b>		
Related to pensions	241,370	269,984
<b>Total Deferred Outflows of Resources</b>	<b>241,370</b>	<b>269,984</b>
<b>Liabilities:</b>		
Accounts payable	640,177	965,334
Accrued salaries and wages	228,516	254,846
Due to other City funds	100,000	-
Net pension liability	967,018	1,000,103
<b>Total Liabilities</b>	<b>1,935,711</b>	<b>2,220,283</b>
<b>Deferred Inflow of Resources:</b>		
Related to pensions	3,587	7,853
Leases	118,715	161,698
<b>Total Deferred Inflows of Resources</b>	<b>122,302</b>	<b>169,551</b>
<b>Net Position:</b>		
Invested in capital assets	17,617,981	14,815,318
Restricted net position	5,661,373	4,885,016
<b>Total Net Position</b>	<b>\$ 23,279,354</b>	<b>\$ 19,700,334</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LODI**  
**TRANSIT ENTERPRISE FUND**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2024, with Comparative Totals**

	<b>2024</b>	<b>2023</b>
<b>Operating Revenues:</b>		
Fares	\$ 102,678	\$ 98,363
<b>Total Operating Revenues</b>	<b>102,678</b>	<b>98,363</b>
<b>Operating Expenses:</b>		
Operations	3,381,447	3,490,954
Vehicle maintenance	571,306	363,604
General administration	413,844	651,630
Depreciation	1,087,423	1,025,365
<b>Total Operating Expenses</b>	<b>5,454,020</b>	<b>5,531,553</b>
Operating Loss	(5,351,342)	(5,433,190)
<b>Nonoperating Revenues:</b>		
Local transportation funds	4,425,000	4,647,357
Proposition 1B (PTMISEA)	-	26,978
State of Good Repair	287,077	-
Federal Transit Administration grant	3,667,068	1,400,040
State Transit Assistance grant	90,690	85,000
Measure K funds	400,000	400,000
Miscellaneous Revenues	338,521	336,783
<b>Total Nonoperating Revenues</b>	<b>9,208,356</b>	<b>6,896,158</b>
Income before Transfers	3,857,014	1,462,968
Transfers to other City of Lodi Funds	(277,994)	(244,958)
Change in Net Position	3,579,020	1,218,010
<b>Net Position:</b>		
Beginning of Year, as previously reported	19,700,334	18,482,324
<b>End of Year</b>	<b>\$ 23,279,354</b>	<b>\$ 19,700,334</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LODI**  
**TRANSIT ENTERPRISE FUND**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2024, with Comparative Totals**

	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 102,678	\$ 98,363
Cash payments for general and administrative expenses	(448,911)	(389,128)
Cash payments to suppliers for goods and services	(4,177,734)	(3,446,697)
<b>Net Cash Used for Operating Activities</b>	<b>(4,523,967)</b>	<b>(3,737,462)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Proposition 1B (PTMISEA)	-	26,978
Local transportation funds	4,645,954	(3,187,794)
Federal transit administration funds	3,367,068	1,473,924
State transit assistance funds	90,690	85,000
Measure K funds	400,000	400,000
Other non-operating revenues	338,516	336,783
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>9,129,305</b>	<b>(865,109)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Local transportation funds - capital	450,000	3,813,042
Transfers to other City funds	(277,994)	(244,958)
Payments for the acquisition of capital assets	(3,890,083)	(293,552)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>(3,718,077)</b>	<b>3,274,532</b>
Net Increase (Decrease) in Cash and Cash Equivalents	887,261	(1,328,039)
Cash and Cash Equivalents, Beginning of Year	39,659	1,367,698
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 926,920</b>	<b>\$ 39,659</b>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>		
Operating loss	\$ (5,351,342)	\$ (5,433,190)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	1,087,423	1,025,365
(Increase) decrease in prepaid	176	1,379
Increase (decrease) in accounts payable	(325,157)	406,482
Increase (decrease) in accrued salaries and wages	(26,330)	(16,444)
Change in pension related items	(8,737)	278,946
Total Adjustments	827,375	1,695,728
<b>Net Cash Used for Operating Activities</b>	<b>\$ (4,523,967)</b>	<b>\$ (3,737,462)</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LODI  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES, LOW CARBON TRANSIT OPERATIONS PROGRAM FUND  
AND TRANSIT ENTERPRISE FUND  
Notes To Financial Statements  
For the Year Ended June 30, 2024**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Transportation Development Act (TDA) Fund and Measure K Fund, allocated for non-transit purposes, Low Carbon Transit Operations Program Fund (LCTOP) and the Transit Enterprise Fund (collectively, the Funds) of the City of Lodi (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the City are described below.

**A. Reporting Entity**

The City receives funds under the provisions of the Transportation Development Act (TDA) from the San Joaquin County Local Transportation Fund (LTF) under Article 3, Section 99234 for pedestrian and bicycle facilities. The funds provided under Article 3, Section 99234 represents amounts set aside to be allocated for pedestrian and bicycle facilities within the jurisdictions of San Joaquin County and represent up to 2% of the available funds countywide. The City's Transportation Development Act Fund is used to account for these TDA funds received by the City for non-transit purposes, which is reflected in these financial statements of the Transportation Development Act Fund allocated for non-transit purposes.

The City receives funds from an ordinance (Measure K) passed by San Joaquin County voters resulting in sales tax increases of one-half of one percent for transportation improvements. The San Joaquin Council of Governments (SJCOG), acting as the Local Transportation Authority, oversees the collection and distribution of the sales tax in accordance with the thirty- year transportation expenditure plan. The plan calls for street repairs, safety and operational improvements on streets and roads, projects to reduce street and highway congestion, and the promotion of passenger rail and bus services as an alternative to travel by automobile. The City's Measure K Transportation Tax Fund is used to account for these funds, which is reflected in these financial statements of the Measure K Fund.

The City also receives funds under the provisions of the TDA from the San Joaquin County LTF under Article 8, Section 99400(c) and (e) and State Transit Assistance (STA) under Article 4, Section 6731(b) for contracted public transportation. The STA funds are to be used for public transportation purposes only. The City's Article 8 LTF funds are for the support of public transportation systems as defined in the TDA. In addition to TDA funding, the City receives revenues from Federal Transit Administration (FTA) grants. The City's Transit Fund is used to account for TDA funds received by the City for contracted public transportation, which is reflected in these financial statements as the Transit Enterprise Fund. The City operates dial-a-ride transportation services as well as fixed route services for the general public. The City contracts with MV Transportation, Inc., for the operation of its transportation service.

