LODI UNIFIED SCHOOL DISTRICT

COUNTY OF SAN JOAQUIN
LODI, CALIFORNIA

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2013

LODI UNIFIED SCHOOL DISTRICT

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LODI UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Lodi Unified School District
Lodi, California

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

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

Change in Accounting Principle

As described in Note 1, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* GASB Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information section, as listed in the Table of Contents, is presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations* and the *Standards and Procedures for Audits of California K-12 Local Education Agencies, 2012-2013*, published by the Education Audit Appeals Panel, and are not a required part of the basic financial statements.

The Supplementary Information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 12, 2013

This section of the Lodi Unified School District's annual financial report presents our discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources exceeded the liabilities of the District at June 30, 2013 by $390 million (net position). Of this amount, $265 million represents net investment in capital assets, $44 million is restricted and the remaining $81 million is unrestricted.

- Of the unrestricted net position of $81 million, about $3 million is committed to Adult Education and Deferred Maintenance; and $29 million is assigned to instruction, capital outlay, debt service and other activities. The remaining balance of the unrestricted net position is unassigned, of which $33 million is part of the reserve for economic uncertainties and state deferrals/deficit spending reserve.

- Net position increased $2 million (0.51 percent) from 2012. The increase is mainly attributed to the refinancing of the 2002 General Obligation Bonds, 2004 Series.

- As of June 30, 2013, the District's governmental funds reported combined ending fund balances of $112 million, a decrease of $5 million in comparison with prior year. Of this total amount:

    - $54 million (48 percent) reflects the General Fund ending balance,

    - $24 million (22 percent) represents the ending balances of capital project funds, and

    - $34 million (30 percent) comprises the ending balances of special revenue and debt service funds.

- The unrestricted portion of ending balance for the General Fund is $45 million at June 30, 2013, of which $1 million is nonspendable, and $11 million is assigned to instruction, capital outlay and Supplemental Employee Retirement Plan (SERP). The remaining balance of $33 million is unassigned and is part of the required reserve for economic uncertainties including additional reserves due to deferral of state apportionments and deficit spending by the State.

- The District's capital assets decreased by $1 million (0.27 percent) during current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three separate parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives: government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
    - Basic services funding (i.e., regular and special education) is described in the governmental funds statements. These statements include short-term financing and balances remaining for future one-time spending.
    - Short and long-term financial information about the activities of the District that operate like businesses (such as self-insurance funds) are provided in the proprietary funds statements.
    - Financial relationships, for which the District acts solely as an agent or trustee, for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements.
- The required supplementary information section provides further explanations and additional support for the financial statements. A comparison of the District's budget for the year is included. Budgetary comparisons of the General Fund and the Cafeteria Fund (a major special revenue fund) are included in this section.

Government-wide Statements

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets, liabilities and deferred outflow and inflow of resources are included in the statement of net position. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid. The District net position can be measured by adding the District's assets and deferred outflow of resources and subtracting the liabilities and deferred inflow of resources.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the government-wide financial statements, the District activities are categorized as governmental activities. The governmental activities are the basic services provided by the District, such as regular and special education, administration, and transportation, and are included here. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

More detailed information about the District's most significant funds – not the District as a whole – is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by bond covenants and by state law.

- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). These funds may also show proper usage of certain revenues (such as grants from federal and state sources).

The District has three kinds of funds:

- **Governmental funds**: Most of the District's basic services are included in governmental funds, which generally focus on:

  1. How cash and other financial assets can readily be converted to cash flow (in and out).
  2. The ending balances available for one-time spending.

  The governmental fund statements provides a detailed short-term view of the District's financial position and whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided as a separate reconciliation to the governmental fund statements that explains the differences (or relationships) between them.

- **Proprietary funds**: Services for which the District charges a fee are generally reported in a proprietary fund. A type of proprietary fund is the internal service fund which reports activities that provide services for the other programs and activities of the District. Proprietary funds are reported in the same way as the government-wide statements.

  The District maintains two internal service funds for self-insurance. One of the Self-Insurance Fund reports the activities for workers' compensation, self-insured retention portion of property and liability, and vision and dental benefits. The other Self-Insurance Fund – OPEB reports the activities related to retiree benefits.

- **Fiduciary funds**: For assets that belong to others, such as the associated student body funds and the payroll tax account, the District acts as the trustee, or fiduciary. The District has the responsibility for ensuring that assets are used for their intended purpose; and also that they are used by those to whom the assets belong. These assets are excluded from the government-wide financial statements because the funds cannot be used by the District to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS WHOLE

Table 1 summarizes the District's net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflow of resources exceeded liabilities by $390 million at June 30, 2013.

Net investment in capital assets (e.g., land, building and equipment) represents 68 percent of the District's net position. The District uses these assets to provide educational services; therefore, they are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Resources subject to external restrictions account for 11 percent of net position. The remaining balance of net position is unrestricted of $81 million (21 percent). The amount of $3 million from the unrestricted net position is committed to Adult Education and Deferred Maintenance and the amount of $29 million is assigned to instruction, capital outlay, debt service and other activities. The residual balance of the unrestricted net position balance is unassigned and part of the reserve for economic uncertainties including additional reserves due to deferral of state apportionments and deficit spending by the State.

Table 1
Net Position

	2012	2013	Percent Change
Current and Other Assets	$ 183,223,028	$ 187,066,054	2.10%
Capital Assets	444,395,916	443,217,708	-0.27%
Total Assets	627,618,944	630,283,762	0.42%
Deferred Outflow of Resources			
Deferred Amount on Debt Refunding	235,390	1,620,676	588.51%
Long-Term Liabilities Outstanding	220,565,851	222,287,955	0.78%
Other Liabilities	19,036,183	19,380,441	1.81%
Total Liabilities	239,602,034	241,668,396	0.86%
Net Position:			
Net Investment in Capital Assets	264,654,364	264,936,848	0.11%
Restricted	46,479,700	44,258,034	-4.78%
Unrestricted	77,118,236	81,041,160	5.09%
Total Net Position	$ 388,252,300 *	$ 390,236,042	0.51%

* Restated due to cumulative effect of change in accounting principle.

Table 2 shows the changes in net position. Total revenues for the District as a whole decreased 1 percent to $253 million, while the total cost of all programs and services for the District as a whole decreased by 2 percent to $251 million. Net position increased by $2 million (0.51 percent) due to the refinancing of the 2002 General Obligation Bonds, 2004 Series.

Table 2
Changes in Net Position

	2012	2013	Percent Change
Revenues			
Program Revenues (Restricted)			
Charges for Services	$ 4,593,849	$ 4,402,844	-4.16%
Operating Grants	66,730,047	65,952,506	-1.17%
Capital Grants	(256,999)	89,100	-134.67%
General Revenues			
Property Taxes	45,830,023	45,995,737	0.36%
Federal and state aid-Unrestricted	133,563,969	132,659,395	-0.68%
Developer Fees	407,643	1,000,076	145.33%
Other	4,875,730	3,042,086	-37.61%
Total Revenues	255,744,262	253,141,744	-1.02%
Program Expenses			
Instruction	156,458,783	152,724,545	-2.39%
Instruction Related Services	24,845,622	25,013,847	0.68%
Pupil Services	26,058,548	27,247,839	4.56%
General Administration	15,039,293	12,614,257	-16.12%
Plant Services	23,263,101	23,553,030	1.25%
Interest	9,978,310	8,514,534	-14.67%
Other	1,212,783	1,489,950	22.85%
Total Expenses	256,856,440	251,158,002	-2.22%
Increase/(Decrease) in Net Position	(1,112,178)	1,983,742	
Net Position - Beginning	389,364,478 *	388,252,300	
Net Position - Ending	$ 388,252,300	$ 390,236,042	0.51%

* Restated due to cumulative effect of change in accounting principle.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Governmental Functions

All governmental funds had total revenues and other financing sources of $314 million and expenditures and other financing uses of $319 million. These activities decreased the combined fund balance by $5 million to $112 million. Table 3 shows the changes in fund balances from the prior year.

Table 3
Changes in Fund Balances

	2012	2013	Increase (Decrease)
General	$ 59,025,603	$ 54,027,713	$ (4,997,890)
Charter School	320,260	346,218	25,958
Special Education Pass-Through	77	-	(77)
Adult Education	1,255,244	1,366,378	111,134
Child Development	165,807	208,324	42,517
Cafeteria	8,015,508	7,408,556	(606,952)
Deferred Maintenance	1,059,339	1,188,578	129,239
Building	19,321,740	14,656,238	(4,665,502)
Capital Facilities	913,638	1,876,034	962,396
County School Facilities	67,549	156,821	89,272
Special Reserve Fund for Capital Outlays	7,016,735	7,525,455	508,720
Bond Interest and Redemption	8,735,304	8,750,560	15,256
Debt Service	11,012,124	14,572,297	3,560,173
Total	$ 116,908,928	$ 112,083,172	$ (4,825,756)

Significant net changes in fund balances for the year were as follows:

- General Fund decreased by $5 million due to increased expenditures related to retiree benefits, workers' compensation and risk management liabilities.
- Building Fund decreased by $5 million due to various capital facility improvements.
- Debt Service Fund increased over $3 millions due to resources set aside for future debt payments.

