CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

INTRODUCTORY SECTION

CITY OF LODI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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CITY COUNCIL

JOANNE MOUNCE, Mayor
LARRY HANSEN, Mayor Pro Tempore
COUNCILMEMBERS:
SUSAN HITCHCOCK
BOB JOHNSON
PHIL KATZAKIAN

CITY OF LODI
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P.O. BOX 3006
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BLAIR KING
City Manager

RANDI JOHL
City Clerk

STEVE SCHWABAUER
City Attorney

October 24, 2008

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

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008, is hereby submitted. This report is provided to present the financial position, results of operations and cash flows of the City's proprietary funds as of June 30, 2008, in conformity with generally accepted accounting principles. The report conforms to the highest standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), for reporting by State and local governments. The responsibility for the accuracy, fairness and completeness of the report rests with the City.

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

The CAFR is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes the transmittal letter, the City's organization chart and a list of principal officials. The financial section includes the independent auditors' report, management discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, required supplementary schedules, and the combining and individual statements. The single audit section includes the schedule of expenditures of federal awards, notes to the schedule, and reports on compliance and internal control based on the audit of the basic financial statements and on compliance and internal control with requirements applicable to each major program in accordance with OMB Circular A-133. The statistical section includes selected financial and demographic information presented on a multi-year basis.

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

THE REPORTING ENTITY AND SERVICES PROVIDED

The funds included in the CAFR are those deemed dependent upon the City and controlled by the City Council and reflect the City's financial reporting entity in accordance with GASB Statement 14.

The City of Lodi (City) was incorporated December 6, 1906, as a municipal corporation under the general laws of the State of California. The City operates under a Council-Manager form of government. Under the Council-Manager form of government, policy making and legislative authority are entrusted to the City Council. The City Council consists of five members elected at-large by its voters for four-year terms, with no term limits. Elections are held in November of even-numbered years. Each year the Mayor and Mayor Pro-Tempore are chosen by the members of the City Council. The Mayor presides at Council meetings and acts as the ceremonial head of the City, the Mayor Pro Tempore serves as Mayor in his or her absence. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for appointing department heads, and overseeing the operations of the City. The City Manager, City Attorney and the City Clerk are appointed by the City Council.

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The City is located in the San Joaquin Valley between Stockton 10 miles to the south, and Sacramento 35 miles to the north, and adjacent to U.S. Highway 99. The City population is 63,362 and is contained in an area of 13.92 square miles. The City has grown steadily since incorporation in 1906 and is projected to grow to 67,670 people by the year 2012. The City's growth is provided for in both the General Plan and the City's growth control ordinance that allows an increase in population of 2% per year until the growth limits are reached.

Lodi is built on a strong and broad based local economy. Lodi is known for its Zinfandel wine. It is an authentic dynamic wine region with 60 wineries within 10 miles of downtown. The employment base is diversified with food processing, packaging, plastic and service industries.

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

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

Economic Development
Lodi continues to be committed to promoting economic development (business retention and attraction) and expanding the tax base to fund city services rather than increase taxes to pay for these services. The City has provided for additional retail sales and commercial activity with approval of new retail developments adjacent to Highway 99 and Harney Lane. Lodi is also committed to an Enterprise Zone with San Joaquin County. Finally, the City has approved the Lodi Community Improvement Project that will stimulate economic activity along Cherokee Lane, Kettleman Lane and the industrial areas of town.

MAJOR GOALS, OBJECTIVES AND PROJECTS

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

Four major City goals were established as policy direction and focal points for the efforts of City staff. These goals include:
- Ensure a High Quality of Life and a Safe Environment for Citizens
- Ensure Efficient and Productive City Organization
- Ensure Public Trust, and
- Ensure the Development of the Lodi Economy for a Fiscally Sound City Organization

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

Projects represent the foundation of the planning statements for the City of Lodi. These projects are designed to accomplish specific objectives and become the focus for organization wide effort.
As discussed above, economic revitalization continued to be an active focal point of the City in 2007-08. The following projects are underway and will be completed in 2009.

Court Space Remodel
The court facility is being remodeled to provide additional workspace for the Finance and Budget divisions. Both divisions are currently housed in space that is leased. The court space was previously used by Superior Court #1 which moved across the street to the new police building. The use of this space by city departments will save more than $140,000 in annual lease payments.

Municipal Service Center Transit Vehicle Maintenance Facility (MSC)
The MSC Vehicle Maintenance Facility project will be roughly 14,250 square feet in size. The design designates heavy duty and light duty work bays, with the heavy duty bays large enough in size to accommodate the 40 foot transit buses utilized for fixed route service as well as fire engines. The new shop will incorporate electrical and mechanical systems capable of meeting the changing technology demands as the City seeks to further utilize compressed natural gas.

Blue Shield of California
Blue Shield of California will complete in 2009 a new service center that will employ a total of 1,600 employees at full capacity. The 200,000 square foot multi-story building sits on a 20-acre site and that provides over 900 parking spaces to meet the needs of employees working in multiple shifts.

White Slough Wastewater Treatment Plant
Lodi completed the third and final phase of the Wastewater Treatment Plant project to restore treatment capacity to 8.5 million gallons per day. The third phase costs were approximately $20.6 million. In addition, the City replaced at a cost of $7.5 million the five mile sewer transmission line to the treatment plant.

Killelea Substation
The Killelea Substation was the first Lodi Electric Substation built in the early 1960's. The substation has been rebuilt. Additional land was acquired for expansion, new switching equipment was installed, new control building, and new security and alarms. The project cost approximately $4.6 million.

FINANCIAL INFORMATION, MANAGEMENT AND CONTROL

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

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

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

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is responsible for the preparation of the budget and its implementation after adoption. The City Council has the authority to amend the budget at any time during the year. The City Manager has the authority to make adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end balances. During fiscal year 2007-08, the City Council and City Manager made several supplemental budget appropriations, the majority of which relate to operating budgets and capital projects.

Fund Balance
It is the City's goal to target and maintain an unreserved, undesignated fund balance in the General Fund and working capital balances in the Water and Wastewater enterprise funds of at least 15% of operating expenditures. Based on a study completed during the last year, the target for the Electric enterprise fund working capital is $12.9 million. The goals allow for variations from year-to-year to account for economic and fiscal changes. The General Fund maintained an unreserved undesignated fund balance of $4,159,007 or 9.67%, of operating expenditures at the end of fiscal year 2007-08.

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

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

Excluded from the limitation are appropriations funded through charges for services, fines and forfeitures, grants, transfers of service responsibilities between government agencies and indebtedness incurred prior to Fiscal Year 1979. Pursuant to subsequent legislation adopted after Article XIII B,

the City is required to annually establish and adopt its appropriations limit by resolution. For 2007-08, the City's appropriations subject to limit were $36,782,756 and the appropriation limit was $72,598,226 leaving appropriations at $35,815,470 below the limit.

Debt Administration
At June 30, 2008, the City had outstanding Certificates of Participation of $156,940,860. These liabilities are discussed in Note 8 of the Basic Financial Statements and summarized below.

The City issued $5.0 million of Certificates of Participation (1995 COP) to fund its share of capital improvements in the downtown and Cherokee Lane areas. These bonds were refunded by the issuance of the 2002 Certificates of Participation. The City also issued $1.97 million limited obligation improvement bonds for the Central City Revitalization Assessment District on July 22, 1996. The improvement bonds of the assessment district are not general obligations of the City.

The City also issued $10.12 million for the renovation of the Performing Arts Center on August 1, 1996; the 2002 Certificates of Participation also refunded these bonds.
In 1999, the Electric Utility issued $43.96 million Certificates of Participation to finance the costs of certain improvements to the distribution and transmission facilities of the City's electric system. These bonds were refunded by the issuance of the 2002 Electric Systems Revenue Certificates of Participation.

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

On October 21, 2003, the City of Lodi and the City of Fort Bragg issued Water and Wastewater revenue bonds (2003B) through the California Statewide Communities Development Authority ("the Authority") under its pooled financing program. Total bonds issued were $9,855,000 of which $5,000,000 was for the upgrade of the City of Lodi's wastewater facilities.

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

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

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

Interim Financial Reporting
Monthly financial reports are prepared to present the City's financial condition and results of operations. These executive reports are organized using the "pyramid" approach. As such, the highest level of summary data is presented first, followed by progressively greater levels of detail. The

reports provide current period and year to date revenues, expenditures and encumbrances for all activities and funds, including year to date estimates and variances. The reports are available to all departments and to the public on the City's website.

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

Competitive Bidding Policy
All required purchases for materials, equipment and services during 2007-08 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of $5,000.

Risk Management
The City is self-insured for dental care, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance. Self-insurance transactions are accounted for under the City's Claims and Benefits Fund. At June 30, 2008, the Claims and Benefits Fund had net assets of $1,274,830.

INDEPENDENT AUDIT

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

CERTIFICATES OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. The City did not submit for the California Society of Municipal Finance Officers (CSMFO) award program last year. These Certificates of Achievement are prestigious national and state awards recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

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

Respectfully submitted,

Blair King
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lodi
California

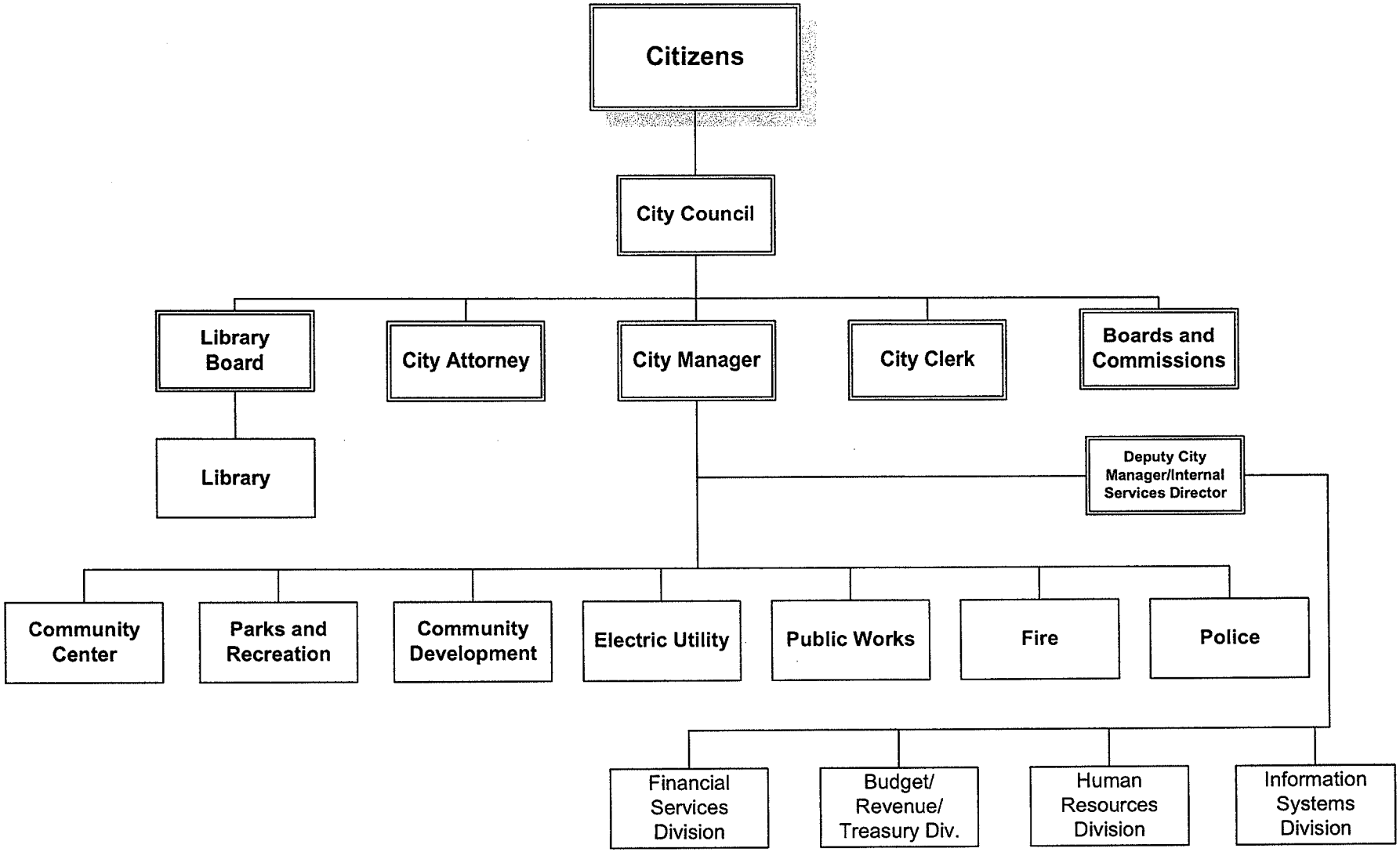
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

City of Lodi


Citizens
City Council
Library Board
City Attorney
City Manager
City Clerk
Boards and Commissions
Library
Deputy City Manager/Internal Services Director
Community Center
Parks and Recreation
Community Development
Electric Utility
Public Works
Fire
Police
Financial Services Division
Budget/ Revenue/ Treasury Div.
Human Resources Division
Information Systems Division

DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Joanne Mounce	Mayor
Larry Hansen	Mayor Pro Temp
Susan Hitchcock	Council Member
Bob Johnson	Council Member
Phil Katzakian	Council Member

ADVISORY BODIES

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

PRINCIPAL ADMINISTRATIVE OFFICERS

Blair King	City Manager
Steve Schwabauer	City Attorney
Randi Johl	City Clerk
Nancy Martinez	Library Services Director
Mike Pretz	Fire Chief
James Rodems	Community Center Director
Wally Sandelin	Public Works Director
George Morrow	Electric Utility Director
Rad Bartlam	Interim Community Development Director
David Main	Police Chief

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FINANCIAL SECTION

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

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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The Honorable Members of City Council
City of Lodi, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and 27)* during the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of funding progress – pension plan, and schedule of revenues, expenditures and changes in fund balance – budget and actual – for the General Fund are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 10, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report is presented as discussion and analysis of the financial performance of the City of Lodi (the City) for the fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the City of Lodi exceeded its liabilities at the close of the 2008 fiscal year by $251,980,518 (net assets). Of this amount, $22,298,229 is unrestricted net assets, needed to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by $17,000,493 in fiscal year 2008.
- As of June 30, 2008, the City's governmental funds reported combined ending fund balances of $20,177,603, a decrease of $866,422 in comparison with the prior year. Of this amount, $17,096,257 is available for spending at the City's discretion (unreserved fund balance).
- At the close of the fiscal year, fund balance for the general fund was $5,308,862 (of which $4,159,007 is unreserved and undesignated) or 12.34 % of total general fund expenditures of $43,031,018.
- The City's total long-term debt increased by $17,831,211(11%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The governmental activities of the City include general government, public protection, public works, community development, library, and parks and recreation. The business-type activities of the City include electric operations, wastewater operations, water operations and public transit operations.

Fund Financial Statements

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

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

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

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

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

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

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

- **Internal Service funds** are used to report activities that account for various employee benefits and self-insurance activities and fleet activities of the City. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The activities of the Downtown and Cherokee Lane special assessments, the Industrial Way-Beckman special assessment and various landscape and lighting districts are accounted for and reported under the fiduciary funds. The activities of the Private Sector trust and the Holz bequest are also accounted for under the fiduciary funds. Since the resources of this fund are not available to support the City's own programs, it is not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Lodi assets exceeded liabilities by $251,980,518 at the close of the current fiscal year.

The largest portion ($205,982,061) of the City's net assets reflects its investment in capital assets net of any associated depreciation (e.g., land, buildings and improvements, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Lodi's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	$ 34,037,758	32,649,784	100,662,535	82,844,456	$ 134,700,293	115,494,240
Capital assets	132,039,677	135,878,115	179,681,047	157,655,799	311,720,724	293,533,914
Total assets	166,077,435	168,527,899	280,343,582	240,500,255	446,421,017	409,028,154
Liabilities:						
Long-term liabilities outstanding	41,631,099	41,842,787	137,570,894	119,527,995	179,201,993	161,370,782
Other liabilities	5,691,109	4,794,355	9,547,397	7,882,992	15,238,506	12,677,347
Total liabilities	47,322,208	46,637,142	147,118,291	127,410,987	194,440,499	174,048,129
Net assets:						
Invested in capital assets, net of related debt	107,873,736	110,814,721	98,108,325	97,960,684	205,982,061	208,775,405
Restricted	15,043,323	15,044,403	8,656,905	8,710,994	23,700,228	23,755,397
Unrestricted	(4,161,832)	(3,968,367)	26,460,061	6,417,590	22,298,229	2,449,223
Total net assets	$ 118,755,227	121,890,757	133,225,291	113,089,268	$ 251,980,518	234,980,025

An additional portion of the City's net assets, $23,700,228 (9.41%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets amounts to $22,298,229. At the end of the current fiscal year, the City is able to report positive balances in the three categories of net assets for the government as a whole. Unrestricted net assets are negative for the governmental activities. The deficit in unrestricted net assets in the governmental activities at the end of the year was $4,161,832 primarily due to the accrual of compensated absences for $11,479,158.

Refer to page 9 for analysis of the business-type activities unrestricted net assets.

City of Lodi's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	$ 5,125,103	4,392,225	90,003,049	84,772,926	$ 95,128,152	89,165,151
Operating grants and contributions	2,304,734	2,588,592	3,380,952	2,621,063	5,685,686	5,209,655
Capital grants and contributions	4,717,336	6,974,545	8,064,375	19,983,761	12,781,711	26,958,306
General revenues:						
Property taxes	13,838,387	9,523,684			13,838,387	9,523,684
Other taxes	10,874,018	11,070,609			10,874,018	11,070,609
Grants and contributions not restricted to specific programs	9,593,031	14,771,547			9,593,031	14,771,547
Litigation - environmental lawsuits proceeds			8,891,315	6,222,568	8,891,315	6,222,568
Other	2,084,506	1,495,383	4,745,278	4,128,972	6,829,784	5,624,355
Total revenues	48,537,115	50,816,585	115,084,969	117,729,290	163,622,084	168,545,875
Expenses						
General government	8,306,827	7,852,819			8,306,827	7,852,819
Public protection	25,531,071	23,327,792			25,531,071	23,327,792
Public works	12,224,480	10,599,292			12,224,480	10,599,292
Community development	2,027,038	2,130,349			2,027,038	2,130,349
Library	1,695,638	1,630,145			1,695,638	1,630,145
Parks and recreation	4,414,367	4,171,750			4,414,367	4,171,750
Interest on long-term debt	1,165,982	1,201,086			1,165,982	1,201,086
Electric			65,201,065	67,533,822	65,201,065	67,533,822
Wastewater			12,227,529	9,270,669	12,227,529	9,270,669
Water			9,919,629	9,874,702	9,919,629	9,874,702
Transit			3,907,965	3,576,807	3,907,965	3,576,807
Total expenses	55,365,403	50,913,233	91,256,188	90,256,000	146,621,591	141,169,233
Changes in net assets before transfers	(6,828,288)	(96,648)	23,828,781	27,473,290	17,000,493	27,376,642
Transfers	3,692,758	4,727,324	(3,692,758)	(4,727,324)		
Changes in net assets	(3,135,530)	4,630,676	20,136,023	22,745,966	17,000,493	27,376,642
Net assets at beginning of year	121,890,757	117,260,081	113,089,268	90,343,302	234,980,025	207,603,383
Net assets at end of year	$ 118,755,227	121,890,757	133,225,291	113,089,268	$ 251,980,518	234,980,025

Analysis of Changes in Net Assets

Governmental activities.
Governmental activities decreased the City's net assets by $3,135,530 or 18.44% of the net increase in the City's net assets.