The City also receives funds from the Low Carbon Transit Operations Program (LCTOP) created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Approved projects in LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. For agencies whose service area includes disadvantaged communities, at least 50 percent of the total money received shall be expended on projects that will benefit disadvantaged communities. Senate Bill 862 continuously appropriates five percent of the annual auction proceeds in the Greenhouse Gas Reduction Fund (Fund) for LCTOP, beginning in 2015-16.

The accompanying financial statements present only the Funds of the City and are not intended to present fairly the financial position, changes in financial position, or cash flows of the City in conformity with accounting principles generally accepted in the United States of America.

**CITY OF LODI  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES, LOW CARBON TRANSIT OPERATIONS PROGRAM FUND  
AND TRANSIT ENTERPRISE FUND  
Notes To Financial Statements  
For the Year Ended June 30, 2024**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The TDA, Measure K and LCTOP Funds are governmental funds specifically categorized as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Transit Enterprise Fund is a proprietary fund specifically categorized as an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector. The City uses an enterprise fund to account for its transit operations because fees are charged to external users for services provided.

**C. Measurement Focus and Basis of Accounting**

The TDA, Measure K and LCTOP Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available and expenditures are recognized when the fund liabilities are incurred. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City uses an availability period of 120 days. Revenues that are susceptible to accrual include LTF allocations and interest income.

The Transit Enterprise Fund is classified as an enterprise fund using the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Transit Enterprise Fund reports grant advances on its statement of net position. Grant advances for this fund arise when potential revenue, designated for a specific purpose, has been received prior to the eligibility requirements being met. In subsequent periods, when the eligibility requirements have been met, the liability for grant advances is removed from the statement of net position and revenue is recognized.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Transit Enterprise Fund are passenger fares. Operating expenses include the cost of vehicle maintenance, administrative expenses, and depreciation on capital assets and equipment. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**CITY OF LODI  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
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AND TRANSIT ENTERPRISE FUND  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Cash and Cash Equivalents**

All City monies are invested in a cash and investments pool, whereby funds can spend cash at any time without prior notice or penalty. Therefore, for purposes of the statement of cash flows, all enterprise fund cash on hand and in the pool (including restricted assets) are considered cash and cash equivalents.

**E. Net Position/Fund Balance**

The financial statements of the Transit Enterprise Fund utilize a net position presentation. At June 30, 2024, net position is categorized as follows:

- *Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents amounts with external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The City follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent. At June 30, 2024, fund balance is categorized as follows:

- *Nonspendable Fund balance* – represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- *Restricted Fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**F. Capital Assets**

All purchased capital assets are valued at cost where historical cost records are available and at an estimated historical cost where no historical records exist.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of all capital assets in the Transit Enterprise Fund is computed using the straight-line method over their estimated useful lives. Estimated useful lives of equipment range from 5-20 years and estimated useful lives of vehicles range from 5-15 years.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Grants**

Grant revenues and receivables are recorded when eligibility requirements, which have been imposed by the provider, have been met. Grant sources include FTA, STA, and LTF. The LTF and STA were created by the State Legislature under the TDA.

**H. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

**I. Contingencies**

The City receives funding for specific purposes that are subject to review and audit by the granting agencies funding source. Such audits could result in a request for reimbursement for expenditures disallowed under terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

The City is party to claims and lawsuits arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the funds.

**J. Leases**

Lessor

The City is a lessor for leases of special purpose facilities, office and commercial space, and land. The City recognizes leases receivable and deferred inflows of resources in the financial statements. The Transit Enterprise Fund has two agreements as the lessor for the fiscal year ended June 30, 2024.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in financial position and operations of the City’s TDA, Measure K and LCTOP Funds, along with the Transit Fund. There have been changes made to classifications of this comparative information to be consistent with the current year presentation of the LCTOP funding.

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents balances are held in the City’s cash and investment pool. Interest is allocated to its various funds based upon average cash balances. Investments held in the City’s cash management pool are available on demand to the City’s Funds and are stated at fair value. Information regarding categorization of investments can be found in the City’s financial statements.

**NOTE 3: CAPITAL ASSETS**

Capital assets and accumulated depreciation at June 30, 2024, are as follows:

	Balances June 30, 2023	Transfers and Additions	Transfers and Deletions	Balances June 30, 2024
Capital Assets Not Being Depreciated				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Construction in Progress	293,552	148,128	(155,167)	286,513
Total Capital Assets, Not Being Depreciated	<u>693,552</u>	<u>148,128</u>	<u>(155,167)</u>	<u>686,513</u>
Capital Assets Being Depreciated				
Building and Improvements	21,190,505	155,167	-	21,345,672
Transit Vehicles	7,683,905	3,698,816	(2,837,393)	8,545,328
Equipment	2,392,237	43,142	-	2,435,379
Total Capital Assets, Being Depreciated	<u>31,266,647</u>	<u>3,897,125</u>	<u>(2,837,393)</u>	<u>32,326,379</u>
Less: Accumulated Depreciation	<u>(17,144,881)</u>	<u>(1,087,423)</u>	<u>2,837,393</u>	<u>(15,394,911)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,121,766</u>	<u>2,809,702</u>	<u>-</u>	<u>16,931,468</u>
Total Capital Assets	<u>\$ 14,815,318</u>	<u>\$ 2,957,830</u>	<u>\$ (155,167)</u>	<u>\$ 17,617,981</u>

Depreciation expense was \$1,087,423 for the fiscal year ended June 30, 2024.

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**NOTE 4: OTHER FUNDING SOURCES**

**A. State of Good Repair (SGR)**

The State of Good Repair & Accountability Act of 2017 was established to provide funds annually for aging infrastructure, investments in congested commute and freight corridors and to improve transit service. Caltrans is legislated to manage and administer the State of Good Repair (SGR) program. The State Controller’s Office publishes annually estimated funding according to population and farebox revenues. The State Controller’s Office issues quarterly payment to the San Joaquin Council of Governments who in turn pays the Regional Transit Authority for allocation to the jurisdictions. The 99313 portion of the allocations is allocated based on a Board approved allocation formula for the fiscal year. The 99314 portion is allocated based on the SCO formula. The funds are held with the County Treasurer, and jurisdictions are allowed to draw down from available funds on a reimbursement basis. Caltrans requests that the jurisdictions fully expend the SGR funds within a seven-year period.