General Fund Budgetary Highlights

Work on the 2012-13 general fund budget started with a review of the Governor's proposal in January 2012. News from the Governor's office provided us with an uncertain future yet again. The Governor's plan was to go to the voters with what is now known as Proposition 30, a temporary tax funding solution. The Governor produced another "crisis" budget in hopes that the voters would extend the temporary taxes and avoid cuts to education. If the proposed temporary tax initiative passed, then this would provide flat funding for education. The "Tier III" programs, Class Size Reduction (CSR) flexibility, and Cash deferrals remained in effect. The significant proposal from the Governor's budget was a new "Weighted Student Formula" that would change the way schools would be funded. The "Weighted Student Formula" was a combination of the revenue limit and state categorical programs that would be phased in over 5 years. In addition, the proposed Governor's budget eliminated all Transportation funding. If voters rejected the proposed tax measure the cut to education was estimated to be $370 per ADA. The effect of the Governor's proposal along with projected enrollment decreases and cost projections were reviewed with the Board of Education on April 17, 2012. This report included the recommendation that the District continue with existing flexibility use of funds in order to balance the budget as well as a "No Layoff" approach and to maintain a reserve equal to $370 per ADA for 2012-13. At the May Revise there was not much change from the January proposal. The budget still included the tax proposal to the voters for November 2012. The one-time midyear trigger cuts in 2011-12 of $55 per ADA were restored in the 2012-13 budget plan. The deficit factor was increased by the proposed COLA, resulting in flat funding if the tax proposal was to pass. If the tax proposal passed, funding to reduce interyear deferrals was also included to assist with cash flow. The phase in for the "Weighted Student Formula" was changed to 7 years implementation and Transportation funds were re-instated. The District went through the annual process involving District staff, management and the Superintendent to submit a balanced budget for approval on June 19, 2012.

The budget process was, yet again, filled with uncertainty. The District experienced continued decline in student enrollment and another year of planning for the worst and hoping for the best. Financial updates were presented to the Board of Education on various occasions during the spring and fall of 2012 in regards to the impact of the continued enrollment decline and final State budget. The District continued to monitor changes in enrollment and state funding levels throughout the 2012-13 fiscal year. The Governor was able to get the votes necessary for Proposition 30 to pass, which was a blessing to education. The State adopted budget included an increase of projected revenues if Prop 30 passed and "trigger" language that would result in mid-year reductions if Prop 30 did not pass. The trigger language included reduction in funds and allowance to reduce the school year down to 160 days (an additional 15 days). The Governor's new method of education funding allocation, "Weighted Student Formula", was not approved by the Legislature and funding was allocated within the existing statutory calculations. The Board was continuously updated and proposed budget strategies were recommended to address the latest impact on the budget.

Business-type Funds

The assets in the Self-Insurance Fund exceeded liabilities by $20 million at June 30, 2013. The District uses these assets to provide for the claims and administration of its self-insured programs: worker's compensation, self-insured retention portion of property and liability, and vision and dental benefits. As of June 30, 2013, the incurred but not reported (IBNR) and reserve liabilities are fully funded for all the programs.

Beginning with fiscal year 2007-08, the District also uses a Self-Insurance Fund to account for the accumulation of funds and payment of retiree benefits. As of June 30, 2013, the District has a Net Other Post Employment Benefit (OPEB) Obligation of $9 million.

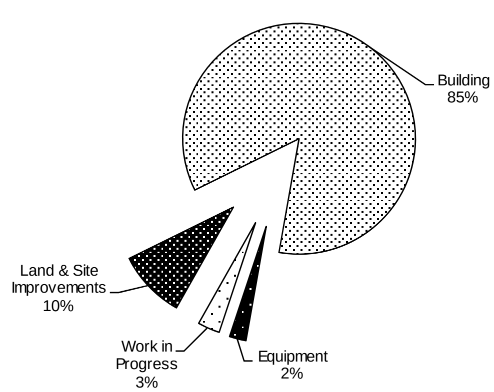
CAPITAL ASSET AND DEBT ADMINISTRATION

Table 4
Capital Assets
(net of depreciation)

	2012	2013	Percent Change
Land and Improvement of Sites	$ 42,629,382	$ 42,255,907	-0.88%
Building	376,428,241	377,036,369	0.16%
Equipment	6,830,528	10,268,835	50.34%
Work in Progress	18,507,765	13,656,597	-26.21%
Total Net Assets	$ 444,395,916	$ 443,217,708	-0.27%

By June 30, 2013 the District has invested over $443 million in a broad range of capital assets, including school buildings, buses, computers and copiers, and administrative offices. This amount represents a net decrease of $1 million or 0.27 percent from last year. Changes included adjustments in the Work in Progress account to the Building accounts due to completed projects; lease purchase of CNG buses and technology improvements. Figure 1 below graphically displays the percentage of capital assets by category.

Figure 1
Capital Assets
As of June 30, 2013



At June 30, 2013, the District has budgeted $9 million for capital project using the proceeds from the sale of bonds, Proposition 47 apportionments and developer fees. The amounts in the following Table 5 represent the final projected budget for 2012-13 only and do not necessarily represent the total budget for the projects as most projects span more than one fiscal year.

Table 5
Anticipated Projects

Project No.	Project	
8048	Repaint @ Various Sites	$ 121,000
8050	Safety Projs @ Var Sites	195,000
8106	Playgrnd Equip Rplc - Stockton	156,000
8125	Lodi High Career Technical Ed	568,000
8730	Cafeteria Upgrades	454,000
8904	Ronald E. Mcnair High Sch	1,102,000
8933	BCHS Addition Phase II	150,000
8934	Sch Fac Impv Dist Safety	3,458,000
8944	Lodi HS Track	121,000
8998	Roofing @ Various Sites	795,000
8999	Modernizations-Unallocated	1,725,000
xxxx	Other Various Projects	439,000
	Total Anticipated	$ 9,284,000

Table 6
Long-Term Debt

	2012	2013	Percent Change
General Obligation Bonds	147,432,976	$ 145,368,340	-1.40%
Certificates of Participation Payable	35,521,491	34,625,928	-2.52%
Capital Leases Payable	10,211,237	12,763,697	25.00%
Claims Payable	10,536,738	11,832,497	12.30%
Net OPEB Obligation	6,968,503	8,996,221	29.10%
Qualified Zone Academy Bond	5,000,000	5,000,000	0.00%
Supplemental Employee Retirement Program	2,424,640	1,212,320	-50.00%
Compensated Absences Payable	2,470,266	2,488,952	0.76%
Total	$ 220,565,851	$ 222,287,955	0.78%

At June 30, 2013, the District had $222 million in general obligation bonds and other long-term debt outstanding – an increase of 0.78 percent from last year as shown in the above Table 6. Capital lease payable increased by 25 percent due to purchase of 15 CNG buses and technology improvements. The claims payable for the self insured workers' compensation program and the retained portion of property and liability increased 12 percent, while the net OPEB obligation increased by 29 percent.

The District refinanced the 2002 General Obligation Bonds, Series 2004 during the fiscal year. This will reduce the Measure K bond payments by almost $7 million over the life of the bonds which translate to lower property taxes for the district's taxpayers beginning in 2013-14.

FACTORS BEARING ON THE DISTRICT FUTURE

At the time these financial statements were prepared, factors affecting the District's future include:

- The Local Control Funding Formula (LCFF) which is the new finance system for K-12 education. The LCFF provides base, supplemental, and concentration grants in place of most previously existing funding sources, including revenue limits and most state categorical programs. As part of the LCFF, the district will be required to develop, adopt, and annually update three-year Local Control and Accountability Plan (LCAP) using a template adopted by the California State Board of Education.

- Enrollment appears to be stabilizing, and it is expected that decline will be slight in the coming years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Mr. Tim Hern, Associate Superintendent/Chief Business Officer, Lodi Unified School District, 1305 E. Vine, Lodi, CA 95240.