The key factors impacting the change in net assets are:

- Moderate revenue growth
- Slow down on new residential developments
- Increase in personnel costs

- Charges for services increased by 17%, a net amount of $732,878 from the prior fiscal year largely from new and increased engineering fees ($490,060), increase in fire permit review and inspection fees ($135,600), and increase in contract for others offset by decreases in various other revenues ($107,218).

- Operating grants and contributions decreased by $283,858 largely from the decrease in reimbursements received for State mandated costs.

- Capital grants and contributions decreased by $2,257,209 or 32% from prior fiscal year. New developments in prior years contributed to the City's net assets but due to the unprecedented slow down in new developments there are no capital contributions accounted for from developers in the current year. Last fiscal year's amount was $ 2,136,331.

- Property taxes – In prior year, the Vehicle License Fees (VLF) swap was based upon the original valuation of VLF and was included in Grants and Contributions not restricted to specific programs. In the current year, VLF's measurement and growth is based upon assessed valuation and it is now presented under property taxes resulting in a huge variance on both revenue classifications. VLF swap received in the current year was $4,503,172 compared to $4,265,591 in prior year, an increase of $237,581.

- Other revenues increased by $589,123 or 39% from prior fiscal year. This increase was primarily from the one-time administrative charge ($250,000) and the reoccurring surcharge ($52,105) paid by the San Joaquin County for wastewater treatment connection services for Flag City.

  Rent of city property also increased by $284,800 largely from rent paid by the County for Court #1 ($211,054), increased rent revenue from park facilities ($19,160) and from the Hutchins Street Square ($54,586).

The City's governmental activities also realized the following revenue decreases:

- Real property transfer tax - $109,887 – 46.8%
- Sales and use taxes - $837,853 – 8.27%
- Motor Vehicle license fees - $75,072 – 20.34%
- In-lieu franchise taxes - $316,613 – 3.75%

Expenses for governmental functions totaled $55,365,403 an increase of $4,452,170 from the prior fiscal year. This was largely due to increase in personnel costs and benefits ($2,762,966), increase in compensated absences ($781,851), increase in professional services related to the Redevelopment Agency ($228,161), increase in supplies materials and services ($679,192).

Business-type activities.
Business-type activities increased the City's net assets by $20,136,023 or 118.44% of the total increase in the City's net assets. The key elements of this increase are:

- Capital Contributions:

  Electric Fund - $984,785
  Wastewater Fund - $6,459,572
  Water Fund - $30,783
  Transit Fund - $589,235

- Proceeds from litigation settlements - $8,891,315.
- Wastewater treatment services - Flag City Domestic Waste Connection - $6,015,740.
- Sale of combustion turbine 1 (CT1) rights to Roseville Electric - $3,250,000.

The City also implemented an Energy Cost Adjustment (ECA) for Electric Utility effective June 1, 2007, to replace the Market Cost Adjustment MCA) that was adopted in 2002. The ECA is intended to automatically adjust the electric rates for monthly fluctuations in the City's purchased power expenses. As a result, operating revenue increased by $3,475,478.

Wastewater and water rates were also increased during the year resulting in increased operating revenues of $567,690 or 7% in Wastewater Utility; and $1,310,370 or 13% in Water Utility.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds.
The focus of the City of Lodi's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, special revenue funds, debt service fund and capital projects funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $20,177,603, a decrease of $866,422 in comparison to the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was $4,159,007 while total fund balance was $5,308,862, a decrease of $1,010,540 from prior year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9.67% of total general fund expenditures.

Governmental fund balances have increased for the last two years as a result of continued spending restraint and the receipt of unexpected revenues from the State of California which includes reimbursements for mandated costs and receipts of more than expected vehicle license fees.

Proprietary Funds
The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year for the Electric Fund were $3,359,856, Wastewater Fund $4,963,200, Water Fund $16,253,345 and Transit Fund $1,883,660. The Internal Services Funds unrestricted net assets were $1,237,202.

Other factors concerning the finances of these funds are discussed in the City of Lodi's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the original operating budget and the final amended operating budget in the General Fund were a net increase in appropriation of $1,690,978. The increase in appropriations can be briefly summarized as follows:

- $25,360 decrease in general government
- $1,043,033 increase in public protection
- $568,211 increase in public works
- $3,910 increase in library
- $101,184 increase in parks and recreation

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

- Taxes – an unfavorable variance of $1,065,870 was attributable to an unexpected downturn in tax revenues comprised primarily of property taxes ($886,956) which declined for the first time after a decade of steady and often substantial growth, in-lieu Vehicle License Fees (VLF) ($218,696) which actually did increase relative to the prior year, but not to the degree projected, and real property transfer tax ($124,965), which, like secured property taxes, were expected to increase but did not.

- Intergovernmental revenues – an unfavorable variance of $1,328,435 was attributable to an unexpected downturn comprised primarily of sales and in-lieu sales tax ($909,895) and Public Safety - Prop 172 ($31,795) revenues which declined after a decade of solid growth, as well as motor vehicle in-lieu ($149,650) and state mandated costs reimbursements ($124,134) which were not realized as projected.

- Charges for services – a favorable variance of $851,265 was largely from new and increased engineering fees ($490,060), increase in fire permit review and inspection fees ($135,600), and increase in contract for others offset by decreases in various other revenues ($225,605).

- Fines, forfeits and penalties – a favorable variance of $105,974 resulted from enhanced revenues through moving violations ($59,499), late payments for utilities ($29,722), and utility connections ($26,726).

- For expenditures, a favorable variance between the final budget and actual expenditures of $984,015 was due to savings from several vacancies and the continued overall effort to reduce spending and costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City of Lodi's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to $311,720,724 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in the City of Lodi's investment in capital assets for the current fiscal year was 6.20% (a 2.82% decrease in governmental activities and 13.97% increase in business-type activities) as shown in the table below.

Changes in Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 24,016,374	$ 24,016,374	$ 5,438,359	$ 5,247,806	$ 29,454,734	$ 29,264,180
Buildings and Improvements	36,522,080	37,792,666	24,691,134	25,529,753	61,213,214	63,322,419
Machinery and Equipment	1,383,916	1,331,961	96,652,254	98,359,132	98,036,174	99,691,093
Vehicles	1,369,953	1,474,697	2,694,895	2,150,827	4,064,844	3,625,524
Infrastructure	65,122,765	68,454,801			65,122,765	68,454,801
Work of Art	62,024	62,024			62,024	62,024
Construction in Progress	3,562,565	2,745,592	50,204,405	26,368,281	53,766,969	29,113,873
Total	$ 132,039,677	$ 135,878,115	$ 179,681,047	$ 157,655,799	$ 311,720,724	$ 293,533,914

A significant increase in construction in progress compared to prior year was primarily due to the ongoing Phase III improvements to the White Slough Pollution Control Facility.

Additional information on the City of Lodi's capital assets can be found in note 6 on pages 43-45 of this report.

Long-term debt

At the end of the current fiscal year, the City of Lodi had total bonded debt outstanding of $156,940,860. Of this amount, $23,420,000 is the outstanding balance of the bonds issued to fund the new public safety building, refinancing of the performing arts center and the downtown and Cherokee Lane improvements. The total of $133,520,860 from the business-type activities consists of $58,848,294 for the Wastewater Fund; and $74,672,566 for the Electric Fund.

City of Lodi's Outstanding Debt

	Governmental Activities	Business-type activities	Total
Certificates of Participation	$ 23,420,000	133,520,860	156,940,860

The City of Lodi's total bonded debt increased by $17,437,938 (12.5%) during the current fiscal year.

Bond Rating

In response to a review of interim financial results, Fitch Rating Services changed the rating on outstanding electric utility debt instruments from BBB- to BBB. In light of more favorable financial results as reflected in the full year financial results as compared to the interim results, Fitch Ratings Services also removed the negative outlook to positive.

Standard and Poor's also reviewed the rating on the outstanding electric utility debt instruments and boosted its rating to an A- from BBB+ and changed the outlook to positive.

Additional information on the City of Lodi's long-term debt can be found in note 8 on pages 46-56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The General Fund budget will continue to emphasize balancing revenues against expenses to achieve financial stability. This will need to be accomplished while revenues are expected to decline and the City reduces its reliance upon the Electric Utility Fund.

In Fiscal Year 2005-06, the City reduced the percentage of the transfer from the Electric Fund to the General Fund. In 2007, the City Council formally adopted a policy to limit the transfer to a fixed amount plus an increase based on the number of new customers rather than revenue. This has helped the Electric Utility build its cash reserves but has caused the General Fund to reduce expenditures.

The budget continues with a process to organize expenses in order to see the full costs of providing services. In the past, certain costs critical to providing services, including debt service, insurance costs, vehicle replacement, and others, were not included within the department budget. However, now with the Fiscal Year 2008-09 budget, the Police Department budget will include debt service and vehicle replacement. Debt service costs for the Community Center will also be added to the Community Center budget.

For those activities that can be fee supported, they have been established as Special Revenue Departments. Policy makers will be able to more readily identify income which can flow to the activity and stay with the department rather than flowing into the General Fund.

Management will continue to emphasize long-range budgeting to identify future revenues and expenditures as well as address upcoming issues that might affect these. In addition, a great deal of importance is being placed upon the need to address deferred maintenance and replacement of existing physical assets. While a long-term capital improvement program is not part of the General Fund budget now, management is working diligently to reintroduce this management tool.

Economic Development

Lodi's economy is continuing to diversify its base, as reflected in an unemployment rate that tracks roughly 2.5 percent lower than San Joaquin County overall. This is a trend that should continue with the opening of the expanded Blue Shield claims processing center in late 2008.

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

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

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City' accountability for the money it receives. If you have any questions about this report or need additional information, contact the Financial Services Division of the City of Lodi at 300 W. Pine Street, Lodi, California, 95240.

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BASIC FINANCIAL STATEMENTS

The Government-wide Financial Statements provide a broad overview of the City's financial position and operating results. Information is grouped by governmental activities or business-type activities.

The Fund Financial Statements report information about the City's Governmental Funds, Proprietary Funds, and the Fiduciary Fund.

The notes have an integral role in disclosing information essential to the fair presentation of the Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LODI
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 24,800,561	33,019,475	$ 57,820,036
Accounts receivable, net	3,800,047	10,803,987	14,604,034
Property tax receivable	1,806,441		1,806,441
Interest receivable	193,766	187,350	381,116
Internal balances	(1,225,173)	1,225,173	
Due from other governmental agencies	1,667,085	1,127,233	2,794,318
Restricted assets	1,693,870	28,139,820	29,833,690
Loan receivable	1,084,000		1,084,000
Advance receivable		6,486,707	6,486,707
Inventory	140,042	1,541,492	1,681,534
Other assets	77,119	6,229	83,348
Deferred charges		18,125,069	18,125,069
Capital assets, net:			
Nondepreciable	27,640,963	55,642,764	83,283,727
Depreciable, net	104,398,714	124,038,283	228,436,997
TOTAL ASSETS	166,077,435	280,343,582	446,421,017
LIABILITIES			
Accounts payable and accrued liabilities	2,204,783	4,543,125	6,747,908
Accrued salaries and wages	2,187,971		2,187,971
Accrued interest	278,690	2,746,971	3,025,661
Unearned revenue	1,019,665	2,257,301	3,276,966
Long-term liabilities:			
Due within one year	5,551,996	7,095,900	12,647,896
Due in more than one year	36,079,103	130,474,994	166,554,097
TOTAL LIABILITIES	47,322,208	147,118,291	194,440,499
NET ASSETS			
Invested in capital assets, net of related debt	107,873,736	98,108,325	205,982,061
Restricted for:			
Capital projects	13,105,776		13,105,776
Debt service	1,693,870		1,693,870
Other purposes	243,677	8,656,905	8,900,582
Unrestricted (deficit)	(4,161,832)	26,460,061	22,298,229
TOTAL NET ASSETS	$ 118,755,227	133,225,291	$ 251,980,518

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

CITY OF LODI
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	$ 8,306,827	1,544,294	75,866	216,937	(6,469,730)		$ (6,469,730)
Public protection	25,531,071	837,361	715,574	228,153	(23,749,983)		(23,749,983)
Public works	12,224,480	754,397	1,133,262	3,891,604	(6,445,217)		(6,445,217)
Community development	2,027,038	1,085,147		57,839	(884,052)		(884,052)
Library	1,695,638	52,711	75,980		(1,566,947)		(1,566,947)
Parks & recreation	4,414,367	851,193	304,052	322,803	(2,936,319)		(2,936,319)
Interest on long-term debt	1,165,982				(1,165,982)		(1,165,982)
Total governmental activities	55,365,403	5,125,103	2,304,734	4,717,336	(43,218,230)		(43,218,230)
Business-type activities:							
Electric	65,201,065	69,284,342		984,785		5,068,062	5,068,062
Wastewater	12,227,529	9,091,220	17,526	6,459,572		3,340,789	3,340,789
Water	9,919,629	11,349,986		30,783		1,461,140	1,461,140
Transit	3,923,951	277,501	3,363,426	589,235		306,211	306,211
	91,272,174	90,003,049	3,380,952	8,064,375		10,176,202	10,176,202
Total primary government	$ 146,637,577	95,128,152	5,685,686	12,781,711	(43,218,230)	10,176,202	$ (33,042,028)
General revenues:							
Taxes:							
Property taxes					13,838,387		13,838,387
Franchise taxes					9,338,418		9,338,418
Business license tax					1,139,653		1,139,653
Transient occupancy tax					395,947		395,947
Grants and contributions not restricted to specific programs					9,593,031		9,593,031
Investment earnings					1,007,615	2,043,919	3,051,534
Litigation - environmental lawsuits proceeds						8,891,315	8,891,315
Other					1,076,891	2,717,345	3,794,236
Transfers					3,692,758	(3,692,758)	
Total general revenues and transfers					40,082,700	9,959,821	50,042,521
Change in net assets					(3,135,530)	20,136,023	17,000,493
Net assets, beginning of year					121,890,757	113,089,268	234,980,025
Net assets, end of year					$ 118,755,227	133,225,291	$ 251,980,518

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

FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

Governmental Fund Types

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

Major Governmental Fund:

General Fund

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

Proprietary Fund Types

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

Major Enterprise Funds include:

Electric Fund

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

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

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

Nonmajor Enterprise Fund:

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

Fiduciary Fund Type

Private-purpose Trust Funds
These funds are used to account for assets held by the Library Board as trustee of the Lodi Public Library and for assets held by the City in accordance with the trust agreement on behalf of the Hutchins Street Square.

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

CITY OF LODI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	$ 3,022,147	14,481,129	$ 17,503,276
Restricted assets		1,693,870	1,693,870
Receivables:			
Accounts, net	3,286,125	508,955	3,795,080
Property taxes	1,806,441		1,806,441
Interest	19,709	110,219	129,928
Due from other funds	714,425	468,565	1,182,990
Due from other governmental agencies	21,062	1,646,023	1,667,085
Loan receivable		1,084,000	1,084,000
Inventory	25,406		25,406
Advances to other funds	283,720	606,770	890,490
Other assets	64,759		64,759
Total assets	$ 9,243,794	20,599,531	$ 29,843,325
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other liabilities	$ 1,746,961	328,472	$ 2,075,433
Accrued salaries and wages	2,187,971		2,187,971
Due to other funds		1,182,990	1,182,990
Advances from other funds		2,115,663	2,115,663
Deferred revenue		2,103,665	2,103,665
Total liabilities	3,934,932	5,730,790	9,665,722
Fund balances:			
Reserved	1,149,855	1,931,491	3,081,346
Unreserved reported in:			
General Fund	4,159,007		4,159,007
Special revenue funds		7,433,010	7,433,010
Capital projects funds		5,504,240	5,504,240
Total fund balances	5,308,862	14,868,741	20,177,603
Total liabilities and fund balances	$ 9,243,794	20,599,531	$ 29,843,325

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

CITY OF LODI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

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

Fund balances - total governmental funds	$	20,177,603
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Nondepreciable capital assets		27,640,963
Depreciable capital assets, net		104,361,086
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds as follows:		
Compensated absences		(11,338,624)
Long-term debt		(24,165,941)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due		(278,690)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		1,084,000
Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance and the cost of operating and maintaining the City's fleet to individual funds. The assets of the internal service fund is included in governmental activities in the statement of net assets		1,274,830
Net assets of governmental activities	$	118,755,227

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

CITY OF LODI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 24,712,405		$ 24,712,405
Licenses and permits	80,925	601,584	682,509
Intergovernmental revenues	10,642,600	4,337,003	14,979,603
Charges for services	2,510,207	2,246,979	4,757,186
Fines, forfeits and penalties	1,317,407	3,500	1,320,907
Investment and rental income	662,164	649,713	1,311,877
Miscellaneous revenue	630,413	191,744	822,157
Total revenues	40,556,121	8,030,523	48,586,644
Expenditures:			
Current:			
General government	9,545,370		9,545,370
Public protection	23,771,574	207,379	23,978,953
Public works	3,935,366	1,906,644	5,842,010
Community development		2,005,729	2,005,729
Library	1,672,910		1,672,910
Parks and recreation	3,826,450		3,826,450
Capital outlay		4,206,527	4,206,527
Debt service:			
Interest and fiscal charges	29,724	1,140,698	1,170,422
Principal payments	249,624	647,829	897,453
Total expenditures	43,031,018	10,114,806	53,145,824
Deficiency of revenues under expenditures	(2,474,897)	(2,084,283)	(4,559,180)
Other financing sources (uses):			
Transfers in	4,040,166	3,017,894	7,058,060
Transfers out	(2,575,809)	(789,493)	(3,365,302)
Total other financing sources (uses)	1,464,357	2,228,401	3,692,758
Net change in fund balances	(1,010,540)	144,118	(866,422)
Fund balances, beginning of year	6,319,402	14,724,623	21,044,025
Fund balances, end of year	$ 5,308,862	14,868,741	$ 20,177,603

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

CITY OF LODI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

Amounts reported for governmental activities are different because:

Net change in fund balances - total governmental funds	$	(866,422)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays, capital contributions and depreciation expense are as follows:		
Capitalized capital outlays		3,668,774
Depreciation expense		(7,502,630)
Book value on disposed capital assets		(3,135)
Long-term debt proceeds, net of discounts, provide current financial resources to governmental funds, but issuing debt proceeds increases long-term liabilities in the statement of net assets. Repayments of the principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.		
Repayments of principal are as follows:		
Capital leases		249,624
Certificates of participation principal		555,000
Loan principal		92,829
Internal service funds are used by management to charge the costs of certain activities, such as health benefits and self-insurance, costs of operation and maintenance of the City's fleet, to individual funds. The net revenue (expenses) of the internal service funds are reported with governmental activities.		2,153,598
Deferred revenues recognized in the funds that were previously recognized in the statement of activities		(359,950)
Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.		
Change in compensated absences		(1,127,658)
Change in accrued interest		4,440
Change in net assets of governmental activities	$	(3,135,530)

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

CITY OF LODI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
ASSETS						
Current assets:						
Cash and Investments	$ 11,339,624	6,766,472	13,434,921	1,478,458	$ 33,019,475	$ 7,297,285
Restricted cash and investments			8,356,099		8,356,099	
Restricted assets with fiscal agents	3,203,297	16,279,618	300,806		19,783,721	
Receivables:						
Accounts, net	5,410,839	657,968	4,082,453	652,727	10,803,987	4,967
Interest	86,551	52,505	36,282	12,012	187,350	63,838
Due from other governmental agencies		6,734		1,120,499	1,127,233	
Advance receivable	6,486,707				6,486,707	
Inventory	1,338,253	10,035	193,204		1,541,492	114,636
Other assets	30	4,894	1,305		6,229	12,360
Total current assets	27,865,301	23,778,226	26,405,070	3,263,696	81,312,293	7,493,086
Noncurrent assets:						
Advances to other funds			1,225,173		1,225,173	
Deferred charges	17,077,561	1,047,508			18,125,069	
Capital assets,net:						
Nondepreciable	8,313,612	44,503,458	1,488,342	1,337,352	55,642,764	
Depreciable, net	36,036,649	48,797,968	27,770,591	11,433,075	124,038,283	37,628
Total capital assets	44,350,261	93,301,426	29,258,933	12,770,427	179,681,047	37,628
Total noncurrent assets	61,427,822	94,348,934	30,484,106	12,770,427	199,031,289	37,628
TOTAL ASSETS	89,293,123	118,127,160	56,889,176	16,034,123	280,343,582	7,530,714
LIABILITIES						
Current liabilities:						
Accounts payable and other liabilities	1,035,683	1,645,310	1,513,615	348,517	4,543,125	129,350
Accrued interest	2,012,846	719,168	14,957		2,746,971	
Unearned revenue		58,849	1,168,218	1,030,234	2,257,301	
Self-insurance liability						1,999,702
Accrued compensated absences	362,495	279,065	5,228	1,285	648,073	54,404
Certificates of participation payable	5,018,948	1,259,133			6,278,081	
Water note payable			169,746		169,746	
Total current liabilities	8,429,972	3,961,525	2,871,764	1,380,036	16,643,297	2,183,456
Noncurrent liabilities:						
Self-insurance liability						3,986,298
Accrued compensated absences	748,953	880,524	17,975		1,647,452	86,130
Certificates of participation payable	69,653,618	57,589,161			127,242,779	
Water note payable			1,584,763		1,584,763	
Total noncurrent liabilities	70,402,571	58,469,685	1,602,738		130,474,994	4,072,428
TOTAL LIABILITIES	78,832,543	62,431,210	4,474,502	1,380,036	147,118,291	6,255,884
NET ASSETS						
Invested in capital assets, net of related debt	7,100,724	50,732,750	27,504,424	12,770,427	98,108,325	37,628
Restricted:						
Other purposes			8,656,905		8,656,905	
Unrestricted	3,359,856	4,963,200	16,253,345	1,883,660	26,460,061	1,237,202
TOTAL NET ASSETS	$ 10,460,580	55,695,950	52,414,674	14,654,087	$ 133,225,291	$ 1,274,830

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

CITY OF LODI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year ended June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities-Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
OPERATING REVENUES						
Charges for services	$ 69,284,342	9,091,220	11,349,986	277,501	$ 90,003,049	$ 10,390,135
OPERATING EXPENSES						
Personnel services	5,623,019	2,996,028	1,121,921	137,627	9,878,595	1,241,965
Supplies, materials and services	9,964,149	2,394,804	6,021,057	3,142,833	21,522,843	6,054,086
Utilities	39,680,743	798,652	779,845	74,261	41,333,501	2,246
Depreciation and amortization	5,972,437	1,873,498	1,184,324	553,244	9,583,503	1,447
Claims						1,589,702
TOTAL OPERATING EXPENSES	61,240,348	8,062,982	9,107,147	3,907,965	82,318,442	8,889,446
OPERATING INCOME (LOSS)	8,043,994	1,028,238	2,242,839	(3,630,464)	7,684,607	1,500,689
NONOPERATING REVENUES (EXPENSES)						
Investment income	808,439	836,862	380,568	18,050	2,043,919	313,556
Interest expense	(3,960,717)	(2,333,677)	(62,676)	(15,986)	(6,373,056)	
Rent		165,931	11,534	4,200	181,665	
Operating grants		17,526		3,363,426	3,380,952	
Litigation-environmental lawsuits proceeds			8,891,315		8,891,315	
Loss on disposal of capital assets		(1,830,870)	(749,806)		(2,580,676)	
Other revenues	1,581,255	418,409	396,454	139,562	2,535,680	339,353
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,571,023)	(2,725,819)	8,867,389	3,509,252	8,079,799	652,909
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	6,472,971	(1,697,581)	11,110,228	(121,212)	15,764,406	2,153,598
Capital contributions	984,785	6,459,572	30,783	589,235	8,064,375	
Transfers in	300,339				300,339	
Transfers out	(2,792,475)	(575,326)	(624,296)	(1,000)	(3,993,097)	
Net capital contributions and transfers	(1,507,351)	5,884,246	(593,513)	588,235	4,371,617	
Change in net assets	4,965,620	4,186,665	10,516,715	467,023	20,136,023	2,153,598
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	5,494,960	51,509,285	41,897,959	14,187,064	113,089,268	(878,768)
NET ASSETS - END OF YEAR	$ 10,460,580	55,695,950	52,414,674	14,654,087	$ 133,225,291	$ 1,274,830

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

CITY OF LODI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Cash flows from operating activities:						
Receipts from customers and users	$ 67,776,893	11,537,102	13,939,458	1,170,685	$ 94,424,138	$ 528,382
Receipts from interfund services provided	317,188				317,188	10,390,135
Cash paid to suppliers for goods & services	(49,140,492)	(2,595,698)	(6,099,389)	(3,077,831)	(60,913,410)	(8,088,374)
Payments to employees	(5,565,589)	(2,833,595)	(1,128,225)	(137,318)	(9,664,727)	(1,273,858)
Payments for interfund services provided	(2,424)	(726,428)	(750,676)	(56,013)	(1,535,541)	
Proceeds from litigation settlements			8,891,315		8,891,315	
Net cash provided by (used in) operating activities	13,385,576	5,381,381	14,852,483	(2,100,477)	31,518,963	1,556,285
Cash flows from noncapital financing activities:						
Loaned from other funds			(475,262)		(475,262)	
Operating grants		17,526		3,363,426	3,380,952	
Transfers in	300,339				300,339	
Transfers out	(2,792,475)	(575,326)	(624,296)	(1,000)	(3,993,097)	
Net cash provided by (used in) noncapital financing activities	(2,492,136)	(557,800)	(1,099,558)	3,362,426	(787,068)	
Cash flows from capital and related financing activities:						
Proceeds from Certificates of Participation		21,407,852			21,407,852	
Issuance costs - Certificates of Participation		(337,074)			(337,074)	
Acquisition and construction of capital assets	(7,220,349)	(20,729,030)	(552,215)	(370,151)	(28,871,745)	
Fees received from developers	579,994	6,384,631	30,783		6,995,408	
Capital grants received		74,941		377,381	452,322	
Principal payments on debt	(2,305,000)	(1,355,000)	(163,907)		(3,823,907)	
Interest payments on debt	(3,458,097)	(2,208,876)	(64,118)	(15,986)	(5,747,077)	
Net cash provided by (used in) capital and related financing activities	(12,403,452)	3,237,444	(749,457)	(8,756)	(9,924,221)	
Cash flows from investing activities:						
Rent of City property		165,931	11,534	4,200	181,665	
Interest on investments	759,636	789,618	365,059	7,853	1,922,166	294,960
Net cash provided by investing activities	759,636	955,549	376,593	12,053	2,103,831	294,960
Net increase (decrease) in cash and cash equivalents	(750,376)	9,016,574	13,380,061	1,265,246	22,911,505	1,851,245
Cash and cash equivalents, beginning of year	15,293,297	11,859,666	8,711,765	213,212	36,077,940	5,446,040
Cash and cash equivalents, end of year	$ 14,542,921	20,876,240	22,091,826	1,478,458	$ 58,989,445	$ 7,297,285
Reconciliation to the statement of net assets:						
Cash and investments	$ 11,339,624	6,766,472	13,434,921	1,478,458	$ 33,019,475	$ 7,297,285
Restricted cash and investments			8,356,099		8,356,099	
Restricted assets with fiscal agents	3,203,297	16,279,618	300,806		19,783,721	
Less long-term investments		(2,169,850)			(2,169,850)	
Total cash and cash equivalents	$ 14,542,921	20,876,240	22,091,826	1,478,458	$ 58,989,445	$ 7,297,285
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating Income (loss)	$ 8,043,994	1,028,238	2,242,839	(3,630,464)	$ 7,684,607	$ 1,500,689
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	5,972,437	1,873,498	1,184,324	553,244	9,583,503	1,447
Proceeds from litigation settlements			8,891,315		8,891,315	
Other revenues	1,581,255	418,409	396,454	139,562	2,535,680	339,353
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(1,075,524)	1,962,057	2,192,966	(40,992)	3,038,507	198,668
Increase in advance receivables	(1,696,044)				(1,696,044)	
Decrease (increase) in due from other governmental agencies		78,448		(235,620)	(157,172)	
Decrease (increase) in inventory	163,170	2,987	(6,452)		159,705	(6,112)
Decrease (increase) in other assets	52	(706)	52		(602)	(9,639)
Increase (decrease) in accounts payable and other liabilities	338,806	(131,657)	(42,711)	83,250	247,688	(26,228)
Increase (decrease) in compensated absences	57,430	162,433	(6,304)	309	213,868	(31,893)
Increase (decrease) in unearned revenue		(12,326)		1,030,234	1,017,908	
Decrease in self-insurance liability						(410,000)
Net cash provided by (used in) operating activities	$ 13,385,576	5,381,381	14,852,483	(2,100,477)	$ 31,518,963	$ 1,556,285
Noncash Investing, Capital and Financing Activities						
Capital contributions	$ 404,791			211,854	$ 616,645	
Cost of issuance paid from debt proceeds		168,860			168,860	
Book value of disposed capital assets		1,830,870	749,806		2,580,676	
Bond proceeds deposited in escrow to defease debt		8,990,892			8,990,892	

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

CITY OF LODI
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Private-Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Investments	$ 854,249	$ 662,098
Receivables:		
Special assessments		78,823
Interest		4,642
TOTAL ASSETS	854,249	745,563
LIABILITIES		
Agency obligations		745,563
TOTAL LIABILITIES		745,563
NET ASSETS	$ 854,249	$

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

CITY OF LODI

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

Year ended June 30, 2008

	Private-Purpose Trust Funds
ADDITIONS	
Investment and rental income	$ 6,098
Total additions	6,098
DEDUCTIONS	
Current	
Library	
Total deductions	
CHANGE IN NET ASSETS	6,098
NET ASSETS, BEGINNING OF YEAR	848,151
NET ASSETS, END OF YEAR	$ 854,249

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

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NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Financial Reporting Entity

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

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

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

Blended Component Units

The blended component units of the City are as follows:

The Lodi Public Improvement Corporation (LPIC) was formed on April 26, 1988, for the purpose of rendering financial assistance to the City in the issuance of the 1988 Certificates of Participation (refunded by the issuance of the 1991 Certificates of Participation) to finance the expansion of the City's White Slough Pollution Control Facility, the 1995 and 1996 Certificates of Participation to finance the Central City Revitalization Projects and the Performing Arts/ Conference Center, (refunded by the issuance of the 2002 Certificates of Participation), the issuance of the 1999 Certificates of Participation to finance the Electric Systems improvements (refunded by the 2002 Certificates of Participation Series A and B), the 2002 Certificates of Participation Series C and D to fund the buy-out of the CalPine Energy Purchase Commitment, and the issuance of the 2004 and the 2007 Wastewater System Revenue Certificates of Participation Series A to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system and to refund the 1991 Wastewater Certificates of Participation.

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

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

(b) Government-wide and fund financial statements

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

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

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

(c) Measurement focus, basis of accounting, and financial statement presentation

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

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

Property taxes, other local taxes, licenses, intergovernmental revenues, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available when the City receives cash.

The City reports the following major governmental fund:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

The **fiduciary funds** account for assets held in trust for other agencies.

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

Agency Fund accounts for assets held by the City as a trustee or as an agent for individuals, private organizations, related organizations and/or other governmental units. This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way/Beckman Districts, the Downtown/Cherokee Lane Districts and various landscape and lighting districts around the City.

Private–sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the business-type activities in the government-wide and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the option of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Electric, Wastewater, Water and Transit Funds. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

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

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

(d) Adoption of New Accounting Standards

The City adopted the provisions of GASB Statement No. 50, *Pension Disclosures (an amendment of GASB Statement No. 25 and 27)* ("GASB 50"). The adoption of GASB 50 required the City to include a disclosure in the notes to the financial statements with the same information presented under the required supplementary information (RSI). The adoption of GASB 50 did not have an impact on the City's financial statements.

(e) Cash and Investments

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

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

(f) Restricted Cash and Investments

The City established an escrow account (the "Central Plume Fund") into which certain settlement payments were deposited with the mutual agreement between the City and the other parties that these funds will be used exclusively for environmental clean up, investigation or remediation expenses incurred by the City in the Central Plume Area and that it will not be used for the payment of legal or technical fees. These funds are accounted for in the Water Fund.

(g) Restricted Assets with Fiscal Agents

In the Electric Enterprise Fund, restricted assets represent the proceeds of the 1999 Certificates of Participation held by the trustee for the planned improvements of the City electric systems. In the Capital Outlay Reserve Fund, the restricted assets represent the proceeds of the 2002 Improvement bonds reserved for debt service. In the Wastewater fund, the restricted assets represent the proceeds of the 2003B, the 2004A and 2007A Certificates of Participation issued for improvements to the City's wastewater collection, treatment and disposal system. In the Water Fund, the restricted assets represent funds held by the attorneys in connection with the PCE/TCE litigation.

(h) Property Taxes

San Joaquin County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is liened based on the assessed value listed as of the prior January 1st for all real and personal property located in the City. Property sold after the assessment date (January 1st) is reassessed and the amount of property tax assessed is prorated. The assessed value at January 1, 2006, upon which the 2007 levy was based, was $5,330,510,000.

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

Property taxes levied for the year ended June 30, 2008, are recorded as receivables, net of estimated uncollectible amounts. Property taxes paid to the City by the County within 60 days of the fiscal year end are considered "available" and are, therefore, recognized as revenue.

In 1993, the City made an agreement with the San Joaquin County to participate in the Teeter Plan. The Teeter plan is an alternative method of apportioning property tax money. The cities receive 95% of the property taxes in advance from the County and the 5% remaining after reconciling the cities' balances at June 30. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes.

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

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

(j) Transfers

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

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

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

(k) Long-term obligations

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

(l) Loan receivable

Loan receivable reported in the HOME Program & Community Development Block Grants Special Revenue Fund represent funds the City loaned to a developer on November 15, 1995 for a low-income housing project. The City will receive principal and interest from the original loan in 2025 and can use it for allowable projects or to make new loans.

(m) Advance receivable

Advance receivable reported in the Electric Enterprise Fund represents the City's portion of the Northern California Power Agency's (NCPA) General Operating reserve that is refundable upon demand by the City. (See Note 13.)

(n) Inventory

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

(o) Deferred Charges

Deferred charges reported in the Electric Fund include costs incurred in connection with the issuance of the 2002 Certificates of Participation Series A and B amortized over 30 years. It also includes the buyout cost of the Calpine energy purchase contract amortized over 9.5 years. The deferred charges reported in the Wastewater Fund include costs incurred on the issuance of the 2003B and 2004A Certificates of Participation amortized over 20 years; and the 2007A Certificates of Participation amortized over 30 years.

(p) Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized.

As required by the Governmental Accounting Standards Board Statement No. 34, beginning July 1, 2002, the City has capitalized infrastructure, primarily its network of streets, as part of the capital assets shown in the governmental activities column on the government-wide statement of net assets. This capitalization included infrastructure that could be identified and has been acquired since July 1, 1980.

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

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

(q) Compensated Absences/Vacation and Sick Leave

Accumulated vacation and vested sick leave benefits are accrued when incurred in the government-wide financial statements and the proprietary funds financial statements. A liability for these amounts is reported in the governmental funds only if they have matured.

(r) Self-Insurance

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

(s) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(t) Statement of Cash Flows

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

(u) Use of Estimates

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

(2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and investments	$	57,820,036
Restricted assets		29,833,690
Fiduciary funds cash and investments:		
Private-purpose trust funds		854,249
Agency fund		662,098
Total cash and investments	$	89,170,073

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	$	1,711
Deposits with financial institutions		18,559,409
Restricted cash with fiscal agent		300,000
Investments		70,308,953
Total cash and investments	$	89,170,073

a) Authorized Investments

The City has adopted an investment policy pursuant to Government Code Section 53601 which authorizes the City to invest in obligations of the U.S. Treasury, U.S Government agency securities and instruments, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's Commercial Paper Record, bankers' acceptances, certificates of deposit, mutual funds, government investment contracts, medium term notes as permitted by the Government Code, and the State of California Local Agency Investment Fund (LAIF). The City is not authorized to enter into reverse repurchase agreements. The City selects its investments based on safety, liquidity and yield.

b) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by the provisions of the debt agreements and to the extent that they are permissible investments of funds of the City. The following table below identifies the permitted investment types authorized per the City's investment policy. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Permitted Investments/Deposits	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in One issuer	Minimum Credit Quality
U.S. Treasury Obligations	5 years	100%		AAA
U.S. Agency Securities	5 years	100%		AAA
Banker's Acceptances	180 days	40%	25%	AAA
Certificates of Deposit	5 years	100%	33%	
Negotiable Certificates of Deposit	5 years	30%		
Commercial Paper	270 days	40%		AAA
California State Local Agency Investment Fund (LAIF)	Indefinite	100%	$40m per account	unrated
Money Market Mutual Funds	Indefinite	20%		AAA
Guaranteed investment contracts (GICs)	5 years	100%		AA-
Medium term Notes	5 years	30%		AAA

c) Interest Rate Risk

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

Investment as of June 30, 2008	Maturity Less than One Year	Maturity One to Five Years	Total
LAIF	$ 48,305,739		$ 48,305,739
Money Market Mutual Funds	674,682		674,682
Equities and options	150,939		150,939
Held by bond trustee:			
Money Market Mutual Funds	19,007,743		19,007,743
Guaranteed investment contracts (GICs)		2,169,850	2,169,850
Total	$ 68,139,103	2,169,850	$ 70,308,953

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

d) Credit Risk

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

e) Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in LAIF and money market mutual funds are not subject to the concentration of credit risk disclosure.

f) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured deposits. $19,077,846 of the City's deposits with financial institutions, which exceeded federal depository insurance limits, was collateralized in this fashion.