Amounts held by the City and available for draw as of June 30, 2024, are composed of the following:

	<u>Amount</u>
<b>Balance available - beginning of the year</b>	\$ 518,159
<b>Revenue:</b>	
SGR funds received	104,841
Interest earned on SGR deposits through June 30, 2024	4,090
<b>Expenses:</b>	
Expenses	<u>(287,077)</u>
<b>Balance available - end of the year</b>	<u>\$ 340,013</u>

**B. Low Carbon Transit Operations Program (LCTOP)**

Annual audits of public transportation operators required under the Transportation Development Act (TDA), per PUC 99245, must include verification of receipt and appropriate expenditure of funds. Lead Agencies receiving LCTOP funds in a fiscal year for which a TDA audit is conducted must submit a copy of the audit to Caltrans by December 31st, six months after the close of the fiscal year (closes June 30) Caltrans will make the audits available to the Legislature and the State Controller’s Office (SCO) as needed. Lead agencies may request a 90-day extension from the December 31st deadline to March 31st. They must notify Caltrans in writing via e-mail. Project leads who fail to submit an expanded TDA audit documenting all LCTOP funding allocated to date will not receive future LCTOP allocations until the required document(s) have been submitted to Caltrans.

The balance remaining at June 30, 2024 is composed of the following:

	<u>Amount</u>
<b>Balance available - beginning of the year</b>	\$ 68,228
<b>Revenue:</b>	
LCTOP funds received	143,810
Interest earned on LCTOP deposits through June 30, 2024	5,836
<b>Expenses:</b>	
Expenses	<u>(101,245)</u>
<b>Balance available - end of the year</b>	<u>\$ 116,629</u>

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**NOTE 5: PERFORMANCE OBJECTIVES**

SJCOG has implemented performance objective requirements including a measure of operating cost per revenue hour, passengers per revenue hour, and subsidy per passenger. The cost per revenue hour and subsidy per passenger are not to exceed thresholds, while the passenger per revenue hour is a minimum threshold. The City, as a transit non-operator claimant, is required by SJCOG to attain at least two out of three performances objectives. As of June 30, 2024, the City's performance requirements are to have an operating cost of less than \$115.22 an hour; carry more than 9.2 passengers/hour; and a subsidy per passenger of less than \$6.38. However, assembly Bill No. 90 issued on June 29, 2020 by the California Legislature waived the required fare revenue ratio requirement for fiscal years 2020-21, 2021-22, 2022-23, 2023-24, and 2025-26.

	<u>2024</u>
<b>Factors in Determining Performance Measures:</b>	
Total Operating Costs	\$ 4,563,558
Less TDA Eligible Exclusions	
Depreciation	<u>(1,087,423)</u>
Net TDA Operating Cost	<u>\$ 3,476,135</u>
Revenue Hours	(a)
Passengers	(a)
Fare Revenue	102,678
Federal Operating Revenue	1,700,000
Local Operating Revenue (Measure K or General Fund)	<u>400,000</u>
Fare Revenue + Federal Operating Revenue + Measure K Operating Revenue	<u>\$ 2,202,678</u>

<b>Performance Measures:</b>	
Cost per Revenue Hour <sup>(1)</sup>	(a)
Passengers per Revenue Hour <sup>(2)</sup>	(a)
Subsidy per Passenger <sup>(3)</sup>	(a)

(a) Due to AB 90 the City of Lodi has not been required to report this information.

<sup>(1)</sup>Cost per Revenue Hour is calculated as:

Net TDA Operating Cost/Revenue Hours

<sup>(2)</sup>Passengers per Revenue Hour is calculated as:

Passengers/Revenue Hours

<sup>(3)</sup>Subsidy per Passenger is calculated as:

Net Operating Cost - (Fare Revenue + Federal Operating Revenue + Measure K Operating Revenue)

Passengers

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**NOTE 6: PENSION PLAN**

**A. Plan Description**

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

**B. Benefits Provided**

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

The Plan’s provisions and benefits in effect at June 30, 2024, are summarized as follows:

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

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**NOTE 6: PENSION PLAN (CONTINUED)**

**C. Employees Covered**

At June 30, 2024, the most recent actuarial valuation available, the following employees were covered by the benefit of the City's Plan:

	Miscellaneous Plan*
Inactive employees or beneficiaries currently receiving benefits	473
Inactive employees entitled to but not yet receiving benefits	277
Active Employees	280
	<hr/>
Totals	1030
	<hr/> <hr/>

\*Including the Transit Enterprise Fund employees.

**D. Contributions**

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

The Transit Enterprise Fund's contribution to the Plan during the measurement period was \$87,304, which was recognized as a reduction to the net pension liability for the fiscal year ended June 30, 2024.

**E. Net Pension Liability**

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

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

The net pension liabilities are liquidated by the fund that has recorded the liability only when matured. The long-term portion of the net pension liability is liquidated primarily by the City's General Fund.

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**NOTE 6: PENSION PLAN (CONTINUED)**

**F. Actuarial Assumptions**

For the measurement period ended June 30, 2023, the total pension liability was determined by rolling forward the June 30, 2022, total pension liability. The June 30, 2022, total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous Plan <sup>(1)</sup>
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Investment Rate of Return	7.00%

Mortality Derived using CalPERS Membership Data for all Funds <sup>(3)</sup>

<sup>(1)</sup> Actuarial assumptions are the same for all benefit tiers (Classic Tier I, Classic Tier II, and PEPR)

<sup>(2)</sup> Net of pension plan investment expenses, including inflation

<sup>(3)</sup> The mortality table used was developed based on the CalPERS' specific data. The table includes 20 years of projected mortality improvements using Society of Actuaries Scale BB. For more details on the table, please refer to the CalPERS 2017 experience study report available on CalPERS' website.

**G. Discount Rate**

The discount rate used to measure the total pension liability was 6.90% for the Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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**NOTE 6: PENSION PLAN (CONTINUED)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<b>Asset Class</b>	<b>Current Target Allocation</b>	<b>Real Return 1, 2</b>
PERF	(2.80%)	9.30%
Public Equity	41.40%	17.50%
Income	29.90%	3.70%
Private Equity	15.60%	10.90%
Real Assets	13.10%	(7.10%)
Private Debt	2.80%	17.00%

(1) An expected inflation of 2.30% used for this period.  
(2) Figures are based on the 2021 Asset Liability Management study.