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
ASSETS	
Cash and equivalents	$ 116,010,522
Restricted cash and equivalents	4,777,197
Deposits held for others	560,210
Accounts receivable	47,317,272
Lease receivable	17,235,000
Inventories	804,049
Prepaid items	361,804
Depreciable capital assets (net)	400,802,779
Nondepreciable capital assets	42,414,929
Total assets	630,283,762
DEFERRED OUTFLOW OF RESOURCES	
Deferred amount on debt refunding	1,620,676
LIABILITIES	
Accounts payable	18,295,599
Retainage payable	475,770
Unearned revenue	609,072
Long-term liabilities, due within one year	11,670,463
Long term liabilities, due in more than one year	210,617,492
Total liabilities	241,668,396
NET POSITION	
Net investment in capital assets	264,936,848
Restricted for:	
Capital projects	17,084,349
Debt service	10,457,539
Educational programs	7,915,949
Other purposes (expendable)	8,800,197
Unrestricted	81,041,160
Total net position	$ 390,236,042

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

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities					
Instruction	$ 152,724,545	$ 1,396,210	$ 37,031,596	$ 89,100	$ (114,207,639)
Instruction-related services:					
Supervision of instruction	7,981,653	117,054	6,182,778		(1,681,821)
Instructional library, media and technology	1,760,035		693,290		(1,066,745)
School site administration	15,272,159	24,312	34,535		(15,213,312)
Pupil services:					
Pupil transportation	5,515,557	46,399	4,199,567		(1,269,591)
Food services	13,080,220	2,350,420	11,883,993		1,154,193
Other pupil services	8,652,062	64,860	3,093,617		(5,493,585)
Ancillary services	918,975		15,232		(903,743)
Enterprise activities	102,091	101,355			(736)
General administration:					
Data processing services	3,909,896		53,652		(3,856,244)
Other general administration	8,704,361	189,590	2,218,602		(6,296,169)
Plant services	23,553,030	112,644	545,644		(22,894,742)
Interest on debt	8,514,534				(8,514,534)
Other outgo	468,884				(468,884)
Totals	$ 251,158,002	$ 4,402,844	$ 65,952,506	$ 89,100	(180,713,552)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	36,086,896
Taxes levied for debt service	9,908,841
Federal and state aid not restricted to specific purposes	132,659,395
Developer fees	1,000,076
Interest and investment earnings	(65,691)
Interest income on lease receivable	800,183
Miscellaneous revenue	2,307,594
Total general revenues	182,697,294
Increase in net position	1,983,742
Net position - beginning, as previously reported	391,173,382
Cumulative effect of change in accounting principle	(2,921,082)
Net position - beginning, as restated	388,252,300
Net position - ending	$ 390,236,042

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

LODI UNIFIED SCHOOL DISTRICT

BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and equivalents	$ 28,648,509	$ 4,634,458	$ 15,167,566	$ 7,705,038	$ 20,640,071	$ 76,795,642
Restricted cash and cash equivalents					4,777,197	4,777,197
Deposits held for others			560,210			560,210
Accounts receivable	42,937,371	2,987,304	19,306	4,672	1,016,121	46,964,774
Lease receivable				17,235,000		17,235,000
Due from other funds	49,355	83,462	24,190		3,000,898	3,157,905
Inventories	294,924	509,125				804,049
Prepaid items	361,804					361,804
Total assets	$ 72,291,963	$ 8,214,349	$ 15,771,272	$ 24,944,710	$ 29,434,287	$ 150,656,581
LIABILITIES						
Accounts payable	$ 13,036,673	$ 690,159	$ 650,528	$ 21,350	$ 540,961	$ 14,939,671
Retainage payable			463,957		11,813	475,770
Due to other funds	4,849,360	47,684	549		16,303	4,913,896
Unearned revenue	378,217	67,950		162,905		609,072
Total liabilities	18,264,250	805,793	1,115,034	184,255	569,077	20,938,409
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue				17,235,000	400,000	17,635,000
FUND BALANCES						
Nonspendable for:						
Revolving cash	120,000					120,000
Inventories	294,924	509,125				804,049
Prepaid items	361,804					361,804
Restricted for:						
Instruction	7,361,406				554,542	7,915,948
Maintenance	1,391,640					1,391,640
Debt service					13,521,709	13,521,709
Capital projects			14,656,238	395,256	2,032,855	17,084,349
Food services		6,899,431				6,899,431
Committed for:						
Adult education					1,366,378	1,366,378
Deferred maintenance					1,188,578	1,188,578
Assigned for:						
Instruction:						
Tier III programs	1,956,218					1,956,218
Sites and other programs	1,075,628					1,075,628
Special education	2,500,000					2,500,000
Teacher settlement	2,155,138					2,155,138
Purchase order commitments	342,439					342,439
Capital outlay	279,920					279,920
Supplemental employee retirement plan	1,212,320					1,212,320
Site allocation carryforward	2,000,000					2,000,000
Debt service					9,801,148	9,801,148
Capital projects				7,130,199		7,130,199
Unassigned	32,976,276					32,976,276
Total fund balances	54,027,713	7,408,556	14,656,238	7,525,455	28,465,210	112,083,172
Total liabilities, deferred inflow of resources and fund balances	$ 72,291,963	$ 8,214,349	$ 15,771,272	$ 24,944,710	$ 29,434,287	$ 150,656,581

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

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET POSITION JUNE 30, 2013

Total fund balance, governmental funds	$ 112,083,172
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The historical cost of the capital assets is $554,746,335, and the accumulated depreciation is $111,528,627.	443,217,708
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	(3,295,323)
Certain other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	17,635,000
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, are included in governmental activities in the Statement of Net Position.	(201,459,237)
Deferred outflows of resources resulting from deferred amounts on refundings are not reported in the governmental funds.	1,620,676
The District uses an internal service fund to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are reported with governmental activities in the Statement of Net Position.	20,434,046
Total net position, governmental activities	$ 390,236,042

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

LODI UNIFIED SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay	Other Governmental Funds	Total Governmental Funds
REVENUES						
State apportionment	$ 110,117,515				$ 1,169,779	$ 111,287,294
Local sources	33,375,230				367,971	33,743,201
Total revenue limit	143,492,745				1,537,750	145,030,495
Federal revenues	18,480,328	$ 11,883,489			641,230	31,005,047
Other state revenues	52,697,474	903,567			4,069,670	57,670,711
Other local revenues	3,730,253	2,551,686	$ 26,610	$ 12,986	12,174,935	18,496,470
Total revenues	218,400,800	15,338,742	26,610	12,986	18,423,585	252,202,723
EXPENDITURES						
Current:						
Instruction	143,409,699				2,973,458	146,383,157
Instruction-related services:						
Supervision of instruction	6,435,107				406,850	6,841,957
Administrative unit (AU) of multidistrict SELPA	1,294,904					1,294,904
Instructional library, media and tech	1,747,462				34,716	1,782,178
School site administration	14,862,094				558,561	15,420,655
Pupil services:						
Pupil transportation	6,950,848					6,950,848
Food services	146,547	13,308,399				13,454,946
Other pupil services	8,749,257				81,673	8,830,930
Ancillary services	933,509					933,509
Enterprise activities	104,722					104,722
General administration:						
Data processing services	6,025,257					6,025,257
Other general administration	9,501,215	598,306			119,514	10,219,035
Plant services	21,118,943	550,820	1,322,121	19,247	823,926	23,835,057
Debt service:						
Principal	1,107,734				5,042,560	6,150,294
Interest and other charges	46,270				11,468,120	11,514,390
Capital outlay		1,488,169	3,394,991	4,793	439,637	5,327,590
Transfers to other agencies	22,961				445,923	468,884
Total expenditures	222,456,529	15,945,694	4,717,112	24,040	22,394,938	265,538,313
Deficiency of revenues over expenditures	(4,055,729)	(606,952)	(4,690,502)	(11,054)	(3,971,353)	(13,335,590)
OTHER FINANCING SOURCES (USES)						
Interfund transfers out	(5,239,916)			(1,390,183)	(25,000)	(6,655,099)
Refunding bond issued					44,930,000	44,930,000
Premium on refunding bond issued					4,456,896	4,456,896
Payment to refunded bond escrow agent					(46,565,000)	(46,565,000)
Lease receivable revenue				1,390,183		1,390,183
Proceeds from capital lease	4,297,755					4,297,755
Interfund transfers in			25,000	519,774	6,110,325	6,655,099
Total other financing sources and uses	(942,161)		25,000	519,774	8,907,221	8,509,834
Increase (decrease) in fund balances	(4,997,890)	(606,952)	(4,665,502)	508,720	4,935,868	(4,825,756)
Fund balances - beginning	59,025,603	8,015,508	19,321,740	7,016,735	23,529,342	116,908,928
Fund balances - ending	$ 54,027,713	$ 7,408,556	$ 14,656,238	$ 7,525,455	$ 28,465,210	$ 112,083,172

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds:	$	(4,825,756)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation ($11,355,881) exceeds capital outlays ($10,588,069) in the period.		(767,812)
Because governmental funds focus on current financial resources, they do not report long-term debt. Thus, neither refunded debt nor refunding debt are reported in governmental funds. This is the net effect of the refunding transaction in the current period on the governmental fund statements.		(6,022)
In governmental funds, capital leases are recognized as an other financing source and expenditure at acquisition. In government-wide statements, the capital lease is reported as an increase to liabilities.		(4,297,755)
Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position.		6,150,294
Premiums, discounts, and deferred amount on refunding are recognized as a part of long-term debt transactions in the year of issuance by governmental funds. However, these costs are deferred and amortized in the Statement of Activities.		(53,494)
Gain or loss from disposal of capital assets: in governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. This is the difference between the proceeds from disposal of capital assets and the resulting gain or loss.		(137,918)
Certain expenditures recognized in governmental funds relate to prior periods. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations are first incurred, so they must not be recognized again in the current period.		1,212,320
Revenues that were earned but unavailable relating to the current period, less revenues that became available in the current period but related to a prior period.		(590,000)
Changes in the liability for compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the Statement of Activities, compensated absences are recognized as expenses/revenues when earned by employees.		(18,685)
Capital projects cancelled or written off are charged to expense in the period the project is cancelled.		(272,477)
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. However, in the statement of activities, unmatured interest on long-term debt is accrued at year end.		237,475
Internal service funds are used by management to charge the costs of certain activities, such as self insurance and retiree benefits, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		5,353,572
Change in net position of governmental activities	$	1,983,742