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

g) Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial

statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF at June 30, 2008 was $25.2 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2008 had a balance of $70 billion. Of this amount, 14.72% were invested in structured notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 212 days as of June 30, 2008.

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

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

(3) ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

Uncollectibles related to late charges and services	$	20,500
Uncollectibles related to electric sales and services		214,100
Uncollectibles related to wastewater services		55,200
Uncollectibles related to water sales and services		76,600
Total uncollectibles of the current fiscal year	$	366,400

(4) INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables at June 30, 2008 are as follows:

Due from	Due to		Amount
Other governmental	General Fund	$	714,425
Other governmental	Other governmental		468,565
		$	1,182,990

"Due to" and "due from" balances are recorded primarily when funds overdraw their share of pooled cash or when there are short-term loans between funds. The $ 714,425 and $468,565 represent cash deficits in other governmental funds.

Advances from	Advances to		Amount
General	Other governmental	$	283,720
Other governmental	Other governmental		606,770
Water	Other governmental		1,225,173
		$	2,115,663

The $283,720 from the General Fund to the Other governmental is an advance used for the start up costs of a redevelopment agency. The $606,770 advance from Other governmental was used for the Lower Sacramento Road expansion project and other street projects. The $1,225,173 advanced from the Water Fund was used for the construction of Fire Station #4.

(5) TRANSFERS

Transfers for the year ended June 30, 2008, are summarized as follows:

	Transfers in			
Transfers out:	General	Other Governmental	Electric	Total
General	$	2,575,809		$ 2,575,809
Other governmental	53,000	436,154	300,339	789,493
Electric	2,792,475			2,792,475
Wastewater	575,326			575,326
Water	618,365	5,931		624,296
Transit	1,000			1,000
Total	$ 4,040,166	3,017,894	300,339	$ 7,358,399

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

Transfers out from Other Governmental to the General Fund of $53,000 include transfers of $50,000 to reimburse the General Fund for the costs associated with the administration of the Impact Mitigation Fees program; and $3,000 for internet service upgrade.

The $2,792,475 transfer out from the Electric Fund is for cost of services reimbursement to the General Fund for $2,789,475 and $3,000 for internet service upgrade, $575,326 from Wastewater includes cost of services for $574,661 and $665 for internet service upgrade, $618,365 from Water Fund includes cost of services for $617,700 and $665 for internet service upgrade. The $1,000 transfer from Transit is also a contribution towards the internet service upgrade.

The $2,575,809 transfers out from the General Fund to Other Governmental represent transfers of $1,681,501 to the Debt Service Fund for the principal, interest and fiscal charges required to pay the 2002 Certificates of Participation; $7,225 to Capital Projects Fund for Lodi Lake improvements; $887,083 to the Vehicle and Equipment Replacement Fund which include $615,545 for vehicles, $154,447 for equipment replacements, $94,553 for information systems replacements and $22,538 for park equipments.

The transfer out of $436,154 from Other Governmental to Other Governmental includes $334,139 transferred from the Capital Outlay Reserve Fund to the Community Development Fund; and the annual transfer of $96,105 to the Debt Service Fund for the principal and interest payment

of the City's Measure K loan from San Joaquin Council of Governments for the construction costs incurred for the Highway 12/Kettleman Lane/Highway 99 Interchange Improvements project and transfer of $5,910 for Fleet replacement.

The $300,339 transfer out from Other Governmental to the Electric Fund is for the residual balance of the Subdivision Fund related to Electric Connections.

(6) CAPITAL ASSETS

Capital assets activity of the primary government for the year-ended June 30, 2008, was as follows:

Governmental activities	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	$ 24,016,374			$ 24,016,374
Work of art	62,024			62,024
Construction in progress	2,745,592	1,022,630	(205,657)	3,562,565
Total capital assets, not being depreciated	26,823,990	1,022,630	(205,657)	27,640,963
Capital assets, being depreciated:				
Buildings and improvements	56,812,827	205,657		57,018,484
Machinery and equipment	8,385,192	398,831	(25,079)	8,758,944
Vehicles	9,064,138	257,503	(116,207)	9,205,434
Infrastructure	112,830,364	1,989,810		114,820,174
Total capital assets, being depreciated	187,092,521	2,851,801	(141,286)	189,803,036
Less accumulated depreciation for:				
Buildings and improvements	19,020,161	1,476,243		20,496,404
Machinery and equipment	7,053,231	343,741	(21,944)	7,375,028
Vehicles	7,589,441	362,247	(116,207)	7,835,481
Infrastructure	44,375,563	5,321,846		49,697,409
Total accumulated depreciation	78,038,396	7,504,077	(138,151)	85,404,322
Total capital assets, being depreciated, net	109,054,125	(4,652,276)	(3,135)	104,398,714
Governmental activities capital assets, net	$ 135,878,115	(3,629,646)	(208,792)	$ 132,039,677

Business-type activities	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	$ 5,247,806	190,553		$ 5,438,359
Construction in progress	26,368,281	25,938,248	(2,102,124)	50,204,405
Total capital assets, not being depreciated	31,616,087	26,128,801	(2,102,124)	55,642,764
Capital assets, being depreciated:				
Buildings and improvements	34,461,202	22,354		34,483,556
Machinery and equipment	135,020,201	4,464,859	(2,580,675)	136,904,385
Vehicles	7,565,798	974,499	(435,824)	8,104,473
Total capital assets, being depreciated	177,047,201	5,461,712	(3,016,499)	179,492,414
Less accumulated depreciation for:				
Buildings and improvements	8,931,449	860,973		9,792,422
Machinery and equipment	36,661,069	3,591,062		40,252,131
Vehicles	5,414,971	430,431	(435,824)	5,409,578
Total accumulated depreciation	51,007,489	4,882,466	(435,824)	55,454,131
Total capital assets, being depreciated, net	126,039,712	579,246	(2,580,675)	124,038,283
Business-type activities capital assets, net	$ 157,655,799	26,708,047	(4,682,799)	$ 179,681,047

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

Governmental activities:		
General government	$	593,748
Public protection		867,693
Public works		5,411,283
Community development		2,111
Library		37,895
Parks and recreation		589,900
Internal service funds		1,447
Total depreciation expense - governmental activities	$	7,504,077
Business-type activities:		
Electric	$	1,319,036
Wastewater		1,825,862
Water		1,184,324
Transit		553,244
Total depreciation expense - business-type activities	$	4,882,466

(7) OPERATING LEASES

The City is obligated under various operating leases for the use of buildings and office space. Total costs for such leases were $152,036 for the year ended June 30, 2008.

Future minimum lease payments required by lease agreements that have initial or remaining noncancellable lease terms of one year or more as of June 30, 2008, are as follows:

Fiscal Years Ending		
2009	$	155,696
Total minimum lease payments required under operating leases	$	155,696

8) LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the City for the year ended June 30, 2008:

	Interest Rates	June 30, 2007	Additions	Reductions	June 30, 2008	Amounts Due Within One Year
Governmental activities:						
Compensated absences		$ 10,383,393	3,787,819	(2,692,054)	$ 11,479,158	$ 2,763,356
2002 Certificates of Participation	3.0-5.0%	23,975,000		(555,000)	23,420,000	565,000
Note payable	5.0%	245,000			245,000	
Loan payable	4.0%	187,280		(92,829)	94,451	94,451
Capital leases	5.3-5.39%	656,114		(249,624)	406,490	129,487
Self-insurance liability		6,396,000	1,589,702	(1,999,702)	5,986,000	1,999,702
Governmental activity long-term liabilities		$ 41,842,787	5,377,521	(5,589,209)	$ 41,631,099	$ 5,551,996

	Interest Rates	June 30, 2007	Additions	Reductions	June 30, 2008	Amounts Due Within One Year
Business-type activities:						
Compensated absences		$ 2,081,657	648,074	(434,206)	$ 2,295,525	$ 648,073
California Safe Drinking Water Note Payable	3.41%	1,918,416		(163,907)	1,754,509	169,746
Certificates of Participation:						
1991 Certificates of Participation	4.5-6.6%	8,800,000		(8,800,000)		
Less deferred amounts:						
For issuance discounts		(282,278)		282,278		
Net		8,517,722		(8,517,722)		

	Interest Rates	June 30, 2007	Additions	Reductions	June 30, 2008	Amounts Due Within One Year
2002 Certificates of Participation A & B	Variable	46,760,000			46,760,000	
Less deferred amounts:						
From refunding		(6,593,854)		286,688	(6,307,166)	(286,688)
Net		40,166,146		286,688	40,452,834	(286,688)
2002 Certificates of Participation C & D	1.54-5.25%	36,295,000		(2,305,000)	33,990,000	5,240,000
Add deferred amounts:						
For issuance premium		295,368		(65,636)	229,732	65,636
Total		36,590,368		(2,370,636)	34,219,732	5,305,636
2003 Certificates of Participation B	2.0-5.0%	4,440,000		(195,000)	4,245,000	200,000
Add deferred amounts:						
For issuance premium		66,657		(4,102)	62,555	4,102
Total		4,506,657		(199,102)	4,307,555	204,102
2004 Certificates of Participation A	2.0-5.5%	25,380,000		(935,000)	24,445,000	965,000
Add deferred amounts:						
For issuance premium		367,029		(21,277)	345,752	21,277
Total		25,747,029		(956,277)	24,790,752	986,277
2007 Certificates of Participation A	4.0-5.0%		30,320,000		30,320,000	105,000
Add deferred amounts:						
For issuance premium			247,604	(5,502)	242,102	8,253
Less deferred amounts:						
From refunding			(845,490)	33,375	(812,115)	(44,499)
Net			29,722,114	27,873	29,749,987	68,754
Total Certificates of Participation		115,527,922	29,722,114	(11,729,176)	133,520,860	6,278,081
Business-type activity long-term liabilities		$ 119,527,995	30,370,188	(12,327,289)	$ 137,570,894	$ 7,095,900

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end $5,986,000 of internal service funds self-insurance liability and $140,534 of compensated absences were included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund and the internal service funds.

Long-term debt payable at June 30, 2008, comprised of the following individual issues:

California Safe Drinking Water Note Payable
The City entered into a contract on October 16, 1991, with the State of California Department of Water Resources to assist the City in financing the construction of water wells enabling the City to meet safe drinking water standards established by the State. The original amount of the note was $3,129,828 and is secured by the project and a pledge of user fees collected by the Water Enterprise Fund. Semiannual payments of $114,012, are payable each October 1 and April 1 through 2017.

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

Fiscal Year Ending June 30,	Business-type Activities	
	Principal	Interest
2009	$ 169,746	$ 58,277
2010	175,462	52,562
2011	181,496	46,528
2012	187,658	40,366
2013	194,263	33,762
2014-2017	845,884	66,211
Total	$ 1,754,509	$ 297,706

Note Payable
The City issued a $245,000 promissory note to James E. Dean and Carol Dean, as trustees of the James E. Dean Family Trust, for the purchase of 307 W. Elm Street property, which is the site of the new Public Safety Building. Interest is payable quarterly and principal is due on April 1, 2012.

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

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2009	$	$ 14,700
2010		14,700
2011		14,700
2012	245,000	11,025
Total	$ 245,000	$ 55,125

Loan Payable
The City entered into an agreement and issued a promissory note to San Joaquin County Council of Governments, a joint powers agency acting as the San Joaquin County Transportation Authority, in the amount of $840,000 on February 5, 1999 for the purpose of funding the Kettleman Lane/SR 99 Interchange project. The balance remaining as of June 30, 2008, is $94,451. Interest and principal is due and payable annually and matures on July 1, 2009.

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

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2009	$ 94,451	1,653
Total	$ 94,451	$ 1,653

Certificates of Participation

$11,170,000 Certificates of Participation (1991 Wastewater Treatment Plant Expansion Refunding Project) were sold in December 1991 for the repayment of the 1988 Wastewater Treatment Plant Expansion Project at a lower interest rate with approximately $1,400,000 of additional proceeds. Principal is payable annually on August 1 in amounts from $100,000 to $760,000 with final payment due August 1, 2026. This Certificates of Participation was refunded in the current fiscal year.

$5,000,000 California Statewide Communities Development Authority Water and Wastewater Revenue Bonds were issued on October 7, 2003. The City of Lodi along with the City of Fort Bragg issued $9.855 million 2003 Series B revenue bonds through the California Statewide Communities Development Authority (the "Authority") pooled financing program. The City of Lodi's portion is $5.0 million for the upgrade of its wastewater facilities. Principal is payable annually on October 1 in amounts from $185,000 to $365,000 with final payment due October 1, 2023.

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

$27,360,000 Certificates of Participation (2004A COP) were issued on May 12, 2004 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. Principal is payable annually on October 1 in amounts from $170,000 to $2,070,000 with final payment due October 1, 2024.

$26,745,000 Certificates of Participation (2002 COP) were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City; to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. As of June 30, 2008, there are no outstanding balances of these refunded Certificates. The 1995 Certificates of Participation (1995 COP) were sold in October 1995 to finance the City Downtown Revitalization and the Cherokee Lane Beautification projects. The 1996 Certificates of Participation (1996 COP) were sold in August 1996 to finance the construction of the Hutchins Street Square Conference and Performing Arts Center. Principal is payable annually on October 1 in amounts from $730,000 to $1,600,000 with final payment due October 1, 2031.

$**46,760,000** 2002 Variable Rate Demand Series A and $**8,400,000** 2002 Taxable Series B Electric System Revenue Certificates of Participation were sold in January 2002. The proceeds of the 2002A Certificates of Participation were used to advance refund the 1999 Electric System Certificates of Participation Series A and the 1999 Series B Capital Appreciation certificates. The 1999 Series A and Series B Revenue Certificates of Participation were sold on August 18, 1999, to provide funds to finance the costs of certain improvements to the distribution and transmission facilities of the City's Electric System. As of June 30, 2008, the outstanding balance of the advanced refunded certificates is $43,957,682 and will be called in full on January 15, 2009. The proceeds of the 2002B Certificates were deposited in the Rate Stabilization Fund

and applied to certain power purchase costs of the City. Principal for Series A is payable annually beginning 2011 to 2032 in amounts ranging from $1,175,000 to $ 3,460,000. Series B was fully paid as of June 30, 2005.

The interest rate on the 2002A Certificates is determined based on the "Weekly Rate Index" for weekly interest rate periods. "Weekly Rate Index " is defined as The Bond Market Association Municipal Index as of the most recent date for which such index is published.

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

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

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

Current Refunding
The City issued **$30,320,000** Certificates of Participation (2007A COP) on November 16, 2007 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City and to allow the City to provide resources to purchase U.S. Government and Local Government Series Securities that were placed in an irrevocable escrow and trust to prepay and cause the immediate defeasance of the outstanding $ 8,575,000 Certificates of Participation (1991 Wastewater Treatment Plant Expansion Refunding Project). As a result, the refunded bonds are considered defeased and the liability has been removed from the Wastewater Enterprise Fund column of the Statement of Net Assets. This current refunding was undertaken to reduce total debt service payments over the next 29 years resulting in economic gain of $1,169,534 and an increase of $426,045 in future debt payments. The reacquisition price exceeded the net carrying amount of the old debt by $845,490. This amount is being netted against the new debt and amortized over the life of the old debt which is shorter than the refunding debt obligation.

Principal is payable annually on October 1 in amounts from $105,000 to $2,980,000 with final payment due October 1, 2037.

Interest Rate Swap

2002 $46.8 Million Step-Up Coupon Swap

Objective:
In connection with its issuance of $46,760,000 of Electric System Revenue Certificates of Participation 2002 Variable Rate Demand Series A, the City entered into a swap transaction with Salomon Smith Barney in January 2002. The intention of the swap was to change the City's variable interest rate on the Certificates to a synthetic fixed rate that steps up over time. The swap was structured with step-up coupons in order to provide the City with lower debt service in the earlier years of the transaction.

Terms:
Under the swap, the City pays Citigroup (previously Salomon) a fixed rate with an initial coupon of 2.503%. Beginning July 1, 2005, the swap coupon stepped up to 3.749% and then steps up to 4.945% on July 1, 2010 until maturity. In exchange, the City received an initial variable rate equal to 59.65% of the 1-month London Interbank Offered Rate (LIBOR). Beginning January 1, 2004, the percent of LIBOR received by the City stepped up to 60.56% and then stepped up to 62.92% of LIBOR on January 1, 2007 until maturity. The 4.945% coupon in the final period reflects the above-market fixed rate required to offset the first two periods' below-market fixed rates of 2.503% and 3.749% respectively. The effective at-market fixed rate for the entire swap term equals 3.85% or approximately 61.71% of LIBOR. The notional amount of the swap matches the notional amount of the Certificates outstanding in each year. The Certificates' variable-rate coupons are assumed to be based on The Bond Market Association Municipal Swap Index ™ (BMA).

The Certificates and related swap mature on July 1, 2032. As of June 30, 2008, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.74900%
Variable payment from counterparty	62.92% of LIBOR	(1.97772%)
Net interest rate swap payments		1.77128%
Variable rate bond payments	BMA	3.53473%
Synthetic interest rate on bonds		5.30601%

Fair Value:
As of June 30, 2008, the swap had a fair value of ($8,929,097). The negative fair value of the swap is a result of the decline in interest rates since the inception date of the swap. The fair value was estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates by the yield curve correctly anticipate future spot rates. These payments are then

discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon rate bonds due on the date of each future net settlement on the swap.

Credit Risk:
As of June 30, 2008, the City was not exposed to credit risk because the swap had a negative fair market value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the swap's fair value. The counterparty was rated Aa3 by Moody's Investors Service, AA- by Standard & Poor's, and AA- by Fitch Ratings. To mitigate the potential for credit risk, the counterparty is required to post collateral should the fair value exceed certain thresholds. In the event of a downgrade of the counterparty below AAA by Standard & Poor's, the threshold amount is $10 million.

Basis Risk:
The swap exposes the City to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the Certificates. If a change occurs that results in the rates moving to convergence, the expected cost savings of the swap may not be realized.