**I. Changes in the Net Pension Liability**

The changes in the net position liability for the Transit Enterprise Fund follows:

<b>Miscellaneous Plan:</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Position Liability</b>
<b>Balance at June 30, 2022 (Measurement Date)</b>	<b>\$ 2,873,621</b>	<b>\$ 1,587,550</b>	<b>\$ 1,000,103</b>
<b>Changes in the year:</b>			
Service Cost	54,982	-	54,982
Interest on total pension liability	123,870	-	123,870
Changes of Assumptions	4,187	-	4,187
Differences between expected and actual experience	42,993	-	42,993
Contribution- employer	-	88,052	(88,052)
Contribution- employee	-	39,513	(39,513)
Net Investment income <sup>(2)</sup>	-	133,130	(133,130)
Benefit payments, including refunds of employee contributions	(165,878)	(165,878)	-
Other changes in allocation factors	-	-	-
Other changes in fiduciary net position	-	(1,578)	1,578
<b>Net changes during measurement period</b>	<b>60,155</b>	<b>93,239</b>	<b>(33,085)</b>
Balance at June 30, 2023 (Measurement Date)	<b>\$ 2,933,776</b>	<b>\$ 1,680,789</b>	<b>\$ 967,018</b>

**CITY OF LODI  
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**NOTE 6: PENSION PLAN (CONTINUED)**

**J. Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	<u>Miscellaneous Plan</u>	
1% Decrease		5.90%
Net Pension Liability	\$	1,378,990
Current Discount Rate		6.90%
Net Pension Liability	\$	967,108
1% Increase		7.90%
Net Pension Liability	\$	626,000

**K. Pension Plan Fiduciary Net Position**

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

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

For the fiscal year ended June 30, 2024, the Transit Enterprise Fund recognized pension expense of \$278,946 for the Plan. At June 30, 2024, the Transit Enterprise Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Total Enterprise Fund</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 82,401	\$ -
Differences Between Actual and Expected Experience	29,124	3,587
Changes in Assumptions	27,873	-
Net Differences Between Projected and Actual Earnings on Plan Investments	101,972	-
Total	<u>\$ 241,370</u>	<u>\$ 3,587</u>

The \$82,401 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the Transit Enterprise Fund's net pension liability in the year ending June 30, 2025.

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**NOTE 6: PENSION PLAN (CONTINUED)**

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement periods ended	Transit Enterprise Fund
2024	\$ 56,203
2025	24,141
2026	72,345
2027	2,693
Total	<u>\$ 155,382</u>

**NOTE 7: LEASES**

**A. Lease receivable**

On July 1, 2021, the City entered into a 67-month lease as Lessor for the use of World of Wonders Science Museum. An initial lease receivable was recorded in the amount of \$68,631. As of June 30, 2024, the value of the lease receivable is \$31,846. The lessee is required to make monthly variable principal and interest payments of \$1,000 based on a CPI index of 3.00%. The lease has an interest rate of 0.20%. The value of the deferred inflow of resources as of June 30, 2024 was \$31,755, and the City recognized lease revenue of \$12,292 during the fiscal year. The lessee has one extension option for 36 months.

On May 1, 2022, the City entered into a 60-month lease as Lessor for the use of The Village. An initial lease receivable was recorded in the amount of \$153,458. As of June 30, 2024 the value of the lease receivable is \$88,809. The lessee is required to make monthly fixed payments of \$2,688. The lease has an interest rate of 1.98%. The value of the deferred inflow of resources as of June 30, 2024 was \$86,960, and the City recognized lease revenue of \$30,692 during the fiscal year.

The future lease revenue and related interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 43,080	\$ 1,529	\$ 44,609
2026	43,719	891	44,610
2027	33,856	247	34,103
Total	<u>\$ 120,655</u>	<u>\$ 2,667</u>	<u>\$ 123,322</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LODI**  
**TRANSIT ENTERPRISE FUND**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**As of June 30, For the Last Ten Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 27,767	\$ 34,335	\$ 29,986	\$ 34,823
Interest	131,113	137,486	152,862	157,211
Changes of Benefits Terms	-	-	-	-
Difference between Expected and Actual Experience	-	(18,865)	6,596	(4,845)
Changes in Assumptions	-	(33,097)	127,820	128,233
Benefit Payments, Including				
Refunds of Employee Contributions	-	-	-	-
Other changes in allocation factors	(86,582)	(93,563)	(105,126)	(111,065)
<b>Net Change in Total Pension Liability</b>	<b>72,298</b>	<b>26,296</b>	<b>212,138</b>	<b>204,357</b>
<b>Total Pension Liability - Beginning</b>	<b>1,802,761</b>	<b>1,875,059</b>	<b>1,901,355</b>	<b>2,113,493</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 1,875,059</b>	<b>\$ 1,901,355</b>	<b>\$ 2,113,493</b>	<b>\$ 2,317,850</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - Employer	\$ 30,186	\$ 34,139	\$ 42,580	\$ 48,061
Contributions - Employee	13,866	13,490	15,099	16,315
Plan to Plan Resource Movement	-	-	-	-
Net Investment Income	215,615	32,259	7,828	165,215
Benefit Payments, Including				
Refunds of Employee Contributions	(86,582)	(93,563)	(105,126)	(111,065)
Administrative Expense	-	(1,659)	(935)	(4,232)
Other Miscellaneous Income/(Expense)	-	-	96,614	-
<b>Net Change in Fiduciary Net Position</b>	<b>173,085</b>	<b>(15,334)</b>	<b>56,060</b>	<b>114,294</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>1,279,399</b>	<b>1,452,484</b>	<b>1,437,150</b>	<b>1,493,210</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 1,452,484</b>	<b>\$ 1,437,150</b>	<b>\$ 1,493,210</b>	<b>\$ 1,607,504</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 422,575</b>	<b>\$ 464,205</b>	<b>\$ 620,283</b>	<b>\$ 710,346</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>77.46%</b>	<b>75.59%</b>	<b>70.65%</b>	<b>69.35%</b>
<b>Covered Payroll</b>	<b>\$ 186,718</b>	<b>\$ 188,909</b>	<b>\$ 211,959</b>	<b>\$ 216,575</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>226.32%</b>	<b>245.73%</b>	<b>292.64%</b>	<b>327.99%</b>

**Notes to Schedule:**

Benefit Changes:

There were no changes to benefit terms. However, the figures above do not include any liability impact that may have resulted from plan changes which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions:

In 2020, there were no changes. In 2019, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2018. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amount reported were based on the 7.5 percent discount rate.