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Self-Insurance Fund
ASSETS	
Cash and equivalents	$ 39,214,880
Accounts receivable	352,498
Due from other funds	1,765,000
Total assets	41,332,378
LIABILITIES	
Current Liabilities:	
Accounts payable	60,605
Due to other funds	9,009
Claims and judgments	1,294,837
Total current liabilities	1,364,451
Noncurrent Liabilities:	
Net OPEB obligation	8,996,221
Claims and judgments	10,537,660
Total noncurrent liabilities	19,533,881
Total liabilities	20,898,332
NET POSITION	
Unrestricted	20,434,046
Total net position	$ 20,434,046

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

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Self-Insurance Fund
OPERATING REVENUES	
Charges for services	$ 16,190,667
Other local revenue	81,980
Total operating revenue	16,272,647
OPERATING EXPENSES	
OPEB benefit expense	4,188,267
Claims and administration	6,787,666
Total operating expense	10,975,933
Operating income	5,296,714
NON-OPERATING REVENUES	
Interest income	56,858
Increase in net position	5,353,572
Net position - beginning	15,080,474
Net position - ending	$ 20,434,046

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

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	$ 17,839,489
OPEB benefit payments	(2,160,549)
Claims paid	(1,508,525)
Payments to employees	(54,694)
Payments to suppliers	(3,960,648)
Net cash and equivalents provided by operating activities	10,155,073
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	56,858
Net increase in cash and equivalents	10,211,931
Cash and equivalents – beginning of year	29,002,949
Cash and equivalents – end of year	$ 39,214,880
RECONCILIATION OF OPERATING INCOME TO CASH AND EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 5,296,714
Changes in operating assets and liabilities:	
Accounts receivable	(257,167)
Due from other funds	1,815,000
Accounts payable	(31,960)
Due to other funds	9,009
Net OPEB obligation	2,027,718
Claims and judgments	1,295,759
Net cash and equivalents provided by operating activities	$ 10,155,073

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds
ASSETS	
Cash and equivalents	$ 2,405,184
LIABILITIES	
Due to student groups and other agencies	$ 2,405,184

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

The Lodi Unified School District (the District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. REPORTING ENTITY

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has sponsored four charter schools: Vincent Shalvey Academy, River Oaks Charter School, Benjamin Holt College Preparatory Academy, and Rio Valley Charter School. In determining its reporting entity, the District considered whether these charter schools should be included. The District determined that these charter schools do not meet the above criteria primarily because Aspire Public Schools has been established as a non-profit public benefit corporation. The charter agreement specifies that the District does not participate in the management or operation of these charter schools, and that the charter schools shall indemnify and hold harmless the District against all loss caused by the charter schools. In addition, Education Code Section 47604(c) specifies that a district shall not be liable for the debts or obligations of a charter school operated by a non-profit public benefit corporation.

The District and the Lodi Unified School District Capital Facilities Corporation (the Corporation) have a financial and operational relationship which meets the reporting entity definition criteria of GASB for inclusion of the Corporation as a component unit of the District. The Corporation's board members are the same as the District's board members.

The Corporation is a non-profit public benefit corporation incorporated under the laws of the State of California on March 2, 1990. The Corporation was formed to provide financial assistance to the District for construction and acquisition of major capital facilities. The District occupies all Corporation facilities and is the sole lessee of all facilities owned by the Corporation. The District's lease payments are the sole revenue source of the Corporation.

For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The financial statements present the Corporation's financial activity within the Special Reserve Fund for Capital Outlay and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

C. BASIS OF PRESENTATION

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column as other governmental funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 internal service funds are charges to other funds for employee self-insurance claims and post-employment benefit payments. Operating expenses of internal service funds include the costs of insurance premiums and claims related to self-insurance and post-employment benefits.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

For the year ended June 30, 2013, the District implemented GASB Statement No. 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities.* The objective of GASB 62 is to incorporate certain accounting and financial reporting guidance issued by the Financial Accounting Standards Board (FASB) or American Institute of Certified Public Accountants (AICPA) on or before November 30, 1989, into GASB's authoritative literature. The objective of GASB 63 is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the Fund's net position. The objective of GASB 65 is to reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

In accordance with GASB 65, bond issuance costs are recognized as an outflow of resources (expense) in the year incurred. Since GASB 65 requires retroactive application, bond issuance costs that were previously reported as asset in the amount of $2,921,082 were written off. As a result, for the year ended June 30, 2013, the beginning net position decreased by $2,921,082 as the cumulative effect of changing in accounting principles. The retroactive implementation of GASB 63 and 65 did not have a material impact on the actual and pro forma financial statements as of and for the year ended June 30, 2012.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the

District, "available" means collectible within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined “available” as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements, under which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Receivables associated with non-exchange transactions that will not be collected within the period of availability have been offset with unavailable revenue.

Unearned Revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are recorded are unearned revenue.

Expenses/Expenditures – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available for use, it is the District’s policy to first apply the expenditure toward, restricted fund balance and then to other, less restrictive classifications - committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

E. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District’s accounts are organized into major, non-major, internal service, and fiduciary funds as follows:

Major Governmental Funds

The **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Cafeteria Fund**, a special revenue fund, is used to account for revenues received and expenditures made to operate the District's cafeterias.

The **Building Fund**, a capital projects fund, is used to account for the acquisition of major governmental capital facilities and buildings from bond proceeds.

The **Special Reserve Fund for Capital Outlay**, a capital projects fund, is used to account for various maintenance and capital outlay projects.

Non-Major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes. The District maintains the following special revenue funds:

The **Adult Education Fund** is used to account for resources committed to adult education programs maintained by the District.

The **Child Development Fund** is used to account revenues received and expenditures made to operate the District's child development programs.

The **Deferred Maintenance Fund** is used to account for resources committed for the purpose of major repair or replacement of District property.

The **Charter School Fund** is used to account for revenues received and expenditures made to operate the District’s Charter School(s).

The **Special Education Pass-Through Fund** is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue pass-through to other member Local Education Agencies (LEAs).

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and other debt related costs. The District maintains the following debt service funds:

The **Bond Interest and Redemption Fund** is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and other debt related costs.

The **Debt Service Fund** is used for the accumulation of resources for and the retirement of principal and interest on long-term debt.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

The **Capital Facilities Fund** is used to account for resources received from development impact fees assessed under provisions of the California Government Code.

The **County School Facilities Fund** is used to account for state apportionment provided for construction and reconstruction of school facilities under SB50.

Internal Service Funds

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains two internal service funds. The **Self-Insurance Fund** is used to provide general and vehicle liability, workers' compensation, dental, and vision insurance coverage to its employees. The **Self-Insurance – OPEB Fund** is used to provide for retiree benefits.

Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains **Student Body Funds**, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

The Warrant/Pass-through Fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, credit unions, and other contributions.

F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, with the exception of Debt Service Funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and Cafeteria Fund are presented as required supplementary information in these financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. CASH AND EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

H. INVENTORIES AND PREPAID ITEMS

Inventories are recorded using the consumption method, in that the cost is recorded as an expenditure at the time individual inventory items are withdrawn from stores inventory for consumption. Inventories in the applicable funds consist primarily of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The District has chosen to report the expenditures during the benefiting period.

I. CAPITAL ASSETS

Capital assets are those equipment purchased or acquired with an original cost of $10,000 or more and are reported at historical cost or estimated historical cost. Facility projects that extend the life and value of a site or building and exceed $100,000 are reported as capital assets. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Asset Class	Years
Improvement of Sites	20
Buildings	50
Machinery and Equipment	5-20

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section from deferred outflows of resources. This separate financial section, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred amount on refunding in the statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and it reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding bond.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*¸ represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. It is the unavailable revenue in the balance sheets for the long-term facilities lease and future development fees. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been offset with unavailable revenue.

K. RETAINAGE PAYABLE/ DEPOSITS HELD FOR OTHERS

Retainage payable represents amounts owed to contractors (generally 10% of billings) that are withheld until the District is satisfied that the contract has been sufficiently met. Depending upon the terms on the contract, the contractor may request that these funds be held in an escrow account (Deposits held for others). These accounts are set up such that the contractor is the beneficial owner of the securities held in the account and directs the investment into securities. The District shall have a right to draw upon the securities in the event of default by a contractor. As of June 30, 2013, retainage payable is $475,770 and the balance of the escrow accounts that the District has paid into these accounts for contracts is $560,210.

L. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are generally liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken, since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

M. FUND BALANCES

In the governmental fund financial statements fund balances are classified as follows:

Non-spendable – Funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted – Funds that are mandated for specific purposes because the amounts are subject to externally imposed or legally enforceable constraints.