Termination Risk:
The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The swap contract is insured by MBIA Insurance Corporation. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated by the City if both the insurer and the City's credit rating are downgraded below AA-,Aa3 and the City's credit rating falls below Baa3 as determined by Moody's Investor Service or BBB- as determined by Standard & Poor's. If the swap is terminated, the Certificates would no longer carry a synthetic fixed interest rate. Also, if at the time of an early termination of the swap, if the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt.
Using rates as of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	2002 Electric Certificates of Participation Series A			
	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2009	$	1,652,838	828,251	$ 2,481,089
2010		1,652,838	828,251	2,481,089
2011		1,652,838	1,107,875	2,760,713
2012	1,175,000	1,632,071	1,370,067	4,177,138
2013	1,240,000	1,589,389	1,334,237	4,163,626
2014-2018	7,245,000	7,223,123	6,063,563	20,531,686
2019-2023	9,360,000	5,764,430	4,839,040	19,963,470
2024-2028	12,095,000	3,876,975	3,254,587	19,226,562
2029-2033	15,645,000	1,439,429	1,208,351	18,292,780
	$ 46,760,000	26,483,931	20,834,222	$ 94,078,153

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

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	$ 565,000	$ 1,104,874	$ 6,510,000	$ 5,878,948
2010	590,000	1,084,071	4,240,000	5,709,839
2011	610,000	1,060,956	4,450,000	5,531,798
2012	630,000	1,036,156	5,875,000	5,314,831
2013	655,000	1,010,047	7,315,000	4,975,989
2014-2018	3,740,000	4,569,058	30,815,000	19,953,522
2019-2023	4,700,000	3,573,113	20,455,000	15,261,920
2024-2028	5,980,000	2,264,500	24,670,000	10,287,317
2029-2033	5,950,000	613,250	24,310,000	5,345,554
2034-2038			11,120,000	1,445,000
Total	$ 23,420,000	$ 16,316,025	$ 139,760,000	$ 79,704,718

Capital Leases

The City has entered into a lease agreement for financing the acquisition of two fire trucks. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of inception date. The assets acquired through this capital lease are as follows:

	Governmental Activities
Asset:	
Vehicles	$ 883,037
Less accumulated depreciation	(294,346)
Total	$ 588,691

The present values of future minimum capital lease payments as of June 30, 2008, are as follows:

Fiscal Years Ending	
2009	$ 148,003
2010	148,003
2011	148,003
Total minimum lease payments	444,009
Less amounts representing interest	(37,519)
Present value of minimum capital lease payments	$ 406,490

Special Assessment District Debt

The City issued limited obligation improvement bonds on July 22, 1996, for the "Lodi Central City Revitalization Assessment District." These bonds have no governmental commitment and debt service is recorded in an Agency Fund. These bonds were issued under the Improvement Act of 1915 and will mature in the year 2011. The City's liability in the event of delinquent assessment shall not exceed the balance of the established Reserve Fund. The amount outstanding as of June 30, 2008, is $605,000.

Industrial Development Bonds

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

Woodbridge Irrigation District Bonds

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

(9) NATURE AND PURPOSE OF REPORTED FUND EQUITY

The following is a summary of reserved, unreserved-designated and unreserved-undesignated fund balances at June 30, 2008:

	General	Other Governmental	Total
Reserved for:			
Library	$ 685,687		$ 685,687
Encumbrances	155,042	1,324,721	1,479,763
Advances to other funds	283,720	606,770	890,490
Inventory	25,406		25,406
Total Reserved	1,149,855	1,931,491	3,081,346
Unreserved-designated for:			
Specific projects and programs		12,937,250	12,937,250
Total Designated		12,937,250	12,937,250
Unreserved - undesignated	4,159,007		4,159,007
Total Fund Balances	$ 5,308,862	14,868,741	$ 20,177,603

Reserved Fund Balance
Reserved represents that portion that is legally segregated for specific purposes and is not available for discretionary appropriation.

Unreserved-Designated Fund Balance
Designated represents that portion for which the City has made tentative plans.

Unreserved-Undesignated Fund Balance
Undesignated represents that portion which is available for budgeting in future periods.

(10) DEFINED BENEFIT PENSION PLAN

(a) Plan Description

The City of Lodi contributes to the California Public Employees' Retirement System (PERS); an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members

and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office- 400 P Street, Sacramento, CA 95814.

(b) Funding policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 12.233% for miscellaneous employees, 23.509% for fire and police employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

(c) Annual Pension Cost

For fiscal 2008, the City's annual pension cost of $4,963,045 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) (b) projected annual salary increases that vary by age, length of service, and type of employment (c) 3.25% payroll growth, and (d) 3.00% inflation. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. Amortization of the remaining period varies: (a) safety police plan over 30 years (b) safety fire plan over 30 years, and (c) miscellaneous plan over 25 years.

(d) Trend Information

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	$ 4,814	100%	$0
6/30/07	4,437	100%	$0
6/30/08	4,963	100%	$0

(e) Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was 87% funded. The actuarial accrued liability for benefits was $203 million, and the actuarial value of assets was $177 million, resulting in an unfunded actuarial accrued liability (UAAL) of $26 million. The covered payroll (annual payroll of active employees covered by the plan) was $27 million, and the ratio of the UAAL to the covered payroll was 93.95%.

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

(11) POST-RETIREMENT HEALTH CARE BENEFITS

The City provides no post-employment benefits for its employees other than the minimum employer contribution required by statute if the City remains with CalPers health plan. There are currently 139 retirees of which the City contributed approximately $161,800 towards health care during the current fiscal year. The City's contributions are financed on a pay-as-you-go basis.

Employees hired prior to July 1, 1994, who retire after ten years of service, however, may elect to convert accumulated sick leave time to establish an individual medical insurance account. Depending on the bargaining unit of the employee, the value of the insurance account shall be determined by the following options:

a) Option I- "Bank"
The number of accumulated hours shall be reduced by 16-2/3% and the remaining balance converted into days. The days are then multiplied by the current monthly premium being paid for the employee and, if applicable, his/her dependents. Fifty percent of that amount will be placed into an account to be used by the City to pay medical insurance premiums for the employee and, if applicable, his/her dependents. For each year of employment over ten years, 2.5% will be added to the 50% used in determining the account amount. Total premiums shall be paid from the account until its depletion, at which time the benefit ceases.

b) Option II – "Conversion"
The number of accumulated hours is multiplied by 50% and converted into days. The City pays one month's premium for employee and dependents for each day. For each year of employment in excess of ten years, 2.5% is added to the 50%. The employee must pay any increase in premiums.

c) Option III – "Cash-Out"
A retiring employee will be able to choose a cash pay-off of accumulated sick leave at the rate of 30% of base pay per hour.

d) Option IV – "Service Credit"
A retiring employee will be able to convert unused sick leave to service credit for CALPERS retirement purposes.

(12) CLAIMS AND BENEFITS

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

The City is self-insured for general liability up to the first $500,000 per occurrence with claims from $500,000 to $40,000,000 per occurrence and in the aggregate insured through the California Joint Powers Risk Management Authority. The City never had any settlements that exceeded its general liability insurance coverage. (See note 14)

The City is self-insured for workers' compensation up to the first $250,000 per claim. Any claims of $250,000 up to California statutory limits are covered under a purchased policy through the membership with the Local Agency Workers' Compensation Excess Joint Powers Authority with coverage up to $200,000,000 in the current year. The City never had any settlements that exceeded its workers' compensation insurance coverage. (See note 14).

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

General liability and workers' compensation claims are administered by an outside agency and all other claims are administered by the City. The City has accrued a liability of $5,986,000 at June 30, 2008, for all self-insured claims in the Internal Service Fund-Claims and Benefits that includes an amount for incurred but not reported claims. The liability amount is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In the opinion of the City, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes in the self-insurance liability for fiscal years ended June 30, 2008 and 2007 are as follows:

	Beginning	Current-Year Claims and Changes in Estimates	Claim Payments	Ending
FY 06-07	$ 7,083,000	1,578,383	(2,265,383)	$ 6,396,000
FY 07-08	$ 6,396,000	1,589,702	(1,999,702)	$ 5,986,000

(13) PARTICIPATION IN JOINT VENTURES

Northern California Power Agency

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

Project Financing and Construction

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

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

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

As of June 30, 2008, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is $6,486,707.

Project Participation

The NCPA members and their percentage share at June 30, 2008, which is the most recent available data, are as follows:

	Geothermal Project	Hydro Electric Project	Combustion Turbine Project #1	Multiple Capital Facilities	Transmission Project
Alameda	16.8825%	10.00%	13.092%	19.00%	33.9667 %
Biggs	0.2270		.118		0.4500
Gridley	0.3360		.210		0.6771
Healdsburg	3.6740	1.66	3.500		7.3914
Lodi	10.2800	10.37	8.036	39.50	20.8659
Lompoc	3.6810	2.30	3.500	5.00	7.4058
Palo Alto		22.92			
Plumas-Sierra Rural Electric Coop	.7010	1.69	1.090		1.4136
Roseville	7.8830	12.00	40.000	36.50	15.7338
Santa Clara	44.3905	37.02	25.000		0.7004
Turlock Irrigation District	6.3305				0.0998
Ukiah	5.6145	2.04	5.454		11.2956

Bulk power purchased by the City through NCPA amounted to $39,611,551 during the year ended June 30, 2008 and is reflected in utilities expense in the Electric Enterprise Fund. This amount is net of the proceeds received from Roseville Electric for the sale of the combustion turbine one (CT1) rights in the amount of $3.25 million.

NCPA Geothermal Project

A purchase power agreement with NCPA obligates the City for a 10.28% share of the operating costs and debt service of two of NCPA's 110-megawatt steam powered plants, Project Number 2 and Project Number 3. Outstanding long-term debt related to this project was approximately $102 million at June 30, 2007.

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

Calaveras Hydroelectric Project

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

Under a power purchase agreement the City is obligated to pay 10.37% of the debt service and operating costs. At June 30, 2007, approximately $483 million in long-term debt used to finance this project was outstanding.

NCPA Combustion Turbine Project

The project consists of five combustion turbine units, each nominally rated at 25 megawatts. Two such units are located in Roseville, two in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time. Under the NCPA power agreement, the City is obligated to pay 8.036% of the debt service and operating costs. At June 30, 2007 approximately $15 million in long-term debt was outstanding.

Transmission Project

The project was undertaken to meet certain obligations of NCPA under the NCPA/PG & E Interconnection Agreement. The project includes an ownership interest in PG & E's 230kv Castle Rock to Lakeville Substation Transmission Line in Sonoma County, additional firm transmission rights in that Transmission Line, and a central scheduling and dispatch facility in service at the NCPA headquarters in Roseville, California. Under a power purchase agreement, the City is obligated to pay 20.8659% of the debt service and operating costs. At June 30, 2007, approximately $3.0 million in long-term debt was outstanding.

Capital Facilities Project

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

Under a power purchase agreement, the City is obligated to pay 39.5% of the debt service and operating costs. At June 30, 2007, approximately $65 million in long-term debt was outstanding.

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

Combined Balance Sheet
June 30, 2007
(in thousands)

Assets			**Liabilities and Capitalization**		
Current assets	$	77,165	Current portion of long-term debt	$	37,060
Restricted assets		184,316	Other current liabilities		147,476
Electric plant, net		375,441	Other liabilities and deferred credits		45,842
Other assets and deferred charges		246,136	Long-term debt		628,183
			Accumulated net revenues		24,497
Total assets	$	883,058	Total liabilities and capitalization	$	883,058

Combined Statement of Revenue and Expenses
Year ended June 30, 2007
(in thousands)

Sales for resale	$	310,084
Operating expenses		(269,487)
Other revenues (expenses)		(27,155)
Future recoverable costs		(943)
Net revenues before refunds		12,499
Refunds to participants		(17,767)
Net revenues		(5,268)
Accumulated net revenues, beginning of year		29,765
Accumulated net revenues, end of year	$	24,497

Combined Statement of Cash Flow
Year ended June 30, 2007
(in thousands)

Net cash provided by operating activities	$	85,137
Net cash used in investing activities		34,191
Net cash used in capital and related financing activities		(74,807)
Net cash used in noncapital and related financing activities		(16,698)
Increase in cash and cash equivalents		27,823
Cash and cash equivalents, beginning of year		68,396
Cash and cash equivalents end of year	$	96,219

At June 30, 2007, NCPA's total outstanding long-term debt was $665,243,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2007, was $37,060,000.

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

Northern California Power Agency
180 Cirby Way
Roseville, CA 95678

Transmission Agency of Northern California

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

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

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

California-Oregon Transmission Project

The project is a 339-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. The project is operated in coordination with the Pacific AC Intertie as a part of the California-Oregon Intertie (COI) within the Western System Coordinating Council (WSCC) region. The WSCC approved rating of the COI is 4,800 MW and the Pacific Direct Current Intertie (PDCI) is 3,100 MW for a combined total of 7,900 MW of transfer capability. Depending on the time of year, operational transfer capability of the combined COI and PDCI is between 6,900 MW and 7,900 MW.

TANC, California Department of Water Resources (CDWR), Western Area Power Authority (WAPA), and five other parties have agreed to an Interim Participation Agreement (IPA) under which project participant is granted a percentage entitlement in project transfer capability and is required to pay a percentage of the costs. Pursuant to the IPA and a subsequent agreement with WAPA, TANC is entitled to use approximately 1,242 MW, and is obligated to pay an average of approximately 73 percent of the operating costs associated with the project.

Under the TANC joint powers agreement, the City is obligated to pay 1.89% of its debt service and operating costs. At June 30, 2007, approximately $362 million in long-term debt was outstanding of which $15 million is considered current.

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

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

(14) MEMBERSHIP IN INSURANCE POOLS

California Joint Powers Risk Management Authority

The City is a member, along with 16 other individual cities and 5 joint powers authorities, of California Joint Powers Risk Management Authority (CJPRMA) organized under a Joint Powers Agreement pursuant to the California Government Code for the purpose of sharing the risk of catastrophic general liability, automobile liability and public officials' errors and omissions losses because adequate insurance is not available in the commercial insurance market. CJPRMA has a twenty-two member Board of Directors, including a director from the City of Lodi. The Board members elect officers of CJPRMA every two years.

The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience and will be determined retrospectively five years after the end of the current program year. The City periodically pays deposits to the CJPRMA. These deposits are recorded as expenditures in the year paid, as they are a reasonable estimate of the actual cost of the program. During the year ended June 30, 2008, deposits of $466,017 were paid to CJPRMA.

The participants at June 30, 2008, are as follows: City of Alameda, Chico, Fairfield, Fremont, Livermore, Lodi, NCCSIF, Petaluma, PERMA, Pomona, Redding, Redwood Empire Municipal Insurance Fund, Roseville, San Leandro, San Rafael, Santa Rosa, Small Cities Organized Risk Effort, Stockton, Sunnyvale, Vacaville, Vallejo, and Yolo County Public Agencies Risk Management Insurance Authority.

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

California Joint Powers Risk Management Authority
2333 San Ramon Valley Boulevard Suite 250
San Ramon, CA 94583-4456

Local Agency Workers' Compensation Excess Joint Powers Authority

The City, along with thirty-four other public agencies, is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which was formed July 1992, for the purpose of sharing the risk of workers' compensation losses. LAWCX offers $150,000, 250,000, $350,000, $500,000 and $1 million self-insured retentions (SIR) or a member can attach directly to the purchased excess insurance. LAWCX coves the layer above the member SIR up to $5 million. The City of Lodi's self-insured retention is $250,000. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) to obtain coverage up to $200 million. The City paid $296,144 in deposits to LAWCX during the fiscal year ended June 30, 2008.

The participants at June 30, 2008, are as follows: Alameda, ABAG, BCJPIA, City of Benicia, CCCTA, CHWCA, Central San Joaquin Valley Risk Mgmt Authority (CSJVRMA), City of Clovis, City of Coronado, East Bay Regional Park District, City of Encinitas, FASIS, City of Gilroy, City of Livermore, City of Lodi, City of Los Gatos, City of Merced, MBASIA, MCLAIA, City of Morgan Hill, City of Newark, PARSAC, City of Placentia, PERMA, City of Roseville, City of San Leandro, City of Santa Maria, City of Santee, Small Cities Org. Risk Effort (SCORE), City of South Lake Tahoe, City of Suisun City, City of Vacaville, City of Vallejo, Vector Control JPA and City of Vista.

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

Local Agency Workers' Compensation Excess Joint Powers Authority
1831 K Street
Sacramento, CA 95814

California Transit Insurance Pool

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

Liability protection coverage is provided under two programs:

Program I applies to members who choose to utilize CalTIP's adjuster and /or those with a $0 deductible.

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

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

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

The City paid $122,737 in deposits to CalTIP during the fiscal year ended June 30, 2008. There have been no reductions in insurance coverage from the prior year and there were no insurance settlements in excess of insurance coverage in any of the last three years.

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

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

California Transit Insurance Pool
1415 L Street, Suite 200
Sacramento, CA 95814

(15) DEFICIT IN FUND EQUITY

Nonmajor Governmental Fund – Community Development – A deficit in fund equity in the amount of $702,127 at June 30, 2008, is attributed to the unprecedented decrease in residential developments due to the slowing housing market. The City has initiated a contract with a consulting firm in order to complete a nexus study which is required in order to adjust the fees within the Building Division. The work is contemplated to take 3-4 months. The results of the study will be the foundation for increasing the fees commensurate with costs.

(16) COMMITMENTS AND CONTINGENCIES

Litigation and claims - The City has fully resolved the litigation over its groundwater contamination as a potential responsible party except the continuing litigation with its former outside counsel regarding malpractice and fee claims. The City estimates that it will need to raise $49.5 million to cover past costs, past settlements and future obligations and have increased its water rates in an amount sufficient to cover these estimated expenses. Citizen efforts to reduce these rates via initiative failed in the November 2006 election by a vote of 64% to 36%. As such, the City Attorney does not anticipate a material effect on the City's financial condition.

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

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

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

Arbitrage Earnings Rebate Liability - Arbitrage earnings are defined as income earned on the unexpended tax-exempt certificate proceeds in excess of that which would have been earned had the moneys been invested in securities with a yield of the effective rate of the certificates. Currently, arbitrage earnings must be rebated to the United States Treasury every five years from the date of August 18, 1999, for the Electric System Certificates of Participation. The there is no cumulative arbitrage liability as of June 30, 2008.

(17) SUBSEQUENT EVENTS

On July 24, 2008, the City issued $60,685,000 2008 Certificates of Participation to provide funds to currently refund the outstanding $46,760,000 principal amount of the Electric System Revenue Certificates of Participation 2002 Series A Variable Rate Certificates and to fund certain costs relating to the termination of a swap agreement related to the refunded 2002 certificates.

(18) FUTURE GASB PRONOUNCEMENTS

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers of Post-employment Benefits Other Than Pensions. GASB Statement No. 45 establishes standards for the measurement, recognition and display of other post-employment benefits (OPEBs) expenses/expenditures, related assets and liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local government employers. GASB No. 45 will be effective for the fiscal year ending June 30, 2009.