2019	2020	2021	2022	2023	2024
\$ 33,825	\$ 39,261	\$ 38,120	\$ 28,761	\$ 54,406	\$ 54,982
149,799	184,381	177,684	135,789	220,144	123,870
536	-	-	-	-	4,187
9,299	8,270	(3,258)	6,440	(11,780)	42,993
(10,650)	-	-	-	91,548	-
-	(139,528)	(140,454)	(107,898)	(177,708)	(165,878)
(109,925)	122,597	(51,425)	(205,088)	212,625	-
<b>72,884</b>	<b>214,981</b>	<b>20,667</b>	<b>(141,996)</b>	<b>389,235</b>	<b>60,154</b>
<b>2,317,850</b>	<b>2,390,734</b>	<b>2,605,715</b>	<b>2,626,382</b>	<b>2,484,386</b>	<b>2,873,621</b>
<b>\$ 2,390,734</b>	<b>\$ 2,605,715</b>	<b>\$ 2,626,382</b>	<b>\$ 2,484,386</b>	<b>\$ 2,873,621</b>	<b>\$ 2,933,775</b>
\$ 47,139	\$ 66,532	\$ 68,227	\$ 70,925	\$ 87,304	\$ 88,052
15,284	18,248	21,709	19,613	37,878	39,513
(4)	-	-	-	-	-
183,575	120,645	89,532	304,676	(196,265)	133,130
(109,925)	(139,528)	(140,454)	(107,898)	(177,708)	(165,878)
(2,309)	(1,316)	(2,518)	(1,348)	(1,619)	(1,578)
(4,385)	4	-	-	-	-
<b>129,375</b>	<b>64,585</b>	<b>36,496</b>	<b>285,968</b>	<b>(250,410)</b>	<b>93,239</b>
<b>1,607,504</b>	<b>1,736,879</b>	<b>1,801,464</b>	<b>1,837,960</b>	<b>2,123,928</b>	<b>1,873,518</b>
<b>\$ 1,736,879</b>	<b>\$ 1,801,464</b>	<b>\$ 1,837,960</b>	<b>\$ 2,123,928</b>	<b>\$ 1,873,518</b>	<b>\$ 1,966,757</b>
<b>\$ 653,855</b>	<b>\$ 804,251</b>	<b>\$ 788,422</b>	<b>\$ 360,458</b>	<b>\$ 1,000,103</b>	<b>\$ 967,018</b>
72.65%	69.14%	69.98%	85.49%	65.20%	67.04%
\$ 218,613	\$ 220,928	\$ 242,831	\$ 240,971	\$ 181,174	\$ 320,659
299.09%	364.03%	324.68%	149.59%	552.01%	301.57%

See Notes to Required Supplementary Information



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<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 119,654	\$ 50,192	\$ 87,400
(119,654)	(50,192)	(82,401)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,999</u>
\$ 240,971	\$ 181,174	\$ 314,487
49.65%	27.70%	26.20%

**CITY OF LODI**  
**TRANSIT ENTERPRISE FUND**  
**Schedule of Pension Contributions**  
**As of June 30, For the Last Ten Fiscal Years (1)**

	2015	2016	2017	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 34,139	\$ 42,580	\$ 47,207	\$ 48,061	\$ 54,367	\$ 73,103	\$ 119,654
Contribution in Relation to the Actuarially Determined Contribution	(34,139)	(42,580)	(47,207)	(48,061)	(54,367)	(73,103)	(119,654)
Contribution Deficiency (Excess)	<u>\$ -</u>						
Covered Payroll	\$ 188,909	\$ 211,959	\$ 216,575	\$ 218,613	\$ 220,928	\$ 242,831	\$ 240,971
Contributions as a Percentage of Covered Payroll	18.07%	20.09%	21.80%	21.98%	24.61%	30.10%	49.65%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.

**Note to Schedule:**

Valuation Date: June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal Cost Method  
Amortization method: Level percentage of pay, a summary of the current policy is provided in the table below:

Driver	Source				
	(Gain)/Loss		Assumption/ Method Change	Benefit Change	Golden Handshake
	Investment	Non-investment			
Amortization Period	30 years	30 Years	20 Years	20 Years	5 Years
Escalation Rate					
- Active Plans	2.875%	2.875%	2.875%	2.875%	2.875%
- Inactive Plans	0%	0%	0%	0%	0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

Asset valuation method: Fair Value of Assets  
Inflation: 2.50%  
Payroll Growth: 2.75%  
Projected Salary Increases: Varies by Entry Age and Service  
Investment Rate of Return: 7.00% (net of pension plan investment and administrative expenses,  
Retirement Age: All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

Mortality: The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

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<u>2022</u>	<u>2023</u>
\$ 50,192	\$ 87,400
<u>(50,192)</u>	<u>(87,400)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 181,174	\$ 314,487
27.70%	27.79%

CITY OF LODI  
TRANSPORTATION DEVELOPMENT ACT FUND  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Local Transportation Fund:				
Streets and roads	\$ 500,000	\$ 500,000	\$ 1,561,793	\$ 1,061,793
Pedestrian and bicycle	101,870	101,870	165,897	64,027
Investment earnings	-	-	24,679	24,679
<b>Total Revenues</b>	<b>601,870</b>	<b>601,870</b>	<b>1,752,369</b>	<b>1,150,499</b>
<b>Expenditures:</b>				
Local street repair	-	151,271	-	151,271
Pedestrian and bicycle projects	30,000	94,090	80,562	13,528
<b>Total Expenditures</b>	<b>30,000</b>	<b>245,361</b>	<b>80,562</b>	<b>164,799</b>
Excess of Revenues Over Expenditures	<u>\$ 571,870</u>	<u>\$ 356,509</u>	<u>1,671,807</u>	<u>\$ 985,700</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other City of Lodi funds	-	-	(750,000)	(750,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(750,000)</b>	<b>(750,000)</b>
Net Change in Fund Balances	<u>\$ 571,870</u>	<u>\$ 356,509</u>	<u>921,807</u>	<u>\$ 235,700</u>
Fund Balances, Beginning of Year			<u>533,406</u>	
<b>Fund Balances, End of Year</b>			<b><u>\$ 1,455,213</u></b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF LODI**  
**MEASURE K FUND**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Measure K Fund:				
Local street repair	\$ 1,600,000	\$ 2,542,470	\$ 1,344,438	\$ (1,198,032)
Local street repair (safety)	-	-	218,862	218,862
Congestion relief	-	-	1,348,316	1,348,316
Pedestrian and bicycle	-	-	-	-
Investment earnings	-	-	167,591	167,591
Other revenues	-	-	860	860
<b>Total Revenues</b>	<b>1,600,000</b>	<b>2,542,470</b>	<b>3,080,067</b>	<b>537,597</b>
<b>Expenditures:</b>				
Local street repair	717,800	2,640,924	1,510,124	1,130,800
<b>Total Expenditures</b>	<b>717,800</b>	<b>2,640,924</b>	<b>1,510,124</b>	<b>1,130,800</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	882,200	(98,454)	1,569,943	(593,203)
<b>Other Financing Sources (Uses):</b>				
Transfers to other City of Lodi funds	-	-	(1,142,430)	(1,142,430)
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>(1,142,430)</b>	<b>(1,142,430)</b>
Net Change in Fund Balances	\$ 882,200	\$ (98,454)	427,513	\$ (1,735,633)
Fund Balances, Beginning of Year			3,567,246	
<b>Fund Balances, End of Year</b>			<b>\$ 3,994,759</b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF LODI  
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS  
NON-TRANSIT PURPOSES AND TRANSIT ENTERPRISE FUND**