Committed – Funds set aside for specific purposes by the District's highest level of decision-making authority (Board of Education) pursuant to formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – Funds that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Resolution No. 2011-54 hereby delegates the authority to assign amounts to be used for specific purposes to the Chief Business Officer for the purpose of reporting these amounts in the financial statements.

Unassigned – The residual balance of the general fund that has not been assigned to other funds and that is not restricted, committed or assigned to a specific purpose.

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the District maintains a Reserve for Economic Uncertainties to safeguard the District's financial stability. The responsibility to operate the District to maintain financial stability resides with the elected Board of Education. The minimum recommended reserve for a District of this size is a minimum of 3% of budgeted general fund expenditures and other financing uses. The District's standard policy is to maintain the reserve at 3%. As of June 30, 2013, the District had a Reserve for Economic Uncertainty of $7,059,122 in the General Fund's unassigned fund balance which represents 3.1% of budgeted general fund expenditures and other financing uses. The remaining unassigned balance of $25,917,154 is also being maintained as additional designations due to the state deferral of apportionments and state deficit spending.

N. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Joaquin bills and collects the taxes for the District.

O. LONG-TERM OBLIGATIONS

The District reports long-term obligations of governmental funds at face value in the government-wide financial statements. Long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements and the government-wide financial statements.

P. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

Q. FUTURE GASB STATEMENT IMPLEMENTATION

In June of 2012, the GASB issued GASB Statement 68 (GASB 68), *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, with required implementation for the District during the year ended June 30, 2015. GASB 68 is an amendment of GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 requires implementation retroactively and may require a restatement of beginning net position.

2. CHARTER SCHOOLS

The Lodi Unified School District operates the Joe Serna Charter School pursuant to Education Code Section 47605. The financial activities of the Joe Serna Charter School are presented in the Special Revenue Fund (See Note 1).

3. CASH AND EQUIVALENTS

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

Statement of net position:	
Cash and equivalents	$ 116,010,522
Restricted cash and equivalents	4,777,197
Fiduciary funds:	
Cash and equivalents	2,405,184
Total cash and equivalents	$ 123,192,903

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

Cash with financial institutions	$ 4,362,415
Cash and equivalents with County Treasury	113,734,816
Cash and equivalents with fiscal agents	5,095,672
Total cash and equivalents	$ 123,192,903

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Joaquin County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq., and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the entity by the District's investment policy. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Agreements	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2013, the weighted average maturity of the investments contained in the treasury investment pool is approximately 265 days.

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization. As applicable, the actual rating for the cash and equivalents with fiscal agent as of June 30, 2013 is as follows:

	Market Value	Minimum Legal Rating	Rating as of End of Year
FCAR Owner Trust Commercial Paper	$ 3,714,606	N/A	Not Rated
Blackrock Institutional Funds	990,126	N/A	AAAm
First American Treasury	66,415	N/A	AAAm

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

District deposits held with financial institutions and with fiscal agents in excess of federal depository insurance limits held in accounts collateralized by securities held by the pledging financial institution were $3,774,391.

4. ACCOUNTS/LEASE RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2013:

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund	Other Gov Funds	Self Insurance Fund	Total Funds
Federal government	$ 4,077,359	$ 2,973,603					$ 7,050,962
State government	37,945,283				$ 896,346		38,841,629
Local government	894,142	10,811	$ 9,973	$ 17,235,000	108,589	$ 332,427	18,590,942
Interest	20,587	2,890	9,333	4,672	11,186	20,071	68,739
Totals	$ 42,937,371	$ 2,987,304	$ 19,306	$ 17,239,672	$ 1,016,121	$ 352,498	$ 64,552,272

Lease Receivable

At June 30, 2013, the District has recorded a facilities lease receivable in the amount of $17,235,000 from Aspire Public Schools in the Special Reserve Fund (see Note 7, Certificates of Participation).

5. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Due from/Due to Other Funds

Individual interfund receivables and payables as of June 30, 2013 were as follows:

	Payable Fund					
Receivable Fund	**General Fund**	**Cafeteria Fund**	**Building Fund**	**Other Gov Funds**	**Self Insurance Fund**	**Total Funds**
General Fund		$ 23,494	$ 549	$ 16,303	$ 9,009	$ 49,355
Cafeteria Fund	$ 83,462					83,462
Building Fund		24,190				24,190
Other Governmental Funds	3,000,898					3,000,898
Self Insurance Fund	1,765,000					1,765,000
Totals	$ 4,849,360	$ 47,684	$ 549	$ 16,303	$ 9,009	$ 4,922,905

Interfund receivables and payables are paid and cleared in the subsequent period.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the year ended June 30, 2013 were as follows:

	Transfers In			
Transfers Out	Building Fund	Special Reserve Fund	Other Governmental Funds	Total Funds
General Fund		$ 519,774	$ 4,720,142	$ 5,239,916
Special Reserve Fund			1,390,183	1,390,183
Other Governmental Funds	$ 25,000			25,000
Total	$ 25,000	$ 519,774	$ 6,110,325	$ 6,655,099

There are no significant and/or non-routine transfers for the fiscal year ended June 30, 2013.

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 28,758,332			$ 28,758,332
Construction in progress	18,507,765	$ 1,606,092	$ (6,457,260)	13,656,597
Total capital assets, not being depreciated	47,266,097	1,606,092	(6,457,260)	42,414,929
Capital assets, being depreciated:				
Improvement of sites	22,349,638	393,139		22,742,777
Buildings	449,577,683	9,513,142		459,090,825
Machinery and equipment	28,651,023	5,260,478	(3,413,697)	30,497,804
Total capital assets, being depreciated	500,578,344	15,166,759	(3,413,697)	512,331,406
Less accumulated depreciation for:				
Improvement of sites	(8,478,588)	(766,614)		(9,245,202)
Buildings	(73,149,442)	(8,905,014)		(82,054,456)
Machinery and equipment	(21,820,495)	(1,684,253)	3,275,779	(20,228,969)
Total accumulated depreciation	(103,448,525)	(11,355,881)	3,275,779	(111,528,627)
Total capital assets, being depreciated, net	397,129,819	3,810,878	(137,918)	400,802,779
Governmental activities capital assets, net	$ 444,395,916	$ 5,416,970	$ (6,595,178)	$ 443,217,708

For the year ended June 30, 2013, depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	$ 9,761,445
Supervision of instruction	11,765
School site administration	140,606
Pupil transportation	649,188
Food services	146,984
Other general administration	159,612
Data processing services	364,447
Plant services	121,834
Total depreciation expense	$ 11,355,881

7. LONG-TERM LIABILITIES

General Obligation Bonds

In August 2004, the District issued the 2004 Series of 2002 General Obligation Bonds in the amount of $50,000,000, with interest rates ranging from 2.25% to 5.25%. In July 2006, the District issued the 2006 Series of 2002 General Obligation Bonds in the amount of $9,360,000, with interest rates ranging from 4.20% to 4.60%. In August 2007, the District issued the 2007 Series of 2006 of the School Facilities Improvement District No. 1 General Obligation Bonds in the amount of $50,000,000, with interest rates ranging from 4.50% to 5.00%.

On November 3, 2011, the District issued 2011 General Obligation Refunding Bonds in the amount of $42,190,000, with interest rates ranging from 2% to 5%, to currently refund the 2002 General Obligation Bonds 2002 Series. The District completed the refunding to reduce debt service payments by $2,952,761 in aggregate and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $2,240,664 in aggregate.

On August 13, 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of $44,930,000, with interest rates ranging from 2% to 5%, to advance refund $46,565,000 of the 2002 General Obligation Bonds 2004 Series. The District completed the refunding to reduce debt service payments by $6,768,438 in aggregate and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $4,976,730 in aggregate. The District defeased the bond by placing proceeds of the new bond in an irrevocable escrow account to provide for future debt service, accordingly the assets and liabilities for the defeased bond are not included in the Statement of Net Position. As of June 30, 2013, the defeased bond remains outstanding in the amount of $46,565,000, which was subsequently redeemed on August 1, 2013.

As of June 30, 2013, the 2004 Issue principal balance outstanding was $870,000, the 2006 Issue principal balance outstanding was $8,465,000, the 2007 Issue principal balance outstanding was $43,295,000, the 2011 Issue principal balance outstanding was $40,475,000 and the 2012 Issue principal balance outstanding was $44,930,000.

The bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 3,815,000	$ 6,137,313	$ 9,952,313
2015	4,295,000	5,988,763	10,283,763
2016	4,965,000	5,816,775	10,781,775
2017	5,715,000	5,605,159	11,320,159
2018	6,540,000	5,346,111	11,886,111
2019-2023	39,080,000	21,656,253	60,736,253
2024-2028	45,190,000	11,650,860	56,840,860
2029-2033	28,435,000	2,941,125	31,376,125
Subtotal	138,035,000	65,142,359	203,177,359
Plus: Unamortized Premium	7,333,340		7,333,340
Totals	$ 145,368,340	$ 65,142,359	$ 210,510,699

Certificates of Participation

In September 2003, the District issued Refunding Certificates of Participation (COP) in the amount of $10,985,000, with interest rates ranging from 2% to 5%. The September 2003 issue refunded the COP issued in June 1993.