The City does not provide post-employment benefits for its employees other than as described in Note 11. The City is currently working with an actuary to determine the unfunded actuarial liability. In addition, the City will be evaluating alternatives to funding and reducing the liability.

The GASB has issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which provides guidance on how to calculate and report costs and obligations associated with pollution clean up efforts. The requirements of the new statement become effective for the fiscal year ending June 30, 2009.

The GASB has issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement will be effective for the fiscal year ending June 30, 2010.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Lodi
Required Supplementary Information
Schedule of Funding Progress - Pension Plan
June 30, 2008
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Asset Value (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll {[(B) – (A)]/(C)}
6/30/05	$ 150,967	$ 177,150	$ 26,183	85%	$ 26,992	97.00%
6/30/06	163,888	190,366	26,478	86%	26,836	98.67%
6/30/07	177,504	203,172	25,669	87%	27,322	93.95%

CITY OF LODI
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2008

	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 25,778,275	25,778,275	24,712,405	$ (1,065,870)
Licenses and permits	76,200	76,200	80,925	4,725
Intergovernmental revenues	11,575,727	11,971,035	10,642,600	(1,328,435)
Charges for services	1,586,170	1,658,942	2,510,207	851,265
Fines, forfeits and penalties	1,202,275	1,211,433	1,317,407	105,974
Investment and rental income	600,350	600,350	662,164	61,814
Miscellaneous revenue	160,301	410,301	630,413	220,112
Total revenues	40,979,298	41,706,536	40,556,121	(1,150,415)
EXPENDITURES				
Current:				
General government:				
City Council	96,250	95,861	95,861	
City Manager	850,640	963,337	960,155	3,182
City Clerk	398,493	358,608	355,426	3,182
City Attorney	488,571	529,692	527,306	2,386
Human Resources	721,510	546,244	541,945	4,299
Information Systems	1,160,369	1,200,757	1,171,790	28,967
Community Center	1,462,955	1,759,018	1,747,737	11,281
Financial Services	1,606,925	1,559,224	1,537,250	21,974
Budget and Treasury	736,443	566,749	560,022	6,727
Non Departmental	2,132,085	2,049,391	2,047,878	1,513
Total general government	9,654,241	9,628,881	9,545,370	83,511
Public protection:				
Police	14,692,717	14,929,205	14,462,571	466,634
Fire	8,720,992	9,527,537	9,309,004	218,533
Total public protection	23,413,709	24,456,742	23,771,574	685,168
Public Works	3,500,296	4,068,507	3,935,366	133,141
Library	1,684,763	1,688,673	1,672,910	15,763
Parks and recreation	3,791,698	3,892,882	3,826,450	66,432
Debt service:				
Interest and fiscal charges	29,724	29,724	29,724	
Principal payments	249,624	249,624	249,624	
Total debt service	279,348	279,348	279,348	
Total expenditures	42,324,055	44,015,033	43,031,018	984,015
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,344,757)	(2,308,497)	(2,474,897)	(166,400)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,981,837	3,981,837	4,040,166	58,329
Transfers out	(1,936,642)	(1,936,642)	(2,575,809)	(639,167)
Total other financing sources (uses)	2,045,195	2,045,195	1,464,357	(580,838)
NET CHANGE IN FUND BALANCE	700,438	(263,302)	(1,010,540)	(747,238)
FUND BALANCE , beginning of year	4,180,958	6,319,402	6,319,402	
FUND BALANCE, end of year	4,881,396	6,056,100	5,308,862	(747,238)

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

Budgetary Data

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

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

Original Budget

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

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

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

Final Budget

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

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

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

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Governmental Funds include:

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

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

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

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue	Capital Projects	Total
Assets			
Cash and investments	$ 8,572,898	5,908,231	$ 14,481,129
Restricted assets		1,693,870	1,693,870
Receivables:			
Accounts, net	508,955		508,955
Interest	76,953	33,266	110,219
Due from other funds	468,565		468,565
Due from other governmental agencies	1,646,023		1,646,023
Loan receivable	1,084,000		1,084,000
Advances to other funds		606,770	606,770
Total assets	$ 12,357,394	8,242,137	$ 20,599,531
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 148,630	179,842	$ 328,472
Due to other funds	1,182,990		1,182,990
Advances from other funds	606,770	1,508,893	2,115,663
Deferred revenue	2,103,665		2,103,665
Total liabilities	4,042,055	1,688,735	5,730,790
Fund Balances :			
Reserved for encumbrances	882,329	442,392	1,324,721
Reserved for advances to other funds		606,770	606,770
Unreserved-designated for specific projects and programs	7,433,010	5,504,240	12,937,250
Total fund balances	8,315,339	6,553,402	14,868,741
Total liabilities and fund balances	$ 12,357,394	8,242,137	$ 20,599,531

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2008

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Licenses and permits	$ 601,584			$ 601,584
Intergovernmental revenues	3,971,929		365,074	4,337,003
Charges for services	1,842,603		404,376	2,246,979
Fines, forfeits and penalties	3,500			3,500
Investment and rental income	391,153		258,560	649,713
Miscellaneous revenue	170,581		21,163	191,744
Total revenues	6,981,350		1,049,173	8,030,523
Expenditures:				
Current:				
Public protection	207,379			207,379
Public works	1,906,644			1,906,644
Community development	2,005,729			2,005,729
Capital outlay	2,288,035		1,918,492	4,206,527
Debt service:				
Interest and fiscal charges		1,129,778	10,920	1,140,698
Principal payments		647,829		647,829
Total expenditures	6,407,787	1,777,607	1,929,412	10,114,806
Excess (deficiency) of revenues over (under) expenditures	573,563	(1,777,607)	(880,239)	(2,084,283)
Other financing sources (uses):				
Transfers in	334,281	1,777,607	906,006	3,017,894
Transfers out	(105,015)		(684,478)	(789,493)
Total other financing sources (uses)	229,266	1,777,607	221,528	2,228,401
Net change in fund balances	802,829		(658,711)	144,118
Fund balances, beginning of year	7,512,510		7,212,113	14,724,623
Fund balances, end of year	$ 8,315,339		6,553,402	$ 14,868,741

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

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

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

Streets Fund

This fund was established to account for the following:

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

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

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

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

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

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

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2008

	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
ASSETS						
Cash and Investments	$ 129,953		8,340,266	102,679		$ 8,572,898
Receivables:						
Accounts, net		20,407	488,548			508,955
Interest	855		75,306	792		76,953
Due from other funds			468,565			468,565
Due from other governmental agencies	9,624		1,167,834		468,565	1,646,023
Loan receivable					1,084,000	1,084,000
TOTAL ASSETS	$ 140,432	20,407	10,540,519	103,471	1,552,565	$ 12,357,394
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and other liabilities	$ 226	8,109	140,295			$ 148,630
Due to other funds		714,425			468,565	1,182,990
Advances from other funds			606,770			606,770
Deferred revenue			1,019,665		1,084,000	2,103,665
TOTAL LIABILITIES	226	722,534	1,766,730		1,552,565	4,042,055
FUND BALANCES (DEFICIT)						
Reserved for encumbrances		12,820	866,659	2,850		882,329
Unreserved-designated for specific projects and programs	140,206	(714,947)	7,907,130	100,621		7,433,010
TOTAL FUND BALANCES (DEFICIT)	140,206	(702,127)	8,773,789	103,471		8,315,339
TOTAL LIABILITIES AND FUND BALANCES	$ 140,432	20,407	10,540,519	103,471	1,552,565	$ 12,357,394

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2008

	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
REVENUES						
Licenses and permits	$	601,584				$ 601,584
Intergovernmental revenues	146,827	57,839	3,703,627	51,976	11,660	3,971,929
Charges for services		483,563	1,359,040			1,842,603
Fines, forfeits and penalties	3,500					3,500
Investment and rental income	6,714		381,506	2,933		391,153
Miscellaneous revenue		2,412	168,169			170,581
Total revenues	157,041	1,145,398	5,612,342	54,909	11,660	6,981,350
EXPENDITURES						
Current						
Public protection	207,379					207,379
Public works			1,894,984		11,660	1,906,644
Community development		2,005,729				2,005,729
Capital outlay			2,243,880	44,155		2,288,035
Total expenditures	207,379	2,005,729	4,138,864	44,155	11,660	6,407,787
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(50,338)	(860,331)	1,473,478	10,754		573,563
OTHER FINANCING SOURCES (USES)						
Transfers in		334,138	143			334,281
Transfers out		(8,910)	(96,105)			(105,015)
Total other financing sources (uses)		325,228	(95,962)			229,266
NET CHANGE IN FUND BALANCES	(50,338)	(535,103)	1,377,516	10,754		802,829
FUND BALANCES (DEFICIT), beginning of year	190,544	(167,024)	7,396,273	92,717		7,512,510
FUND BALANCES (DEFICIT), end of year	$ 140,206	(702,127)	8,773,789	103,471		$ 8,315,339

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2008

	PUBLIC SAFETY		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 146,827	146,827	
Fines, forfeits and penalties	3,500	3,500	
Investment and rental income	6,714	6,714	
Total Revenue	157,041	157,041	
EXPENDITURES			
Current			
Public protection	207,379	207,379	
NET CHANGE IN FUND BALANCE	(50,338)	(50,338)	
FUND BALANCE, BEGINNING OF YEAR	190,544	190,544	
FUND BALANCE, END OF YEAR	$ 140,206	140,206	

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2008

	COMMUNITY DEVELOPMENT		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Licenses and permits	$ 1,068,375	601,584	(466,791)
Intergovernmental revenues	57,839	57,839	
Charges for services	561,686	483,563	(78,123)
Investment and rental income	14,591		(14,591)
Miscellaneous revenue	12,210	2,412	(9,798)
Total Revenue	1,714,701	1,145,398	(569,303)
EXPENDITURES			
Current			
Community development	2,005,729	2,005,729	
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(291,028)	(860,331)	(569,303)
OTHER FINANCING SOURCES (USES)			
Transfers in	334,138	334,138	
Transfers out	(8,910)	(8,910)	
Total other financing sources (uses)	325,228	325,228	
NET CHANGE IN FUND BALANCE	34,200	(535,103)	(569,303)
FUND DEFICIT, BEGINNING OF YEAR	(167,024)	(167,024)	
FUND DEFICIT, END OF YEAR	(132,824)	(702,127)	(569,303)

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2008

	STREETS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 2,787,149	3,703,627	916,478
Charges for services	1,759,000	1,359,040	(399,960)
Investment and rental income	237,600	381,506	143,906
Miscellaneous revenue		168,169	168,169
Total Revenue	4,783,749	5,612,342	828,593
EXPENDITURES			
Current			
Public works	2,270,346	1,894,984	375,362
Capital outlay	5,783,786	2,243,880	3,539,906
Total Expenditures	8,054,132	4,138,864	3,915,268
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,270,383)	1,473,478	4,743,861
OTHER FINANCING SOURCES (USES)			
Transfers in	63,265	143	(63,122)
Transfers out	(159,370)	(96,105)	63,265
Total other financing sources (uses)	(96,105)	(95,962)	143
NET CHANGE IN FUND BALANCE	(3,366,488)	1,377,516	4,744,004
FUND BALANCE, BEGINNING OF YEAR	7,396,273	7,396,273	
FUND BALANCE, END OF YEAR	$ 4,029,785	8,773,789	4,744,004

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2008

	TRANSPORTATION		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 52,075	51,976	(99)
Investment and rental income	3,610	2,933	677
Total Revenue	55,685	54,909	(776)
EXPENDITURES			
Capital outlay	148,402	44,155	104,247
NET CHANGE IN FUND BALANCE	(92,717)	10,754	103,471
FUND BALANCE, BEGINNING OF YEAR	92,717	92,717	
FUND BALANCE, END OF YEAR	$	103,471	103,471

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2008

	HOME PROGRAM and COMMUNITY DEVELOPMENT BLOCK GRANTS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 1,114,233	11,660	(1,102,573)
EXPENDITURES			
Current			
Public works	$ 1,114,233	11,660	1,102,573
NET CHANGE IN FUND BALANCE			
FUND BALANCE, BEGINNING OF YEAR			
FUND BALANCE, END OF YEAR			

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NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS

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

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

Subdivision
This fund is used to account for construction and installation projects dealing with subdivision work for others.

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

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

Lodi Lake
This fund was established to account for moneys charged for activities held at Lodi Lake. The Council designated the moneys to be used for Lodi Lake capital projects.

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
June 30, 2008

	Vehicle and Equipment	Library	Hutchins Street Square	Capital Outlay Reserve	Lodi Lake	Total
ASSETS						
Cash and investments	$ 1,619,319	946	2,181	4,275,119	10,666	$ 5,908,231
Restricted assets				1,693,870		1,693,870
Receivables:						
Interest				33,184	82	33,266
Advances to other funds				606,770		606,770
TOTAL ASSETS	$ 1,619,319	946	2,181	6,608,943	10,748	$ 8,242,137
LIABILITIES						
Accounts payable and other liabilities	$ 7,774			171,155	913	$ 179,842
Advances from other funds				1,508,893		1,508,893
TOTAL LIABILITIES	7,774			1,680,048	913	1,688,735
FUND BALANCES						
Reserved for encumbrances	1,202			437,900	3,290	442,392
Reserved for advances to other funds				606,770		606,770
Unreserved-designated for specific projects and programs	1,610,343	946	2,181	3,884,225	6,545	5,504,240
TOTAL FUND BALANCES	1,611,545	946	2,181	4,928,895	9,835	6,553,402
TOTAL LIABILITIES AND FUND BALANCES	$ 1,619,319	946	2,181	6,608,943	10,748	$ 8,242,137

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
Year ended June 30, 2008

	Vehicle and Equipment	Library	Subdivision	Hutchins Street Square	Capital Outlay Reserve	Lodi Lake	Total
REVENUES							
Intergovernmental revenues	$					365,074	$ 365,074
Charges for services					404,376		404,376
Investment and rental income	5,631				252,929		258,560
Miscellaneous revenue	13,100				8,063		21,163
Total revenues	18,731				665,368	365,074	1,049,173
EXPENDITURES							
Capital outlay	591,373	11,731			850,078	465,310	1,918,492
Debt service:							
Interest and fiscal charges					10,920		10,920
Total expenditures	591,373	11,731			860,998	465,310	1,929,412
DEFICIENCY OF REVENUE UNDER EXPENDITURES	(572,642)	(11,731)			(195,630)	(100,236)	(880,239)
OTHER FINANCING SOURCES (USES)							
Transfers in	892,993				5,788	7,225	906,006
Transfers out			(300,339)		(384,139)		(684,478)
Total other financing sources (uses)	892,993		(300,339)		(378,351)	7,225	221,528
NET CHANGE IN FUND BALANCES	320,351	(11,731)	(300,339)		(573,981)	(93,011)	(658,711)
FUND BALANCES , BEGINNING OF YEAR	1,291,194	12,677	300,339	2,181	5,502,876	102,846	7,212,113
FUND BALANCES, END OF YEAR	$ 1,611,545	946		2,181	4,928,895	9,835	$ 6,553,402

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INTERNAL SERVICE FUNDS

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

Claims and Benefits Funds

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

General Liability
Workers' Compensation
Dental
Chiropractic
Life/accidental insurance
Medical
Employee assistance program
Employee recognition program
Unemployment insurance
Flexible spending program
Long Term Disability
Vision

Fleet Services

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

CITY OF LODI
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008

	Fleet Services Fund	Claims and Benefits Funds	Total
ASSETS			
Current assets:			
Cash and investments	$ 15,216	7,282,069	$ 7,297,285
Receivables:			
Accounts, net		4,967	4,967
Interest		63,838	63,838
Inventory	114,636		114,636
Other assets		12,360	12,360
Noncurrent assets:			
Capital assets (net)	37,628		37,628
Total current assets	167,480	7,363,234	7,530,714
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	26,946	102,404	129,350
Self-insurance liability		1,999,702	1,999,702
Accrued compensated absences	54,404		54,404
Noncurrent liabilities:			
Accrued compensated absences	86,130		86,130
Self-insurance liability		3,986,298	3,986,298
Total liabilities	167,480	6,088,404	6,255,884
NET ASSETS			
Invested in capital assets, net of related debt	37,628		37,628
Unrestricted	(37,628)	1,274,830	1,237,202
Total net assets	$	1,274,830	$ 1,274,830

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year ended June 30, 2008

	Fleet Services Fund	Claims and Benefits Funds	Total
OPERATING REVENUES			
Charges for services	$ 1,032,538	9,357,597	$ 10,390,135
OPERATING EXPENSES			
Personnel services	843,045	398,920	1,241,965
Supplies, materials and services	178,507	5,875,579	6,054,086
Utilities	2,246		2,246
Depreciation and amortization	1,447		1,447
Claims		1,589,702	1,589,702
TOTAL OPERATING EXPENSES	1,025,245	7,864,201	8,889,446
OPERATING INCOME	7,293	1,493,396	1,500,689
NONOPERATING REVENUES			
Investment income		313,556	313,556
Other revenues	58,333	281,020	339,353
TOTAL NONOPERATING REVENUES	58,333	594,576	652,909
Change in net assets	65,626	2,087,972	2,153,598
NET DEFICIT - BEGINNING OF YEAR	(65,626)	(813,142)	(878,768)
NET ASSETS - END OF YEAR	$	1,274,830	$ 1,274,830

CITY OF LODI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2008

	Fleet Services Fund	Claims and Benefits Funds	Total
Cash flows from operating activities:			
Receipts from customers and users	$ 60,219	468,163	$ 528,382
Receipts from interfund services provided	1,032,538	9,357,597	10,390,135
Cash paid to suppliers for goods & services	(202,603)	(7,885,771)	(8,088,374)
Payments to employees	(874,938)	(398,920)	(1,273,858)
Net cash provided by operating activities	15,216	1,541,069	1,556,285
Cash flows from investing activities:			
Interest on investments		294,960	294,960
Net increase in cash and cash equivalents	15,216	1,836,029	1,851,245
Cash and cash equivalents, beginning of year		5,446,040	5,446,040
Cash and cash equivalents, end of year	$ 15,216	7,282,069	$ 7,297,285
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating Income (loss)	$ 7,293	1,493,396	$ 1,500,689
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,447		1,447
Other revenues	58,333	281,020	339,353
Change in assets and liabilities:			
Decrease in accounts receivable		198,668	198,668
Increase in inventory	(6,112)		(6,112)
Decrease (increase) in other assets	1,886	(11,525)	(9,639)
Decrease in accounts payable and other liabilities	(15,738)	(10,490)	(26,228)
Decrease in compensated absences	(31,893)		(31,893)
Decrease in self-insurance liability		(410,000)	(410,000)
Net cash provided by operating activities	$ 15,216	1,541,069	$ 1,556,285

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FIDUCIARY FUNDS

Private-purpose Trust Funds

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

Agency Fund

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

CITY OF LODI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2008

	Private-Purpose Trust Funds		
	Library	Hutchins Street Square Bequest	Total
ASSETS			
Cash and Investments	$ 852,803	1,446	$ 854,249
TOTAL ASSETS	852,803	1,446	854,249
NET ASSETS	$ 852,803	1,446	$ 854,249

CITY OF LODI

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

Year ended June 30, 2008

	Private-Purpose Trust Funds		
	Library	Hutchins Street Square Bequest	Total
ADDITIONS			
Investment income and donations	$ 6,038	60	$ 6,098
CHANGE IN NET ASSETS	6,038	60	6,098
NET ASSETS, BEGINNING OF YEAR	846,765	1,386	848,151
NET ASSETS, END OF YEAR	$ 852,803	1,446	$ 854,249

CITY OF LODI
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year ended June 30, 2008

	Special Assessments			
	Balance 7/1/07	Additions	Deductions	Balance 6/30/08
ASSETS				
Cash and investments	$ 589,683	985,963	913,548	$ 662,098
Special assessment receivable	79,508	78,823	79,508	78,823
Interest receivable	5,495	4,642	5,495	4,642
TOTAL ASSETS	$ 674,686	1,069,428	998,551	$ 745,563
LIABILITIES				
Agency obligations	$ 674,686	70,877		$ 745,563
TOTAL LIABILITIES	$ 674,686	70,877		$ 745,563

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STATISTICAL TABLES

UNAUDITED

STATISTICAL SECTION

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

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.	102-107
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax.	108-113
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	114-119
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	120-122
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.	123-127

Sources

Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports for the current year. The City implemented GASB Statement 34 for the fiscal year ended June 30, 2003, schedules presenting government-wide information include information beginning that year.