**Notes To Required Supplementary Information  
For The Fiscal Year Ended June 30, 2024**

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**NOTE 1: BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the TDA and Measure K Funds, allocated for non-transit purposes. All appropriations lapse at year-end. The appropriate budget is prepared by department, function, and fund. The City Manager may make transfers of appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control is the object level within a fund.

CITY OF LODI  
TRANSPORTATION DEVELOPMENT ACT FUND  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Local Transportation Fund:				
Streets and roads	\$ 500,000	\$ 500,000	\$ 1,561,793	\$ 1,061,793
Pedestrian and bicycle	101,870	101,870	165,897	64,027
Investment earnings	-	-	24,679	24,679
<b>Total Revenues</b>	<b>601,870</b>	<b>601,870</b>	<b>1,752,369</b>	<b>1,150,499</b>
<b>Expenditures:</b>				
Local street repair	-	151,271	-	151,271
Pedestrian and bicycle projects	30,000	94,090	80,562	13,528
<b>Total Expenditures</b>	<b>30,000</b>	<b>245,361</b>	<b>80,562</b>	<b>164,799</b>
Excess of Revenues Over Expenditures	<u>\$ 571,870</u>	<u>\$ 356,509</u>	<u>1,671,807</u>	<u>\$ 985,700</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other City of Lodi funds	-	-	(750,000)	(750,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(750,000)</b>	<b>(750,000)</b>
Net Change in Fund Balances	<u>\$ 571,870</u>	<u>\$ 356,509</u>	<u>921,807</u>	<u>\$ 235,700</u>
Fund Balances, Beginning of Year			<u>533,406</u>	
<b>Fund Balances, End of Year</b>			<b><u>\$ 1,455,213</u></b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF LODI  
MEASURE K FUND  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Measure K Fund:				
Local street repair	\$ 1,600,000	\$ 2,542,470	\$ 1,344,438	\$ (1,198,032)
Local street repair (safety)	-	-	218,862	218,862
Congestion relief	-	-	1,348,316	1,348,316
Pedestrian and bicycle	-	-	-	-
Investment earnings	-	-	167,591	167,591
Other revenues	-	-	860	860
<b>Total Revenues</b>	<b>1,600,000</b>	<b>2,542,470</b>	<b>3,080,067</b>	<b>537,597</b>
<b>Expenditures:</b>				
Local street repair	717,800	2,640,924	1,510,124	1,130,800
<b>Total Expenditures</b>	<b>717,800</b>	<b>2,640,924</b>	<b>1,510,124</b>	<b>1,130,800</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	882,200	(98,454)	1,569,943	(593,203)
<b>Other Financing Sources (Uses):</b>				
Transfers to other City of Lodi funds	-	-	(1,142,430)	(1,142,430)
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>(1,142,430)</b>	<b>(1,142,430)</b>
Net Change in Fund Balances	\$ 882,200	\$ (98,454)	427,513	\$ (1,735,633)
Fund Balances, Beginning of Year			3,567,246	
<b>Fund Balances, End of Year</b>			<b>\$ 3,994,759</b>	

The accompanying notes are an integral part of these financial statements.

**OTHER REPORT**



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

To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Lodi  
Lodi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act (TDA) Fund and Measure K Fund, allocated for non-transit purposes, Low Carbon Transit Operations Program (LCTOP) Fund and the Transit Enterprise Fund (collectively the "Funds") of the City of Lodi, California (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2025.

### Report on 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), as it relates to the Funds, as a basis for designing 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, as it relates to the Funds. 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 through 2024-006 that we consider to be material weaknesses.



To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Lodi  
Lodi, California

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2024-006.

### **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

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

*LSL, LLP*

Sacramento, California  
December 23, 2025



To the Board of Directors  
 San Joaquin Council of Governments  
 Stockton, California

To the City Council  
 City of Lodi  
 Lodi, California

SCHEDULE OF FINDINGS AND RESPONSES

**Reference Number**

2024-001 – Untimely Financial Statement Closing Processes

**Evaluation of Finding**

Material Weakness

**Condition**

During the fiscal year 2024, the City did not perform its financial statement closing processes in a timely manner and failed to adhere to its internal closing process. This resulted in delays in financial reporting.

**Criteria**

According to Government Auditing Standards, entities are required to maintain effective internal controls over financial reporting to ensure accurate and timely financial information. Specifically, the City is obligated to adhere to the following regulatory requirements:

- Government Auditing Standards (Yellow Book): Section 2.10 states that management should establish and maintain effective internal control to achieve reliable financial reporting.
- Uniform Guidance (2 CFR Part 200): Section 200.302(b)(1) requires non-Federal entities to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the entity is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Cause**

The primary cause of the untimely financial statement closing processes was a lack of adequate staffing and resources within the City's finance department.

**Effect or Potential Effect**

The effect of not performing timely financial statement closing processes is significant and multifaceted:

- Undetected errors and irregularities in the financial records resulting in inaccurate financial reporting.
- Potential financial and reputational damage to the City due to stakeholders relying on incorrect financial information for decision-making.
- Non-compliance with Government Auditing Standards and internal policies, increasing the risk of regulatory penalties and loss of public trust.