In January of 2005, the District issued COP totaling $21,680,000, with interest rates ranging from 3.0% to 4.5%. The proceeds were used by the District to finance the acquisition of facilities from Aspire Public Schools (Aspire), a California nonprofit public benefit corporation, and for assistance with completion of improvements to these facilities. Concurrently, the District entered into a facilities lease agreement with Aspire for the use and occupancy of the facilities to meet their obligations under Education Code 47614. The facilities lease requires Aspire to make rental payments to the District equal to the COP's principal and interest payments (see Note 4, Lease Receivable).

In February of 2008, the District issued COP totaling $13,500,000, with interest rates ranging from 4.0% to 4.5%.

In July, 2010, the District issued certificates of participation (the COPs), Series A & B "2010" in the amount of $5,575,000 for the construction, rehabilitation and repair of school facilities by the District as part of the Qualified School Construction Bonds (QSCBs). The District authorized the bonds pursuant to resolution adopted by the District board on June 15, 2010. The COPs bear interest rates from 1.75% - 7.38% and are scheduled to mature through 2027.

As of June 30, 2013, the principal balance of the 2003 Issue outstanding was $8,410,000, the principal balance of the 2005 Issue was $17,825,000, the principal balance of the 2007 Issue was $3,065,000, and the principal balance of the 2010 Issue was $5,500,000. The district also issued Qualified Zone Academy Bond COP in 2011 in the amount of $5,000,000, maturing in 2018.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 955,000	$ 1,688,338	$ 2,643,338
2015	2,260,000	1,650,351	3,910,351
2016	1,365,000	1,547,566	2,912,566
2017	1,400,000	1,487,599	2,887,599
2018	1,450,000	1,422,643	2,872,643
2019-2023	13,235,000	5,988,612	19,223,612
2024-2028	10,295,000	3,621,914	13,916,914
2029-2033	7,805,000	1,212,116	9,017,116
2034-2037	1,035,000	125,636	1,160,636
Subtotal	39,800,000	18,744,775	58,544,775
Less: Unamortized Discount/Premium	(174,072)		(174,072)
Totals	$ 39,625,928	$ 18,744,775	$ 58,370,703

Capital Leases

In November, 2010, the District entered in a Lease-Purchase Agreement of Energy Conservation Equipment of $9,915,000 as part of the 2010 Qualified Energy Conservation Project (Federally Taxable Direct Pay Tax Credit Bonds). The funds were used to install energy conservation equipment at various sites in the District. The District also leases various computers and equipment under agreements that provide for title to pass upon expiration of the lease period. The book value of these items at time of purchase was $15,912,749. Future minimum lease payments as of June 30, 2013 are as follows:

Year Ending June 30,	Lease Payments
2014	$ 2,010,972
2015	1,998,531
2016	1,989,403
2017	1,533,375
2018	985,839
Thereafter	8,537,257
Total	17,055,377
Less amount Representing Interest	(4,291,680)
Present value of net minimum lease payments	$ 12,763,697

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

Supplemental Employee Retirement Plan

In June 2010, the District approved a Supplemental Employee Retirement Plan (SERP). The District offered this benefit to encourage eligible employees to retire early of which 112 elected to participate. The District agreed to make equal annual installments of $1,212,320 over 5 years. The balance of the SERP obligations at June 30, 2013 was $1,212,320.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 143,165,000	$ 44,930,000	$ (50,060,000)	$ 138,035,000	$ 3,815,000
Unamortized GOB Premium	4,267,976	4,456,896	(1,391,532)	7,333,340	700,038
Certificates of Participation	35,710,000		(910,000)	34,800,000	955,000
Unamortized COP Discount	(222,697)		17,159	(205,538)	(16,982)
Unamortized COP Premium	34,188		(2,722)	31,466	2,638
Capital Leases	10,211,237	4,297,755	(1,745,295)	12,763,697	1,419,643
Claims Liability (Note 9)	10,536,738	2,804,284	(1,508,525)	11,832,497	1,294,837
Other Postemployment Benefits (Note 11)	6,968,503	4,188,267	(2,160,549)	8,996,221	
QZ Academy Bonds	5,000,000			5,000,000	
SERP	2,424,640		(1,212,320)	1,212,320	1,212,320
Compensated Absences	2,470,266	2,306,655	(2,287,969)	2,488,952	2,287,969
Total	$ 220,565,851	$ 62,983,857	$ (61,261,753)	$ 222,287,955	$ 11,670,463

8. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

Litigation

Various claims and litigation involving the District are currently outstanding. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District’s financial position or results of operations.

Commitments

The District has construction contracts and property acquisition commitments of approximately $1,019,995 at June 30, 2013. Bond and state funds have been approved for such construction.

9. RISK MANAGEMENT/CLAIMS LIABILITIES

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2013, the District participated in two joint power agreements (JPAs) for purposes of pooling of risk related to property and liability. See “Joint Ventures” footnote for nature of participation.

The District is self-insured for workers’ compensations claims up to $1,000,000 per occurrence and purchases excess insurance for claims above $1,000,000, with a maximum of up to $10,000,000 per claim. In addition, the District is fully insured for dental care for all employees except classified. Classified employees' dental care is self-insured and vision care is also fully self-insured for all employees. All claims are administered by outside parties and the Self-Insurance Fund accounts for and liquidates these insurance activities.

The District has accrued a claims liability of $11,832,497 at June 30, 2013, for its self-insured claims and deductibles in the Self-Insurance Fund. The claims liability is based upon an evaluation by outside administrators and actuaries for known claims and management's evaluation of incidents incurred but not reported, excluding incremental costs. These claims liabilities are established based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as workers’ compensation. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The majority of these claims liabilities are long-term in nature and the District’s intent is to fund these liabilities over time. Management has estimated $1,294,837 of these liabilities will be incurred in the 2013-14 fiscal year.

Changes in claims liability for the years ended June 30, 2013 and 2012 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claims Payments	Liability End of Year
2012-2013	$ 10,536,738	$ 2,804,284	$ (1,508,525)	$ 11,832,497
2011-2012	$ 8,833,763	$ 2,959,105	$ (1,256,130)	$ 10,536,738

10. JOINT VENTURES

The District participates in two JPAs, the Schools Association for Excess Risk (SAFER) and Northern California Relief (NCR). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

SAFER and NCR arrange property and liability insurance coverage for their members. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the boards. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

NATURE OF PARTICIPATION

Property

District	
Deductible:	$50,000
JPA's SIR:	$100,001 to $250,000 with NCR
Excess Insurance:	$250,001 to $250,000,000 per occurrence with SAFER

Liability

District	
Deductible:	$100,000
JPA's SIR:	$100,001 to $1,000,000 with NCR
Excess Insurance:	$1,000,001 to $5,000,000 with SAFER
	$5,000,001 to $25,000,000 with SAFER

The condensed financial information of the JPAs is as follows:

	SAFER June 30, 2012	NCR June 30, 2012
Total Assets	$ 10,462,248	$ 64,352,057
Total Liabilities	$ 9,648,799	$ 34,304,678
Net Assets	813,449	30,047,379
Total Liabilities and Net Assets	$ 10,462,248	$ 64,352,057
Total Revenues	$ 9,585,343	$ 16,956,833
Total Expenses	8,960,233	13,337,585
Increase in Net Assets	$ 625,110	$ 3,619,248

Complete separate financial statements for the JPA may be obtained at the District office at 1305 E. Vine Street, Lodi, CA 95240.

11. EMPLOYEE RETIREMENT SYSTEMS

PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS), and certificated employees are members of the State Teachers' Retirement System (CalSTRS).

CalPERS Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issue a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

CalPERS Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011 were $4,044,056, $3,861,966 and $3,889,977, respectively, and equal 100 % of the required contributions for each year.

CalSTRS Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CALSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

CalSTRS Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011 were $8,656,215, $8,549,924 and $8,699,061, respectively, and equal 100% of the required contributions for each year.

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminate employees.

OTHER POSTEMPLOYMENT BENEFIT PLAN

In addition to the CalPERS/CalSTRS pension benefits, the District offers single-employer postretirement health care benefits up to age 65 for certain groups of employees who retire from the District after attaining age 50 or 60 with at least 10 to 20 years of service. These postretirement health care benefit provisions are established per contractual agreement with employee groups. As of June 30, 2013, 303 retirees met these eligibility requirements. The District pays up to $737 per month for health benefits of retirees. In addition, eligible management employees receive $2,000 per year toward health care benefits after age of 65. As of June 30, 2013, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there is no separately issued report of the plan.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. During the year ended June 30, 2013, expenditures of $4,188,267 were recognized for the OPEB expense.