CITY OF LODI

NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Governmental activities:						
Invested in capital assets, net of related debt	$ 107,874	$ 110,815	$ 111,572	$ 106,293	$ 100,749	$ 94,681
Restricted	15,043	15,044	14,526	13,465	11,205	12,811
Unrestricted	(4,162)	(3,968)	(8,838)	(8,801)	(9,437)	(7,334)
Total governmental activities net assets	$ 118,755	$ 121,891	$ 117,260	$ 110,957	$ 102,517	$ 100,158
Business-type activities:						
Invested in capital assets, net of related debt	$ 98,109	$ 97,961	$ 77,494	$ 67,668	$ 64,214	$ 62,752
Restricted	8,657	8,711	10,969	2,351	2,578	240
Unrestricted	26,460	6,417	1,880	7,445	(7,511)	(10,270)
Total business-type activities net assets	$ 133,226	$ 113,089	$ 90,343	$ 77,464	$ 59,281	$ 52,722
Primary government:						
Invested in capital assets, net of related debt	$ 205,983	$ 208,776	$ 189,066	$ 173,961	$ 164,963	$ 157,433
Restricted	23,700	23,755	25,495	15,816	13,783	13,051
Unrestricted	22,298	2,449	(6,958)	(1,356)	(16,948)	(17,604)
Total primary government net assets	$ 251,981	$ 234,980	$ 207,603	$ 188,421	$ 161,798	$ 152,880

Note: The City of Lodi implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Lodi Financial Services Division

CITY OF LODI

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Expenses						
Governmental activities:						
General government	$ 8,307	$ 7,853	$ 9,746	$ 9,958	$ 13,167	$ 12,238
Public protection	25,531	23,328	22,105	22,253	19,162	16,632
Public works	12,224	10,599	13,229	12,377	11,868	10,946
Community development	2,027	2,130	2,290			
Library	1,696	1,630	1,485	1,484	1,409	1,454
Parks and recreation	4,414	4,172	4,114	4,565	4,095	3,989
Interest and fiscal charges	1,166	1,201	1,234	1,617	1,267	1,214
Total governmental activities expenses	55,365	50,913	54,203	52,254	50,968	46,473
Business-type activities:						
Electric	65,201	67,534	63,780	57,308	55,943	51,388
Wastewater	12,227	9,271	8,574	10,653	6,297	6,141
Water	9,920	9,875	8,256	11,748	7,489	12,879
Transit	3,908	3,577	3,643	3,018	3,064	5,389
Total business-type activities expenses	91,256	90,257	84,253	82,727	72,793	75,797
Total primary government expenses	$ 146,621	$ 141,170	$ 138,456	$ 134,981	$ 123,761	$ 122,270
Program Revenues						
Governmental activities:						
Charges for services:						
General government	$ 1,544	$ 1,280	$ 1,232	$ 3,639	$ 3,144	$ 2,355
Public protection	837	582	563	623	525	541
Public works	755	295	320	461	430	335
Community development	1,085	1,174	1,630			
Library	53	53	54	49	50	57
Parks and recreation	851	1,007	918	833	679	586
Operating grants and contributions	2,305	2,589	2,587	2,195	2,321	3,315
Capital grants and contributions	4,717	6,975	14,631	17,559	13,894	6,814
Total governmental activities program revenues	12,147	13,955	21,935	25,359	21,043	14,003
Business-type activities:						
Charges for services:						
Electric	69,284	65,809	59,112	53,908	52,899	48,873
Wastewater	9,091	8,524	8,927	8,086	6,560	6,760
Water	11,350	10,040	8,343	7,713	6,007	5,532
Transit	278	401	386	340	244	293
Operating grants and contributions	3,381	2,621	3,377	2,731	2,547	1,772
Capital grants and contributions	8,064	19,984	11,146	3,401	8,268	6,566
Total business-type activities program revenues	101,448	107,379	91,291	76,179	76,525	69,796
Total primary government program revenues	$ 113,595	$ 121,334	$ 113,226	$ 101,538	$ 97,568	$ 83,799
Net (Expense)/Revenue						
Governmental activities	$ (43,218)	$ (36,958)	$ (32,268)	$ (26,895)	$ (29,925)	$ (32,470)
Business-type activities	10,192	17,122	7,038	(6,548)	3,732	(6,001)
Total primary government net expense	$ (33,026)	$ (19,836)	$ (25,230)	$ (33,443)	$ (26,193)	$ (38,471)

(Continued)

CITY OF LODI

CHANGES IN NET ASSETS (Continued)
LAST SIX FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets:						
Governmental activities:						
Taxes:						
Property	$ 13,838	$ 9,524	$ 8,031	$ 7,124	$ 7,188	$ 6,398
Franchise taxes	9,338	9,609	8,721	8,918	8,381	7,624
Business license tax	1,140	1,082	973	982	874	822
Transient occupancy tax	396	380	368	352	317	400
Grants and contributions not restricted to	9,593	14,772	14,215	13,193	11,895	12,069
Investment earnings	1,008	874	328	150	125	269
Other	1,077	621	1,012	608	590	137
Transfers	3,693	4,727	4,923	4,008	2,915	2,981
Total governmental activities	40,083	41,589	38,571	35,335	32,285	30,700
Business-type activities:						
Investment earnings	2,028	2,380	2,008	1,880	2,242	6,457
Litigation- environmental lawsuits	8,892	6,222	6,700	9,150	865	2,728
Gain on sale of capital assets						
Other	2,717	1,749	2,056	2,432	2,635	1,594
Special item-forgiveness of debt				15,277		
Transfers	(3,693)	(4,727)	(4,923)	(4,008)	(2,915)	(2,981)
Total business-type activities	9,944	5,624	5,841	24,731	2,827	7,798
Total primary government	$ 50,027	$ 47,213	$ 44,412	$ 60,066	$ 35,112	$ 38,498
Change in Net Assets						
Governmental activities	$ (3,135)	$ 4,631	$ 6,303	$ 8,440	$ 2,360	$ (1,770)
Business-type activities	20,136	22,746	12,879	18,183	6,559	1,797
Total primary government	$ 17,001	$ 27,377	$ 19,182	$ 26,623	$ 8,919	$ 27

The City of Lodi implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	$ 1,150	$ 1,144	$ 1,321	$ 1,185	$ 1,296	$ 927	$ 856	$ 532	$ 473	$ 149
Unreserved	4,159	5,175	3,048	1,507	157	640	2,507	3,414	3,315	2,562
Total General Fund	$ 5,309	$ 6,319	$ 4,369	$ 2,692	$ 1,453	$ 1,567	$ 3,363	$ 3,946	$ 3,788	$ 2,711
All other governmental funds										
Reserved	$ 1,932	$ 1,874	$ 1,138	$ 4,942	$ 3,778	$ 6,405	$ 3,363	$ 2,779	$ 555	$ 2,166
Unreserved, reported in:										
Special revenue funds	7,433	6,651	6,271	1,400	534	2,322	1,814	2,439	5,774	2,298
Capital projects funds	5,504	6,200	5,663	5,650	5,720	7,655	17,905	1,695	3,511	2,230
Total all other governmental funds	$ 14,869	$ 14,725	$ 13,072	$ 11,992	$ 10,032	$ 16,382	$ 23,082	$ 6,913	$ 9,840	$ 6,694
	$ 20,178	$ 21,044	$ 17,441	$ 14,684	$ 11,485	$ 17,949	$ 26,445	$ 10,859	$ 13,628	$ 9,405

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues:										
Taxes	$ 24,712	$ 20,594	$ 18,094	$ 17,606	$ 16,908	$ 24,100	$ 23,043	$ 21,909	$ 19,801	$ 18,594
Licenses and permits	683	717	1,020	2,511	2,021	1,669	1,464	1,592	1,406	1,267
Intergovernmental revenues	14,980	19,892	25,491	22,834	16,657	7,385	22,000	11,641	9,054	8,371
Charges for services	4,757	4,696	3,848	9,404	4,479	6,272	3,888	4,249	4,611	3,874
Fines and forfeitures	1,321	1,245	1,173	1,190	1,085	803	806	765	714	878
Investment and rental income	1,312	998	707	753	537	832	1,234	1,509	982	982
Miscellaneous revenue	822	304	653	458	473	453	1,349	383	764	242
Total revenues	48,587	48,446	50,986	54,756	42,160	41,514	53,784	42,048	37,332	34,208
Expenditures:										
Current:										
General government	9,545	8,893	8,345	10,858	10,815	10,874	8,987	8,862	7,813	7,239
Public protection	23,979	22,211	20,863	20,351	17,491	15,597	13,562	13,190	11,430	11,225
Public works	5,842	5,587	7,827	7,361	7,303	6,926	5,741	6,312	5,039	5,151
Community development	2,006	2,062	1,847							
Library	1,673	1,588	1,468	1,420	1,356	1,316	1,158	1,184	1,040	1,030
Parks and recreation	3,826	3,598	3,440	3,691	3,412	3,385	2,860	2,999	2,670	2,230
Capital outlay	4,207	3,526	7,232	9,508	10,041	12,943	17,948	12,044	6,420	6,640
Debt service:										
Interest and fiscal charges	1,170	1,205	1,238	1,645	1,245	1,220	679	755	777	797
Principal payments	898	900	892	855	759	730	555	530	505	485
Total expenditures	53,146	49,570	53,152	55,689	52,422	52,991	51,490	45,876	35,694	34,797
Excess (deficiency) of revenues Over (under) expenditures	(4,559)	(1,124)	(2,166)	(933)	(10,262)	(11,477)	2,294	(3,828)	1,638	(589)

CITY OF LODI

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Other financing sources (uses):										
Transfers in	7,058	8,863	9,142	8,017	9,774	11,209	12,500	9,355	9,715	16,486
Transfers out	(3,365)	(4,136)	(4,219)	(4,009)	(6,859)	(8,228)	(13,052)	(10,090)	(7,130)	(14,410)
Capital lease proceeds				124	883		148	670		
Proceeds from bond refunding							13,269			
Payment to refunded bond escrow							(13,269)			
Proceeds of certificates of participation							13,396			
Residual equity transfer										(187)
Total other financing sources (uses)	3,693	4,727	4,923	4,132	3,798	2,981	12,992	(65)	2,585	1,889
Net change in fund balances	(866)	3,603	2,757	3,199	(6,464)	(8,496)	15,286	(3,893)	4,223	1,300
Fund balances, beginning of year	21,044	17,441	14,684	11,485	17,949	26,445	10,859	13,628	9,405	8,105
Adjustment to fund balance as previously reported							300	1,124		
Fund balances, end of year	$ 20,178	$ 21,044	$ 17,441	$ 14,684	$ 11,485	$ 17,949	$ 26,445	$ 10,859	$ 13,628	$ 9,405
Debt service as a percentage of noncapital expenditures	4.4%	4.8%	4.9%	5.7%	5.0%	5.1%	3.8%	3.9%	4.6%	4.8%

Source: City of Lodi Finance Services Division

City of Lodi

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year										
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	% Change 1999 to 2008
Property	$ 9,210	$ 9,289	$ 7,676	$ 6,771	$ 6,948	$ 6,191	$ 5,641	$ 5,322	$ 4,932	$ 4,517	104%
Sales & Use	9,612	10,137	9,812	9,183	8,533	8,709	8,300	8,028	7,095	6,523	47%
Transient Occupancy	396	380	368	352	317	400	439	390	318	305	30%
Franchise	976	929	890	821	800	730	931	820	675	618	58%
Documentary Transfer	125	235	355	353	240	207	172	158	116	119	5%
Motor Vehicle in Lieu	4,797	4,635	4,402	4,606	2,767	3,430	3,276	3,051	3,008	2,221	116%
Public Protection	338	390	310	304	264	247	231	242	196	180	88%
Business License	1,140	1,082	973	982	874	822	787	736	658	612	86%
In Lieu Franchise	8,362	8,680	7,831	8,097	7,581	6,894	6,569	6,015	5,721	5,627	49%
Totals	$ 34,956	$ 35,757	$ 32,617	$ 31,469	$ 28,324	$ 27,630	$ 26,346	$ 24,762	$ 22,719	$ 20,722	69%

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

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Secured roll	$ 5,069,788	$ 4,799,141	$ 4,254,184	$ 3,877,398	$ 3,619,116	$ 3,381,945	$ 3,096,937	$ 2,880,201	$ 2,707,343	$ 2,574,622
Utility roll	2,035	2,773	3,654	3,782	3,893	3,352	3,379	3,484	3,525	3,826
Unsecured roll	258,687	242,082	216,065	215,469	202,785	207,095	198,678	177,040	163,299	146,345
Gross assessed value	5,330,510	5,043,996	4,473,903	4,096,649	3,825,794	3,592,392	3,298,994	3,060,725	2,874,167	2,724,793
Less exemptions (1)	243,259	229,049	220,590	217,077	212,102	200,957	190,252	185,473	183,294	179,835
Net assessed value	5,087,251	4,814,947	4,253,313	3,879,572	3,613,692	3,391,435	3,108,742	2,875,252	2,690,873	2,544,958
Land	1,537,554	1,431,203	1,226,293	1,107,776	1,027,462	960,166	889,262	832,788	787,249	756,166
Improvements	3,503,186	3,327,453	2,989,575	2,739,061	2,549,860	2,366,887	2,164,121	1,982,668	1,847,800	1,748,387
Personal property	289,770	285,340	258,035	249,812	248,472	265,339	245,611	245,269	239,118	220,240
Gross assessed value	5,330,510	5,043,996	4,473,903	4,096,649	3,825,794	3,592,392	3,298,994	3,060,725	2,874,167	2,724,793
Less exemptions (1)	243,259	229,049	220,590	217,077	212,102	200,957	190,252	185,473	183,294	179,835
Net assessed value	$ 5,087,251	$ 4,814,947	$ 4,253,313	$ 3,879,572	$ 3,613,692	$ 3,391,435	$ 3,108,742	$ 2,875,252	$ 2,690,873	$ 2,544,958
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - $72,018 and other - $171,241 =$243,259

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

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI

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

Fiscal Year	Basic Countywide Levy	School	All Other	Total
2008	1.0000	0.0478	0.0000	1.0478
2007	1.0000	0.0478	0.0000	1.0478
2006	1.0000	0.0570	0.0000	1.0570
2005	1.0000	0.0311	0.0000	1.0311
2004	1.0000	0.0475	0.0000	1.0475
2003	1.0000	0.0487	0.0000	1.0487
2002	1.0000	0.0002	0.0000	1.0002
2001	1.0000	0.0002	0.0000	1.0002
2000	1.0000	0.0002	0.0034	1.0036
1999	1.0000	0.0001	0.0034	1.0035

Source: San Joaquin County Tax Collector

CITY OF LODI

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(Dollar amounts in thousands)

	Fiscal Year					
	2008			1999		
Taxpayer	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
General Mills, Inc	$ 144,376	1	2.945 %	$ 175,049	1	7.310 %
Lodi Memorial Hospital Assn	65,562	2	1.337			
Pacific Coast Producers Corp.	35,095	3	0.716	44,686	2	1.866
Pacific Coast Producers	27,092	4	0.553			
Parinehs Exchange 2004 LLC	19,704	5	0.402			
Certainteed Corp.	19,700	6	0.402			
Dart Container Corp.	18,395	7	0.375			
Archer Daniels Midland Co Corp	16,744	8	0.341			
Lodi Memorial Hospital Assn	16,164	9	0.330	12,885	6	0.538
Cottage Bakery Inc	14,851	10	0.303			
Ford Construction Co Inc						
Dayton Hudson Corp				15,623	3	0.652
California Waste Removal System				14,354	4	0.599
GFLIP Limited Partners				12,941	5	0.540
Wells Fargo Bank				11,775	7	0.492
First Lodi Associates				11,620	8	0.485
Wallace Computer Service				10,738	9	0.449
Edmund N. Richmond				10,455	10	0.437
Principal Secured Property Valuation	377,683		7.704	320,126		13.368
Other Secured Taxpayers	4,692,105		95.703	2,254,496		94.141
Exemptions relative to secured tax roll	167,060		3.407	179,835		7.509
Total Secured Property Valuation	$ 4,902,728		100.000 %	$ 2,394,787		100.000 %

Source: San Joaquin County Assessor's Office

CITY OF LODI

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percent of Levy (1)	Amount	Percent of Levy
2008	$ 8,167	$ 8,167	100.0%	$ 8,167	100.0%
2007	8,170	8,170	100.0%	8,170	100.0%
2006	7,815	7,815	100.0%	7,815	100.0%
2005	7,057	7,057	100.0%	7,057	100.0%
2004	6,570	6,570	100.0%	6,570	100.0%
2003	5,832	5,832	100.0%	5,832	100.0%
2002	5,757	5,757	100.0%	5,757	100.0%
2001	5,182	5,182	100.0%	5,182	100.0%
2000	5,056	5,056	100.0%	5,056	100.0%
1999	4,653	4,653	100.0%	4,653	100.0%

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

Source: San Joaquin County Auditor/Controller's Office

CITY OF LODI

ELECTRICITY SOLD BY TYPE OF CUSTOMER
LAST THREE FISCAL YEARS

Type of Customer	Billed Accounts 2008	Billed Accounts 2007	Billed Accounts 2006
City Accounts	187	186	184
Contract Large Industrial	5	5	6
Contract Medium Industrial	1	1	2
Contract Small Industrial	1	0	1
Domestic Residential	22,510	22,938	22,860
Domestic Mobile Home Park	13	13	13
Dusk to Dawn	92	95	95
Large Commercial	380	375	359
Large Industrial	32	33	33
Medium Industrial	8	10	13
Residental Low Income	1,943	2,003	1,910
Small Commerical	3,199	3,241	3,279
Small Industrial	9	9	9
Total	28,380	28,909	28,764