**Recommendation**

To address this material weakness, it is recommended that the City implement the following actions:

- Develop clear procedures and timelines for the financial statement closing process to ensure timely and accurate reporting.
- Create a formal closing policy that mandates the closing of each month within 45-60 days of the month-end.

By taking these steps, the City can strengthen its internal controls, improve the accuracy and timeliness of its financial reporting, and ensure compliance with Government Auditing Standards and other regulatory requirements.

**Management Response**

Management agrees with the finding and recommendations. The City will begin to implement policies and procedures to assist with monthly reconciliations and review processes to mitigate these errors in the future.



To the Board of Directors  
 San Joaquin Council of Governments  
 Stockton, California

To the City Council  
 City of Lodi  
 Lodi, California

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

**Reference Number**

2024-002 – Utility Revenue, Receivables and Deposits Payable Reconciliation

**Evaluation of Finding**

Material Weakness

**Condition**

The City has failed to perform the necessary reconciliations of utility revenue, receivables and deposits payables between its general ledger and the billing software.

**Criteria**

According to Government Auditing Standards, entities are required to maintain accurate financial records and perform regular reconciliations to ensure the integrity of financial reporting. Specifically, the standards mandate that transactions be properly authorized, recorded, and reported in accordance with established policies and procedures. The criteria for this finding include:

- Government Auditing Standards (Yellow Book), Section 6.36 - Reconciliation of Accounts
- Generally Accepted Accounting Principles (GAAP)

**Cause**

The primary cause of this condition is the lack of adequate internal controls and oversight within the City's financial management processes. Additionally, there may be insufficient training and awareness among staff regarding the importance of these reconciliations.

**Effect or Potential Effect**

The failure to perform reconciliations over utility revenue, receivables, and deposits payable, and the related sub-ledgers, has several adverse effects:

- Inaccurate financial statements that do not reflect the true financial position of the City, and each respective enterprise fund that records utility charges for services.
- Increased risk of undetected errors or fraud within utility revenue, receivables and deposits payable.
- Transactions that are recorded in error may be individually insignificant, however, can accumulate to a material amount.
- Potential non-compliance with regulatory requirements.

These effects could significantly impair the City's ability to make informed financial decisions and could result in financial and reputational damage.

**Recommendation**

To address this material weakness, it is recommended that the City implement the following actions:

- Establish formal procedures for performing regular reconciliations between utility revenue, receivables and deposits payable recorded in the general ledger and the billing software.
- Provide training to financial management staff on the importance and techniques of performing accurate reconciliations.
- Implement a review process to ensure reconciliations are completed in a timely and accurate manner.
- Regularly monitor and audit the reconciliation process to ensure compliance with established policies and procedures.

By taking these steps, the City can enhance its internal controls, improve the accuracy of its financial reporting, and ensure compliance with Government Auditing Standards and other regulatory requirements.

**Management Response**

Management agrees with the finding and recommendations. The City will begin to implement policies and procedures to assist with monthly reconciliations and review processes to mitigate these errors in the future.



To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Lodi  
Lodi, California

## SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

### **Reference Number**

2024-003 – Lack of Timely Review of Purchase Card (P-Card) Transactions

### **Evaluation of Finding**

Material Weakness

### **Condition**

The City has not consistently performed timely reviews of purchase card (P-Card) transactions. This delay in review can result in potential discrepancies and unauthorized transactions going undetected for extended periods.

### **Criteria**

According to Government Auditing Standards and the City's internal financial policies, all purchase card transactions must be reviewed and approved within a specified timeframe to ensure accuracy, legitimacy, and compliance with applicable regulations. Specifically, the standards require adherence to:

- Government Auditing Standards (Yellow Book), which emphasize the importance of internal controls in maintaining the integrity and accuracy of financial reporting.
- City's policy, which outlines the procedures for timely review and approval of P-Card transactions to prevent fraud and ensure proper use of public funds.

### **Cause of Condition**

The primary cause of the delayed reviews can be attributed to a lack of adequate staffing in the financial management department, and insufficient training on the importance and techniques of timely transaction reviews.

### **Effect or Potential Effect**

The failure to perform timely reviews of P-Card transactions could lead to:

- Unauthorized or fraudulent transactions going undetected.
- Transactions that are recorded in error may be individually insignificant, however, can accumulate to a material amount.
- Inaccurate financial reporting and decision making.
- Non-compliance with Government Auditing Standards and internal policies, potentially resulting in financial and reputational damage to the City.

### **Recommendation**

To address this material weakness, it is recommended that the City implement the following actions:

- Establish clear procedures and timelines for the review and approval of P-Card transactions.
- Provide comprehensive training to financial management staff on the importance of timely reviews and the techniques for conducting them effectively.
- Implement a monitoring system to ensure that reviews are completed within the established timeframe.
- Regularly audit the review process to ensure compliance with established policies and procedures.

By taking these steps, the City can enhance its internal controls, improve the accuracy of its financial reporting, and ensure compliance with Government Auditing Standards and other regulatory requirements.

### **Management Response**

Management agrees with the finding and recommendations. The City will begin to implement policies and procedures to assist with monthly reconciliations and review processes to mitigate these errors in the future.



To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Lodi  
Lodi, California

## SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

### **Reference Number**

2024-004 – Timely Preparation, Review, and Approval of Bank Statement Reconciliations

### **Evaluation of Finding**

Material Weakness

### **Condition**

The City has not been performing timely preparation, review, and approval of bank statement reconciliations to the general ledger.

### **Criteria**

In accordance with Government Auditing Standards, particularly Section 6.34, entities are required to establish and maintain effective internal controls over financial reporting. The timely preparation, review, and approval of bank statement reconciliations are essential components of these internal controls. Additionally, the City's internal policies mandate regular and timely reconciliations to ensure accuracy and compliance with regulatory requirements.

### **Cause**

The primary cause of this condition is the lack of clear procedures and timelines for the preparation, review, and approval of bank statement reconciliations.

### **Effect or Potential Effect**

The effect of untimely reconciliations is significant. It can lead to undetected errors and irregularities in the financial records, which may result in inaccurate financial reporting. This can potentially cause financial and reputational damage to the City, as stakeholders rely on precise financial information for decision making. Non-compliance with Government Auditing Standards and internal policies further exacerbates the risk of regulatory penalties and loss of public trust.