During the year ended June 30, 2013 the District transferred $4,911,077 to the Self-Insurance – OPEB Fund, an Internal Service Fund. This transfer is regarded as earmarking of employer assets to reflect the employer's intent to apply these assets to finance the cost of postemployment benefits at some time in the future and thus do not qualify as contributions. The June 30, 2013 contributions consist of $2,160,549 postemployment benefits for current retirees on a pay-as-you-go basis.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimations are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and, if applicable, the disclosure that the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation. The schedule of funding progress included in the required supplementary information presents multiyear information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar over a rolling 30 years
Remaining amortization period at June 30, 2013	29
Discount rate assumption	5%
Return on Assets	5%
Health inflation assumption	4-8%

Annual required contribution	$	4,293,153
Interest on net OPEB obligation		348,425
Adjustment to annual required contribution		(453,311)
Annual OPEB expense		4,188,267
Contributions made:		
Payment to insurers/retirees		(2,160,549)
Increase in OPEB obligation		2,027,718
Net OPEB obligation at July 1, 2012		6,968,503
Net OPEB obligation at June 30, 2013	$	8,996,221

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for June 30, 2013 and the preceding years is as follows:

Fiscal year ended	Annual OPEB expense	% of annual OPEB expense contributed	Net OPEB obligation
6/30/11	$ 4,762,627	86.56%	$ 5,093,589
6/30/12	$ 4,216,490	55.53%	$ 6,968,503
6/30/13	$ 4,188,267	51.59%	$ 8,996,221

The District's funding status for other postemployment benefits as of the most recent valuation date, July 1, 2011, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/11	$ 0	$ 37,905,734	$ 37,905,734	0%	$ 145,038,139	26%

12. TAX REVENUE ANTICIPATION NOTES (TRANS)

Tax revenue anticipation notes are short-term debt instruments. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANS activity for the year ended June 30, 2013 is as follows:

	Outstanding June 30, 2012	Additions	Deletions	Outstanding June 30, 2013
2013 2.00% TRANS		$ 14,080,000	$ 14,080,000	
	$	$ 14,080,000	$ 14,080,000	$

13. ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consisted of state general fund contributions to CalSTRS in the amount of $5,495,684 (5.176% of 2010-11 salaries subject to CalSTRS.)

REQUIRED SUPPLEMENTARY INFORMATION

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/06	$ 0	$ 27,769,135	$ 27,769,135	0%	$ 164,878,779	17%
7/1/09	$ 0	$ 38,190,066	$ 38,190,066	0%	$ 147,396,100	26%
7/1/11	$ 0	$ 37,905,734	$ 37,905,734	0%	$ 145,038,139	26%

LODI UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
State apportionment	$ 109,905,449	$ 109,124,602	$ 110,117,515	$ 992,913
Local sources	33,676,464	34,326,580	33,375,230	(951,350)
Total revenue limit	143,581,913	143,451,182	143,492,745	41,563
Federal revenues	16,808,868	19,961,733	18,480,328	(1,481,405)
Other state revenues	51,355,104	53,312,970	52,697,474	(615,496)
Other local revenues	2,617,735	3,538,492	3,730,253	191,761
Total revenues	214,363,620	220,264,377	218,400,800	(1,863,577)
EXPENDITURES				
Certificated personnel salaries	102,673,820	103,085,845	102,342,859	742,986
Classified personnel salaries	32,463,355	34,019,128	34,464,611	(445,483)
Employee benefits	44,810,857	45,881,150	45,876,331	4,819
Books and supplies	12,836,093	17,380,737	9,362,037	8,018,700
Services and other operating expenditures	20,410,178	25,622,730	25,248,087	374,643
Capital outlay	873,144	5,283,671	4,668,311	615,360
Other outgo			22,961	(22,961)
Allocation of indirect costs	(789,871)	(813,811)	(682,672)	(131,139)
Debt service	175,798	996,422	1,154,004	(157,582)
Total expenditures	213,453,374	231,455,872	222,456,529	8,999,343
Excess (deficiency) of revenues over expenditures	910,246	(11,191,495)	(4,055,729)	7,135,766
OTHER FINANCING USES				
Proceeds from capital lease			4,297,755	4,297,755
Interfund transfers out	(2,427,876)	(2,239,919)	(5,239,916)	(2,999,997)
Total other financing uses	(2,427,876)	(2,239,919)	(942,161)	1,297,758
Net decrease in fund balance	(1,517,630)	(13,431,414)	(4,997,890)	8,433,524
Fund balance – beginning	59,025,603	59,025,603	59,025,603	
Fund balance – ending	$ 57,507,973	$ 45,594,189	$ 54,027,713	$ 8,433,524

LODI UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
CAFETERIA SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
Federal revenues	$ 12,013,750	$ 12,361,232	$ 11,883,489	$ (477,743)
Other state revenues	924,000	924,000	903,567	(20,433)
Other local revenues	2,582,737	2,582,737	2,551,686	(31,051)
Total revenues	15,520,487	15,867,969	15,338,742	(529,227)
EXPENDITURES				
Classified personnel salaries	4,950,399	5,065,185	4,775,979	289,206
Employee benefits	2,504,366	2,541,439	1,757,287	784,152
Books and supplies	6,974,697	7,274,769	5,841,946	1,432,823
Services and other operating expenditures	1,513,512	1,513,512	1,039,723	473,789
Capital outlay	2,650,000	2,650,000	1,932,453	717,547
Allocation of indirect costs	684,510	699,346	598,306	101,040
Total expenditures	19,277,484	19,744,251	15,945,694	3,798,557
Net decrease in fund balance	(3,756,997)	(3,876,282)	(606,952)	3,269,330
Fund balance – beginning	8,015,508	8,015,508	8,015,508	
Fund balance – ending	$ 4,258,511	$ 4,139,226	$ 7,408,556	$ 3,269,330

SUPPLEMENTARY INFORMATION SECTION

LODI UNIFIED SCHOOL DISTRICT

ORGANIZATION
JUNE 30, 2013

The Lodi Unified School District was established on July 1, 1967, and comprises an area located in San Joaquin County. There were no changes in the boundaries of the District during the current year. The District currently operates 34 elementary schools (most of which have a grade configuration of kindergarten through 6th grade, one GATE school for grades 4-8, and two schools for grades K-8), five middle schools (for grades 7-8), two community day schools (grades 7-9 and grades 7-12), four comprehensive high schools (for grades 9-12), one high school offering college preparatory classes, two alternative high schools, an independent study school for grades K-12, one charter school for grades K-8, preschool programs, and an adult education program. The District also has four independent charter schools.

GOVERNING BOARD

Name	Office	Term Expires
Mr. Ralph Womack	President	2016
Mr. Joe Nava	Vice President	2016
Mr. George Neely	Clerk	2014
Ms. Ruth Davis	Member	2014
Mr. Ron Heberle	Member	2014
Ms. Bonnie Cassel	Member	2014
Mr. Ron Freitas	Member	2016

ADMINISTRATION

Dr. Cathy Washer
Superintendent

Mr. Tim Hern
Associate Superintendent/Chief Business Officer

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2013

DISTRICT

	Second Period Report	Annual Report
Elementary:		
Kindergarten	1,934	1,942
Grades 1 through 3	6,129	6,140
Grades 4 through 6	5,988	5,982
Grades 7 and 8	3,754	3,743
Special Education	631	636
Home and Hospital	5	5
Community Day School	82	81
Extended Year ADA	2	51
Elementary Totals	18,525	18,580
High School:		
Grades 9 through 12, Regular Classes	7,494	7,435
Special Education	338	331
Continuation Education	273	266
Home and Hospital	6	5
Community Day School	59	57
Extended Year ADA	3	22
High School Totals	8,173	8,116
ADA Totals	26,698	26,696

JOE SERNA JR. CHARTER SCHOOL

	Second Period Report	Annual Report
Elementary:		
Kindergarten	40	50
Grades 1 through 3	109	108
Grades 4 through 6	101	93
Grades 7 and 8	47	46
ADA Totals - Classroom Based	297	297

See the accompanying notes to supplementary information.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2013

Charter School	Included/Not Included
Aspire Public Schools – River Oaks Charter School	Not Included
Aspire Public Schools – University Public School	Not Included
Aspire Public Schools - Benjamin Holt College Prep Academy	Not Included
Rio Valley Charter School	Not Included
Joe Serna Jr. Charter School	Included

See the accompanying notes to supplementary information.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2013

Grade Level	1982-83 Actual Minutes	1982-83 Reduced Minutes Requirement	1986-87 Minutes Requirement	1986-87 Reduced Minutes Requirement	2012-13 Actual Minutes	Number of Instructional Days Offered	Status
DISTRICT							
Kindergarten	35,200	34,222	36,000	35,000	35,000	175	In Compliance
Grades 1	46,640	45,344	50,400	49,000	50,189	175	In Compliance
Grades 2	46,640	45,344	50,400	49,000	50,189	175	In Compliance
Grades 3	46,640	45,344	50,400	49,000	50,189	175	In Compliance
Grades 4	51,216	49,793	54,000	52,500	53,636	175	In Compliance
Grades 5	51,216	49,793	54,000	52,500	53,636	175	In Compliance
Grades 6	51,216	49,793	54,000	52,500	53,636	175	In Compliance
Grades 7	60,016	58,349	54,000	52,500	58,426	175	In Compliance
Grades 8	60,016	58,349	54,000	52,500	58,426	175	In Compliance
Grades 9	50,160	48,767	64,800	63,000	63,540	175	In Compliance
Grades 10	50,160	48,767	64,800	63,000	63,540	175	In Compliance
Grades 11	50,160	48,767	64,800	63,000	63,540	175	In Compliance
Grades 12	50,160	48,767	64,800	63,000	63,540	175	In Compliance
CHARTER SCHOOL							
Kindergarten	Not Offered	Not Offered	36,000	35,000	41,170	175	In Compliance
Grades 1	Not Offered	Not Offered	50,400	49,000	53,050	175	In Compliance
Grades 2	Not Offered	Not Offered	50,400	49,000	53,050	175	In Compliance
Grades 3	Not Offered	Not Offered	50,400	49,000	55,030	175	In Compliance
Grades 4	Not Offered	Not Offered	54,000	52,500	55,030	175	In Compliance
Grades 5	Not Offered	Not Offered	54,000	52,500	55,030	175	In Compliance
Grades 6	Not Offered	Not Offered	54,000	52,500	59,740	175	In Compliance
Grades 7	Not Offered	Not Offered	54,000	52,500	59,740	175	In Compliance
Grades 8	Not Offered	Not Offered	54,000	52,500	59,740	175	In Compliance

Districts must maintain their instructional minutes at either 1982-83 reduced instructional minutes as applicable or the 1986-87 reduced instructional time requirements as applicable, whichever is greater, as required by Education Code Section 46201.