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

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Governmental Activities				Business-type Activities					
Fiscal Year	Certificates of Participation	Loan Payable	Notes Payable	Total Governmental Activities	Certificates of Participation	Notes Payable	Total Business-type Activities	Total Primary Government	Percent of Personal Income (1)	Per Capita (1)
2008	$ 23,420	$ 94	$ 245	$ 23,759	$ 139,760	$ 1,755	$ 141,515	$ 165,274	n/a	$ 2,608
2007	23,975	187	245	24,407	121,675	1,918	123,593	148,000	0.77 %	2,335
2006	24,510	279	245	25,034	125,340	2,077	127,417	152,451	0.84	2,427
2005	25,030	368	245	25,643	126,615	2,230	128,845	154,488	0.90	2,473
2004	25,530	456	245	26,231	148,675	2,378	151,053	177,284	1.07	2,917
2003	26,015	543	245	26,803	117,515	2,521	120,036	146,839	0.94	2,427
2002	26,745	622	245	27,612	75,285	2,660	77,945	105,557	0.72	1,776
2001	12,980			12,980	59,931	2,794	62,725	75,705	0.53	1,292
2000	13,510			13,510	55,544	2,923	58,467	71,977	0.52	1,243
1999	14,015			14,015	9,762	2,892	12,654	26,669	0.21	469

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

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

Source: City of Lodi Financial Services Division

CITY OF LODI

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

Fiscal Year	Certificates of Participation	Total	Percent of Assessed Value (1) of Property	Per Capita
2008	$ 23,420	$ 23,420	0.4 %	$ 369.62
2007	23,975	23,975	0.5	378.18
2006	24,510	24,510	0.5	390.18
2005	25,030	25,030	0.6	400.69
2004	25,530	25,530	0.7	420.12
2003	26,015	26,015	0.7	430.00
2002	26,745	26,745	0.8	450.02
2001	12,980	12,980	0.4	221.50
2000	13,510	13,510	0.5	233.33
1999	14,015	14,015	0.5	246.31

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	FISCAL YEAR									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Assessed valuation (1)	$ 5,159,269	$ 4,887,074	$ 4,325,000	$ 3,951,862	$ 3,686,227	$ 3,464,195	$ 3,177,319	$ 2,942,348	$ 2,757,557	$ 2,611,744
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,289,817	1,221,769	1,081,250	987,966	921,557	866,049	794,330	735,587	689,389	652,936
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	193,473	183,265	162,188	148,195	138,234	129,907	119,149	110,338	103,408	97,940
Total net debt applicable to limit		-	-	-	-	-	-	-	-	-
Legal debt margin	$ 193,473	$ 183,265	$ 162,188	$ 148,195	$ 138,234	$ 129,907	$ 119,149	$ 110,338	$ 103,408	$ 97,940
Total net debt applicable to the limit as a percent of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

(1) Reflects City assessed valuation with other exemptions of $171,241 deducted for 2008.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2008

	Total Debt 06/30/08	Percentage Applicable (1)	City's Share of Debt
OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Joaquin Community College District	$ 82,231,890	8.322 %	$ 6,851,561
Lodi Unified School District	105,175,000	35.678	37,524,337
City of Lodi 1915 Act Bonds	605,000	100.00	605,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			44,980,898
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	$ 121,090,000	9.178 %	11,113,640
Lodi Unified School District Certificates of Participation	36,275,000	35.678	12,942,195
City of Lodi Certificates of Participation	23,420,000	100.00	23,420,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			47,475,835
COMBINED TOTAL DEBT(2)			$ 92,456,733

			Per Capita	Value
2007-08 Assessed Valuation	$ 5,330,510,000			
2007-08 Population	63,362			
DEBT RATIOS	Total Gross Debt	$ 92,456,733	$ 1,459	1.73%

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

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

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

CITY OF LODI

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

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Electric Revenue Certificates of Participation							
2008	$ 70,093	$ 55,268	$ 14,825	$ 2,305	$ 3,458	$ 5,763	2.57
2007	67,015	56,932	10,083	2,350	4,134	6,484	1.56
2006	60,339	54,283	6,056	-	2,049	2,049	2.96
2005	55,183	48,278	6,905	5,895	3,541	9,436	0.73
2004	55,074	46,858	8,216	2,150	3,203	5,353	1.53
2003	55,304	42,739	12,565	4,575	2,836	7,411	1.70
2002	49,089	63,545	(14,456)	1,100	1,359	2,459	(5.88)
2001	44,594	46,253	(1,659)		1,391	1,391	(1.19)
2000	41,219	40,016	1,203		1,330	1,330	0.90
1999	37,847	38,141	(294)				

continued

CITY OF LODI

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

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Wastewater Certificates of Participation							
2008	$ 9,928	$ 6,189	$ 3,739	$ 1,355	$ 2,209	$ 3,564	1.05
2007	9,446	5,287	4,159	1,315	2,055	3,370	1.23
2006	9,496	4,886	4,610	1,275	2,092	3,367	1.37
2005	8,650	7,028	1,622	540	1,909	2,449	0.66
2004	6,635	4,385	2,250	175	715	890	2.53
2003	6,824	4,380	2,444	160	639	799	3.06
2002	4,193	4,808	(615)	150	649	799	(0.77)
2001	4,868	4,336	532	145	658	803	0.66
2000	4,000	3,147	853	140	667	807	1.06
1999	4,196	2,957	1,239	125	675	800	1.55

Includes all nongeneral obligation long term debt backed by pledged revenues.

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

(1) Total operating revenues including investment earnings.

(2) Total operating expenses exclusive of depreciation and amortization.

Source: City of Lodi Financial Services Division

CITY OF LODI

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Square Miles	City Population	Population Percent Change	San Joaquin County Population	Population Percent of County	Rank in Size of California Cities	Personal Income (millions of dollars)	Per Capita Personal Income	Unemployment Rate
2008	13.92	63,362	-0.1%	685,600	9.2%	133	n/a	n/a	7.1%
2007	13.17	63,395	0.9%	679,687	9.3%	129	$ 19,286	$ 28,743	6.1%
2006	12.81	62,817	0.6%	668,265	9.4%	131	18,125	27,272	5.5%
2005	12.81	62,467	2.8%	653,333	9.6%	131	17,257	26,239	5.9%
2004	12.79	60,769	0.4%	630,600	9.6%	130	16,573	25,527	6.5%
2003	12.69	60,500	1.8%	613,500	9.9%	179	15,543	24,620	6.9%
2002	12.62	59,431	1.4%	596,000	10.0%	129	14,747	24,150	6.6%
2001	12.60	58,600	1.2%	583,700	10.0%	126	14,281	24,086	6.4%
2000	12.50	57,900	1.8%	566,600	10.2%	125	13,757	24,209	6.5%
1999	12.32	56,900	2.2%	554,400	10.3%	124	12,632	22,867	6.5%

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

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

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

CITY OF LODI

PRINCIPAL PRIVATE EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	Current			Nine Years Ago		
Employer	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Lodi Unified School District	3,301	1	12.64 %	2,247	1	8.60
Lodi Memorial Hospital	1,360	2	5.21	650	2	2.49
Pacific Coast Producers	1,200	3	4.59	530	4	2.03
Blue Shield	850	4	3.25			
Cottage Bakery	700	5	2.68			
General Mills	478	6	1.83	575	3	2.20
City of Lodi	460	7	1.76	418	5	1.60
Farmers & Merchants Bank	336	8	1.29	183	10	0.70
Walmart	285	9	1.09	226	6	0.87
Target	165	10	0.63	200	7	0.77
Valley Industries				191	9	0.73
Lodi Fab Industries, Inc				200	8	0.77
Total	9,135		34.97	5,420		20.75

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

CITY OF LODI

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Department:										
Administration	19	35	33	37	36	37	34	34	32	30
Community Development	14	18	17	17	17	18	17	17	15	15
Electric	48	64	65	52	52	52	50	47	46	44
Finance	39	30	28	38	38	38	35	34	34	32
Fire	64	64	61	68	61	68	55	52	50	49
Library	14	16	14	15	15	15	14	14	14	14
Parks & Recreation	30	34	31	34	34	34	29	29	26	26
Police	125	116	117	117	116	117	115	114	113	113
Public Works	107	114	99	111	110	110	108	103	99	95
Total	460	491	465	489	479	489	457	444	429	418

Source: City of Lodi Budget Document

CITY OF LODI

OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
FOR LAST THREE FISCAL YEARS

	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
General government:			
Building permits issued	1,851	2,317	2,699
Business tax certificates:			
Retail sales and service	2442	2,632	2,565
Manufacturers and processors	78	78	125
Professions	398	404	322
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1063	1,127	533
Utility billing/customer service:			
Number of customers	25,555	25,712	25,655
Energy sales (KWH)	450,407,709	458,740,745	459,637,092
Peak demand (MW)	134	144	127
Public safety:			
Police:			
Major reported crimes	2,993	3,096	3,234
Total arrests	5,590	5,463	5,162
Dispatched calls for service	55,911	53,686	55,937
Fire:			
Interior structure fire calls	88	79	66
Non-structural fire calls	160	163	158
Hazardous materials calls	35	27	26
Emergency medical calls	3,420	3,213	2,912
Total emergency calls	5,346	5,000	4,447
Total number of units dispatched	7,841	7,005	6,055
Public works:			
Miles of streets resurfaced	5	4	33
Fleet job orders completed	3,520	6,938	5,608
Trees planted	130	95	
Water utility:			
New connections	35	110	266
Water main breaks	4	10	8
Wastewater utility:			
Average daily treatment (million gal/day)	6.5MG	6.9MG	6.7MG
Library:			
Registered borrowers	48,969	44,558	52,779
Circulation of library materials	280,466	273,270	281,216
Reference, research and informational questions answered	19,257	18,854	17,342
Annual attendance at libraries	296,793	288,070	287,986
Number of programs offered	348	339	320
Annual attendance at programs	11,242	10,700	10,872
Public access computer usage	38,999	35,260	29,896
Community center:			
Community center bookings	494	302	220

CITY OF LODI

OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
FOR LAST THREE FISCAL YEARS

	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
Instructional classes	530	478	509
Registered students	5,550	3,548	4,369
Yearly attendance	14,410	14,429	15,369
Parks and recreation:			
After school program registration (number of participants/sites)	3,014/4	145,000/12	135,000/12
Adult sports			
Program/Participation	28,000	36,000	36,000
Programs offered	11	11	11
Partnerships	3	3	5
Tournaments	10	20	20
Youth/Teen sports			
Program attendance	195,000	200,000	200,000
Programs offered	14	14	20
Aquatics			
Program attendance	50,000	59,000	59,000
Number of programs	3	8	6

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

Source: City of Lodi

CITY OF LODI

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

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

CITY OF LODI

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

	Fiscal Year			
	2008	2007	2006	2005
Parks and recreation:				
Parks and squares	23	23	23	23
Park acreage	275	275	275	275
Boating facilities - launch lanes	1	1	1	1
Senior center	1	1	1	1
Community Centers	1	1	1	1
Swimming pools	3	3	3	3
Baseball/softball diamonds	26	26	26	26
Tennis courts	11	11	11	11
Skateboard park	1	1	1	1
Playgrounds	22	22	22	22
Ballpark	26	26	26	26
Soccer Field	22	22	22	22
Football Field	3	3	3	3
Handball/Basketball/Volleyball Courts	8	8	8	8
Horseshoe Pits	7	10	10	10
Library:				
Central library	1	1	1	1
Total items in collection	142,885	142,098	134,129	137,673
Integrated library system	1	1	1	1
Microform readers	1	1	1	1
Microform readers/printers	1	1	1	1
Self check out machines	0	1	1	1
Electric utility:				
Overhead lines 12kv (miles)	130	129	129	129
Overhead lines 60kv (miles)	13	13	13	13
Underground lines (miles)	153	151	151	151

CITY OF LODI

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

	Fiscal Year			
	2008	2007	2006	2005
Water utility:				
Water main lines	233	238	235	230
Water storage capacity (gallons)	1,100,000	1,100,000	1,100,000	1,100,000
Water wells	26	26	26	25
Water reservoirs	2	2	2	2
Wastewater utility:				
Wastewater main lines (miles)	194	189	182	182
Treatment capacity	8.5	8.5 MG	8.5 MG	8.5 MG
Wastewater treatment plant	1	1	1	1
Stormwater utility:				
Stormwater main drain lines (miles)	119	161	115	114
Stormwater pump stations	14	14	13	14
Central parking district:				
Parking structure	1	1	1	1
Parking spaces	2453	2,453	2,453	2,453
Parking lots	25	25	25	25

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

Source: City of Lodi Departments

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SINGLE AUDIT REPORTS

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor Pass-through Grantor or Direct Program Title	CFDA Number	Grant/Project Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through San Joaquin County Department of Planning and Building Inspection:			
Community Development Block Grants/Entitlement Grants:			
2003-2004 Program Year	14.218	B03-UC-06-0009	$ 10,829
2001-2002 Program Year	14.218	B01-UC-06-0009	965
Total Community Development Block Grants/Entitlement Grants			11,794
U.S. Department of Justice			
Direct:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0951	10,195
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-1492	25,905
Total U.S. Department of Justice			36,100
U.S. Department of Transportation			
Direct:			
Federal Transit Formula Grants:			
2007-2008 Program Year - Operating	20.507	CA-90-Y634-00	1,037,249
2007-2008 Program Year - Capital	20.507	CA-90-Y634-00	25,659
2006-2007 Program Year - Operating	20.507	CA-90-Y565-00	300,000
2005-2006 Program Year - Operating	20.507	CA-90-Y413-00	81,433
Total Federal Transit Formula Grants			1,444,341
Total federal awards			$ 1,492,235

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

CITY OF LODI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ended June 30, 2008, presents the activity of all federal award programs of the City of Lodi, California (City). The City reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the SEFA.

NOTE 2 - BASIS OF ACCOUNTING

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

NOTE 3 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE

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

NOTE 4 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

Federal Program	Federal CFDA Number	Amount Provided to Subrecipients
Federal Transit Formula Grants	20.507	$ 381,433

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The Honorable Members of City Council
City of Lodi, California

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the fiscal year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 10, 2008. Our report contained an explanatory paragraph discussing the City's implementation of the provisions of Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and 27)* during the year ended June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Lodi, in a separate letter dated November 10, 2008.

This report is intended solely for the information and use of the City Council, management, federal and state grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 10, 2008

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The Honorable Members of City Council
City of Lodi, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of Lodi, California (City), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2008. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated November 10, 2008. Our report contained an explanatory paragraph discussing the City's implementation of the provisions of Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and 27)* during the year ended June 30, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, federal and state grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 10, 2008

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Identification of major programs:

Federal Transit Formula Grant	CFDA #20.507
Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

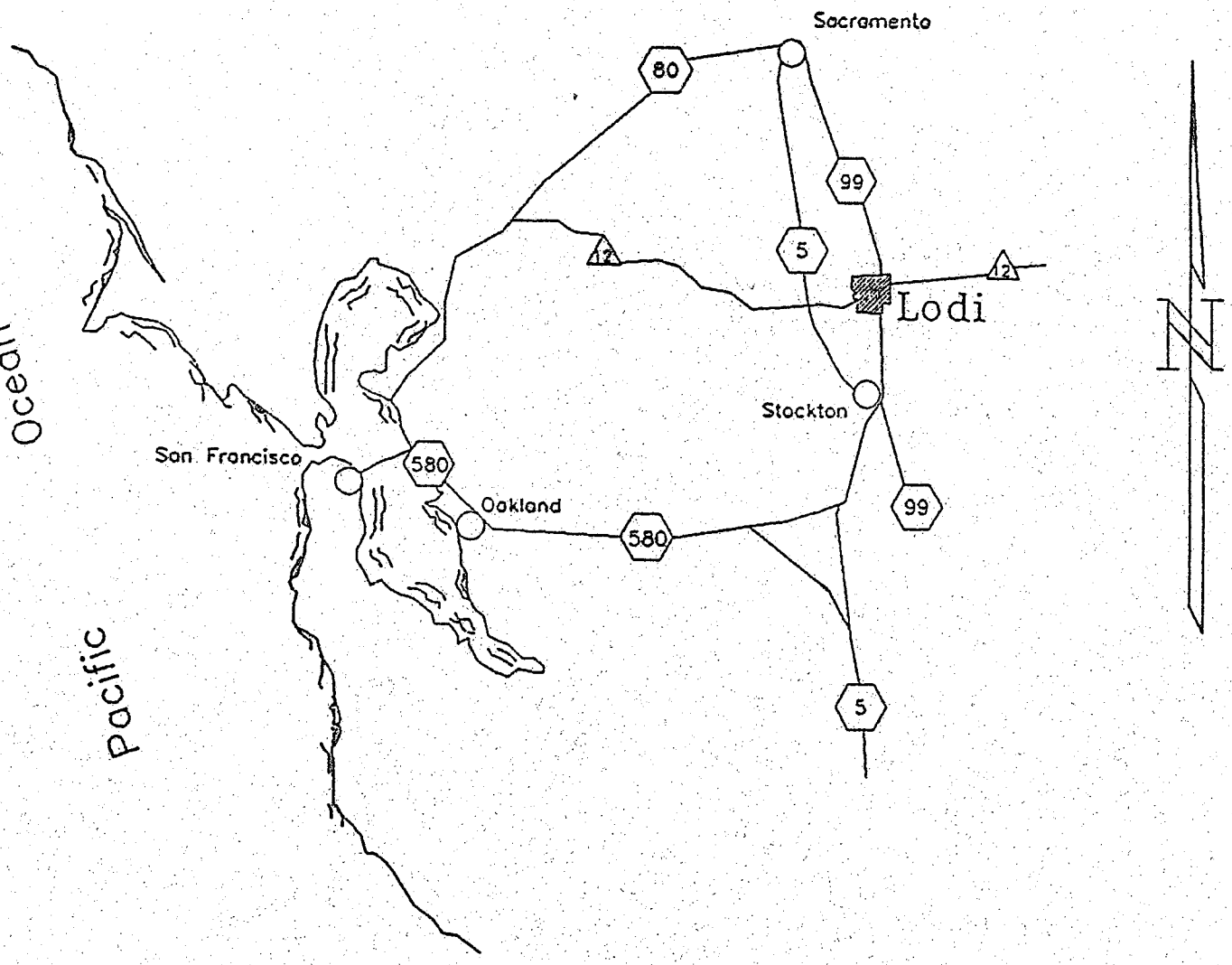
None

Section III – Federal Award Findings and Questioned Costs

None

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

None



LOCATION MAP

No Scale