### **Recommendation**

To address this material weakness, it is recommended that the City implement the following actions:

- Establish clear procedures and timelines for the preparation, review, and approval of bank statement reconciliations to the general ledger.
- Provide comprehensive training to financial management staff on the importance of timely reconciliations and the techniques for conducting them effectively.
- Implement a monitoring system to ensure that reconciliations are completed within the established timeframe.
- Regularly audit the reconciliation process to ensure compliance with established policies and procedures.

By taking these steps, the City can enhance its internal controls, improve the accuracy of its financial reporting, and ensure compliance with Government Auditing Standards and other regulatory requirements.

### **Management Response**

Management agrees with the finding and recommendations. The City will begin to implement policies and procedures to assist with monthly reconciliations and review processes to mitigate these errors in the future.



To the Board of Directors  
 San Joaquin Council of Governments  
 Stockton, California

To the City Council  
 City of Lodi  
 Lodi, California

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

**Reference Number**

2024-005 – Incorrect Reporting of Cash-Out Activity to CalPERs

**Evaluation of Finding**

Material Weakness

**Condition**

The City has been incorrectly reporting cash-out activity to the California Public Employees' Retirement System (CalPERs). Although the activity has been reconciled to existing CalPERs pension-generated reports, the reports related to Governmental Accounting Standards Board (GASB) Statement No. 68 cannot be fully relied upon without the complete submission of activity by the City to CalPERs. As a result, a qualified opinion over GASB 68 activity must be reported.

**Criteria**

According to GASB 68 and the associated CalPERs requirements, it is imperative that all pension-related activities, especially cash-out activities, are accurately reported to ensure that financial statements reflect true and fair values of pension liabilities. Compliance with Government Auditing Standards (GAS) also mandates that public entities maintain accurate and complete records of all financial transactions and activities to avoid misstatements and ensure regulatory compliance.

**Cause**

The primary cause of this condition is the City's failure to submit complete and accurate cash-out activity reports to CalPERs.

**Effect or Potential Effect**

The incorrect reporting of cash-out activities has several adverse implications:

- It increases the risk of misstatements in the City's financial statements, potentially leading to non-compliance with GASB 68 requirements.
- It compromises the reliability of CalPERs pension reports, affecting the accuracy of reported pension liabilities and expenses.
- It leads to a qualified audit opinion over GASB 68 activity, which may undermine public trust and could result in regulatory penalties.

**Recommendation**

To address this material weakness, it is recommended that the City implement the following actions:

- Establish clear procedures and timelines: Develop and enforce detailed procedures and timelines for reporting cash-out activities to CalPERs to ensure timely and accurate submission.
- Enhance staffing and resources: Allocate adequate staffing and resources to the financial management department to support the accurate reporting of all pension-related activities.
- Provide comprehensive training: Offer training to financial management staff on the importance of accurate reporting of cash-out activities and the techniques for ensuring compliance with GASB 68 requirements.
- Implement a monitoring system: Establish a monitoring system to ensure that all cash-out activities are accurately reported to CalPERs within the established timeframe.

By taking these steps, the City can improve the accuracy and completeness of its pension-related reporting, enhance its compliance with GASB 68 and Government Auditing Standards, and maintain the public's trust in its financial statements.

**Management Response**

Management agrees with the finding and recommendations. The City will begin to implement policies and procedures to assist with monthly reconciliations and review processes to mitigate these errors in the future.



To the Board of Directors  
 San Joaquin Council of Governments  
 Stockton, California

To the City Council  
 City of Lodi  
 Lodi, California

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

**Reference Number**

2024-006 – Late Submission of City’s TDA Financial Statements

**Evaluation of Finding**

Material Weakness and Material Noncompliance

**Condition**

The City did not submit its financial statements under the Transportation Development Act (TDA) by the required deadline of December 31st following the current fiscal year end, or no later than March 31st following the fiscal year end with an extension. The financial statements were submitted significantly past these deadlines.

**Criteria**

According to the Transportation Development Act, financial statements must be submitted:

- By December 31st following the end of the current fiscal year
- Or no later than March 31st following the end of the current fiscal year with an extension

These criteria ensure timely reporting and compliance with regulatory standards.

**Cause of Condition**

The late submission of the City’s financial statements was due to employee turnover, resulting in delayed completion of the TDA audit.

**Effect or Potential Effect of Condition**

The late submission of financial statements can have several negative impacts, including:

- Increased risk of non-compliance with regulatory requirements and financial reporting standards
- Loss of public trust and confidence in the City's financial management

**Recommendation**

To address this material weakness and noncompliance, we recommend the following actions:

- Review process to track adherence to documented policies and ensure timely and accurate submission of financial statements for potential updates due to staff turnover.
- Provide regular training for staff to familiarize them with established policies and procedures.
- Regular monitoring and follow-up on the progress of financial statement preparation to ensure timely completion.

We believe that these measures will help mitigate the risk of late submissions and enhance the reliability of the City’s financial reporting under the Transportation Development Act.

**Management Response**

Management agrees with the finding. The City has filled all of its vacant positions in Accounting and anticipates a timely completion of the 2024/25 Audit.



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Lodi  
Lodi, California

### ***Opinion on Compliance with Transportation Development Act, Measure K and Low Carbon Transit Operations Program Requirements***

We have audited the City of Lodi, California (the City)'s compliance with Transportation Development Act (TDA) and Measure K and Low Carbon Transit Operations Program (LCTOP) requirements that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA, Measure K and LCTOP; and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Section 6666 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations (collectively "Code of Regulations") during the year ended June 30, 2024.

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 the TDA and Measure K Funds, allocated for non-transit purposes, LCTOP Fund and the Transit Enterprise Fund (collectively the "Funds") of the City for the year ended June 30, 2024.

### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the applicable statutes, rules, and regulations as required by the Code of Regulations. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of the Code of Regulations requirements applicable to the City's Funds.



To the Board of Directors  
San Joaquin Council of Governments  
Stockton, California

To the City Council  
City of Stockton  
Stockton, California

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS; Government Auditing Standards; the applicable statutes, rules, and regulations of the Code of Regulations will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Code of Regulations that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the Code of Regulations.

In performing an audit in accordance with GAAS; *Government Auditing Standards*; and the Code of Regulations, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the regulations of the Code of Regulations, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Code of Regulations, and which is described in the accompanying schedule of findings responses as item 2024-006.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

**LSL, LLP**

Sacramento, California  
December 23, 2025