The District received both the Longer Day and Longer Year incentives.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2013

GENERAL FUND

	June Adopted Budget 2014	2013	2012	2011
Revenues and other financial sources	$ 214,814,800	$ 222,698,555	$ 223,779,902	$ 236,450,528
Expenditures	224,889,030	222,456,529	219,433,630	212,580,009
Other uses and transfers out	2,439,191	5,239,916	2,320,871	1,781,032
Total outgo	227,328,221	227,696,445	221,754,501	214,361,041
Change in fund balance	(12,513,421)	(4,997,890)	2,025,401	22,089,487
Ending fund balance	$ 41,514,292	$ 54,027,713	$ 59,025,603	$ 57,000,202
Available reserves[1]	$ 26,572,350	$ 32,976,276	$ 37,943,555	$ 30,710,158
Reserved for economic uncertainties	$ 7,000,000	$ 7,059,122	$ 7,070,848	$ 7,429,206
Unassigned fund balance	$ 19,572,350	$ 25,917,154	$ 30,872,707	$ 23,280,952
Available reserves as a percentage of total outgo	11.7%	14.5%	17.1%	14.3%
Total long-term debt[3]	$ 210,617,492	$ 222,287,955	$ 220,195,688	$ 220,444,730
Average daily attendance at P-2[2]	26,298	26,698	26,877	27,289

(1) Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.
(2) Excludes Adult Education ADA.
(3) Beginning for the fiscal year 2012-13, deferred amount of refunding is excluded from long-term debt due to the implementation of GASB 65, which required it's reclassification to deferred outflow of resources.

The General Fund balance has decreased by $2,972,489 over the past two years. The fiscal year 2013-14 budget projects a decrease of $12,513,421. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years, and anticipates generating an operating deficit during the 2013-14 fiscal year. Total long-term debt has increased by $1,843,225 over the past two years, partially due to implementation of GASB 65 in the current year.

Average daily attendance has decreased by 591 over the past two years. ADA is anticipated to decrease by 400 during fiscal year 2013-14.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	PCA Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed-Through California Department of Education (CDE):			
Child Nutrition Cluster:			
Child Nutrition: School Programs	10.555	13391	$ 8,438,443
Child Nutrition: School Programs - Commodities	10.555	N/A	958,836
Child Nutrition: School Programs (School Breakfast Basic)	10.553	13390	2,551,702
Subtotal Child Nutrition Cluster			11,948,981
Child Nutrition: CACFP Claims	10.558	13666	550,274
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	343,074
Total U.S. Department of Agriculture			12,842,329
U.S. Department of Education:			
Passed-Through CDE:			
IDEA Early Intervention Grants	84.181	23761	75,117
Voc & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	13924	243,864
Workability II, Transitions Partnership	84.158	10006	191,072
Special Ed: State Improvement Grant, Improving Special Ed Systems	84.323	14920	14,075
Title IV, Part B, 21st Century Community	84.287	14349	481,076
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	1,007,600
Title I:			
Title I Basic Grants Low Income & Neg.	84.010	14329	8,009,922
Title I, Part D, Local Delinquent	84.010	14357	9,565
Subtotal Title I Cluster			8,019,487
Teacher Quality Grants:			
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	1,629,439
Title II, Part A, Administrator Training	84.367	14344	10,771
Subtotal Teacher Quality Grants			1,640,210
Special Education Cluster (IDEA):			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,839,350
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	131,202
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	333,340
Special Ed: IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	642,586
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,733
Subtotal Special Education Cluster (IDEA)			5,948,211
Total Passed-Through U.S Department of Education			17,620,712
U.S. Department of Health and Human Services:			
Passed-Through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Option Billing	93.778	10013	401,381
Total U.S. Department of Health and Human Services			401,381
Total Expenditures of Federal Awards			$ 30,864,422

See the accompanying notes to supplementary information.

AUDITOR'S COMMENTS

All fund balances agreed to the unaudited actuals.

1. PURPOSE OF SCHEDULES

A. SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. SCHEDULE OF CHARTER SCHOOLS

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not it is included in the District's financial statements.

C. SCHEDULE OF INSTRUCTIONAL TIME

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

D. SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

E. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

F. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the fund equity of all funds as reported on the unaudited actuals to the audited fund financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

Gilbert Associates, Inc.
CPAs and Advisors
Relax. We got this.℠

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

Independent Auditor's Report

Board of Education
Lodi Unified School District
Lodi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lodi Unified School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting described in the accompanying Schedule of Audit Findings and Questioned Costs as item 13-1that we consider to be significant deficiency.

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Compliance and Other Matters

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

District's Response to Finding

The District' response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs as item 13-1. The District' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 12, 2013

Gilbert Associates, Inc.
CPAs and Advisors
Relax. We got this.

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of Education
Lodi Unified School District
Lodi, California

Report on Compliance for Each Major Federal Program

We have audited Lodi Unified School District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 12, 2013

REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH STANDARDS AND PROCEDURES FOR AUDITS OF CALIFORNIA K-12 LOCAL EDUCATION AGENCIES

Independent Auditor's Report

Board of Education
Lodi Unified School District
Lodi, California

Report on State Compliance

We have audited the Lodi Unified School District's (the District) compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies, 2012-13* applicable to the District's programs identified in the below schedule for the school year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies, 2012-13*, published by the Education Audit Appeals Panel. Those standards and the *Standards and Procedures for Audits of the California K-12 Local Education Agencies* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

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In connection with the requirements referred to above, we selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

Compliance Requirements	Procedures In Audit Guide	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time For:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
Districts or Charter Schools with one School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
Non-classroom-Based Instruction/Independent Study, for charter schools	15	Not Applicable
Determination of Funding for Non-classroom-Based Instruction, for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based, for charter schools	4	Yes

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the above schedule for the year ended June 30, 2013.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 12, 2013

FINDINGS AND RECOMMENDATIONS SECTION

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	X Yes	____ None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	____ Yes	X No

Identification of major programs

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 925,933	
Auditee qualified as low-risk auditee?	X Yes	____ No

State Awards

Internal control over State programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None Reported
Any audit findings disclosed that are required to be reported in accordance with Audits of California K-12 Local Education Agencies?	____ Yes	X No
Type of auditor's report issued on compliance for state programs:	Unmodified	

FINANCIAL STATEMENT FINDINGS – SIGNIFICANT DEFICIENCY

13-1: ASSOCIATED STUDENT BODY CASH RECEIPTS – CDDC #30000

Condition:

The review of the internal controls over Associated Student Body (ASB) funds identified instances in which adequate supporting documentation was not maintained at the District office to support ASB cash receipts.

Criteria:

The District ASB manual states that "all deposits sent to the District cashier must be accompanied by receipts or other documentation that shows where the money came from."

Cause:

District personnel informed us that despite their efforts to, school sites do not always provide adequate documentation for the ASB deposits.

Effect:

Adequate documentation over cash receipts discourages theft or loss of ASB funds.

Recommendation:

We recommend that the District reiterate the importance of maintaining adequate supporting documentation for deposits, reconciling cash receipts and keeping inventory in accordance the District's ASB Manual. Additional training should be considered for ASB personnel to ensure that procedures are understood and properly implemented.

Management Response:

District office staff continues to follow up with the sites to ensure ASB deposits are submitted with appropriate documentation.

STATE COMPLIANCE

There were no state compliance findings reported.

FEDERAL COMPLIANCE

There were no federal compliance findings reported.

Recommendation	Current Status	District Explanation If Not Implemented
12-1 ASSOCIATED STUDENT BODY CASH RECEIPTS – CDDC #30000 We recommend that the District should ensure that ASB deposits are submitted with the appropriate documentation and follow-up with the sites if the documentation is missing or inadequate.	Not Implemented – exceptions noted in the current year, see finding 13-1.	The District continues to work with ASB to ensure appropriate documentation is submitted.