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CITY OF LODI, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2009

LARRY HANSEN, MAYOR
PHIL KATZAKIAN, MAYOR PRO TEMP
SUSAN HITCHCOCK, COUNCILMEMBER
BOB JOHNSON, COUNCILMEMBER
JOANNE MOUNCE, COUNCILMEMBER

BLAIR KING, CITY MANAGER

Prepared by the Financial Services Division
Ruby Paiste, Financial Services Manager
Coriene Wadlow, Supervising Accountant
Odette Bondoc, Accountant II

Comb. Rpt.
12/24/09

INTRODUCTORY SECTION

CITY OF LODI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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CITY COUNCIL

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

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

November 16, 2009

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

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009, is hereby submitted. This report is provided to present the financial position, changes in financial position, and where applicable, cash flows of the City of Lodi (City) as of and for the year ended June 30, 2009, in conformity with generally accepted accounting principles. The report conforms to the highest standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), for reporting by State and local governments. The responsibility for the accuracy, fairness and completeness of the report rests with the City.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with 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 five sections: introductory, financial, statistical, single audit and continuing disclosure section. 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 statistical section includes selected financial and demographic information presented on a multi-year basis. 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 continuing disclosure section includes disclosures required by Security and Exchange Commission Rule 15c2-12(b)(5) for any municipal bond issue closing after July 1, 1995.

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 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	3
Ambulance	1
Gas and Telephone	2

ECONOMIC CONDITION AND OUTLOOK

The City is located in the San Joaquin Valley between Stockton 10 miles to the south, and Sacramento 35 miles to the north, and adjacent to U.S. Highway 99. The City population is 63,313 and is contained in an area of 13.92 square miles. The City has grown steadily since incorporation in 1906. The City's growth is provided for in both the General Plan and the City's growth control ordinance that allows an increase in population of 2% per year until the growth limits are reached.

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

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

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

Economic Development

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

MAJOR GOALS, OBJECTIVES AND PROJECTS

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

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

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

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

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

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

As discussed above, economic revitalization continued to be an active focal point of the City in 2008-09. The following projects are underway and will see significant progress or be completed in 2010.

Water Treatment Plant
The City currently relies on groundwater for its drinking water supply. To add additional capacity and allow recharge of the aquifer, the City expects to request bids for the Phase I construction of an 8 million gallon per day water treatment plant during FY 2009-10. Construction will follow with estimated completion in FY 2011-12.

Lodi Avenue Reconstruction
Lodi Avenue is a major thoroughfare running through the center of the City. The City will be using approximately $2.2 million in American Recovery and Reinvestment Act (ARRA) funds to reconstruct and beautify a .06 mile portion of Lodi Avenue. Construction is expected to be completed in July 2010.

Energy Efficiency projects
The City was successful in obtaining $586,200 in Energy Efficiency and Conservation Block Grant Funds under the ARRA. The City will be using the funds for a variety of projects including updating the lighting in a stadium that was originally constructed using Work Project Act funding during the 1930's. Additional projects include updating servers to current energy efficient technologies, installing solar powered trash compactors in parks, updating HVAC controllers in selected buildings and providing a number of energy efficiency education opportunities along with energy efficient upgrades in local businesses.

Tienda Drive Senior Housing and Roget Park
The City is in the process of selling a parcel of land to a developer to build a senior housing project. The land is adjacent to land that had been given to the City to develop a park. Through the sale of the adjacent parcel to the developer, the City will be able to develop the park and have a showcase senior housing development. Construction is expected on both projects in FY 2010-11 with completion in FY 2012-13.

Downtown Summit
Downtown Lodi has been recognized by a respected planning organization as one of the best small-city downtowns in the Central Valley. Approximately twelve years ago, the downtown area underwent a major reconstruction. Recently, the City brought together the downtown property owners and business owners along with the City staff and other interested parties to discuss the future direction of the downtown district. Guest speakers with expertise in downtown development, business improvement districts and directional signage programs were brought in to speak to the group. The event was well received and plans are being developed to continue the momentum generated by the downtown summit.

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 2008-09, 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 in 2007, 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 $3,383,191 or 8.87%, of operating expenditures at the end of fiscal year 2008-09.

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 2008-09, the City's appropriations subject to limit were $34,596,860 and the appropriation limit was $76,227,535 leaving appropriations at $41,630,673 below the limit.

Debt Administration

At June 30, 2009, the City had outstanding Certificates of Participation of $163,678,072. 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. The 2002 bonds were also refunded during the fiscal year with the 2008 Electric Systems Revenue Certificates of Participation thereby eliminating a variable rate obligation.

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

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

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

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

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 2008-09 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of $5,000.

Risk Management

The City is self-insured for dental care, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance. Self-insurance transactions are accounted for under the Insurance Funds. At June 30, 2009, the Insurance Funds had net assets of $427,789.

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, 2008. 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 sixteen 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, 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,

Jordan Ayers
Deputy City Manager/Internal Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lodi
California

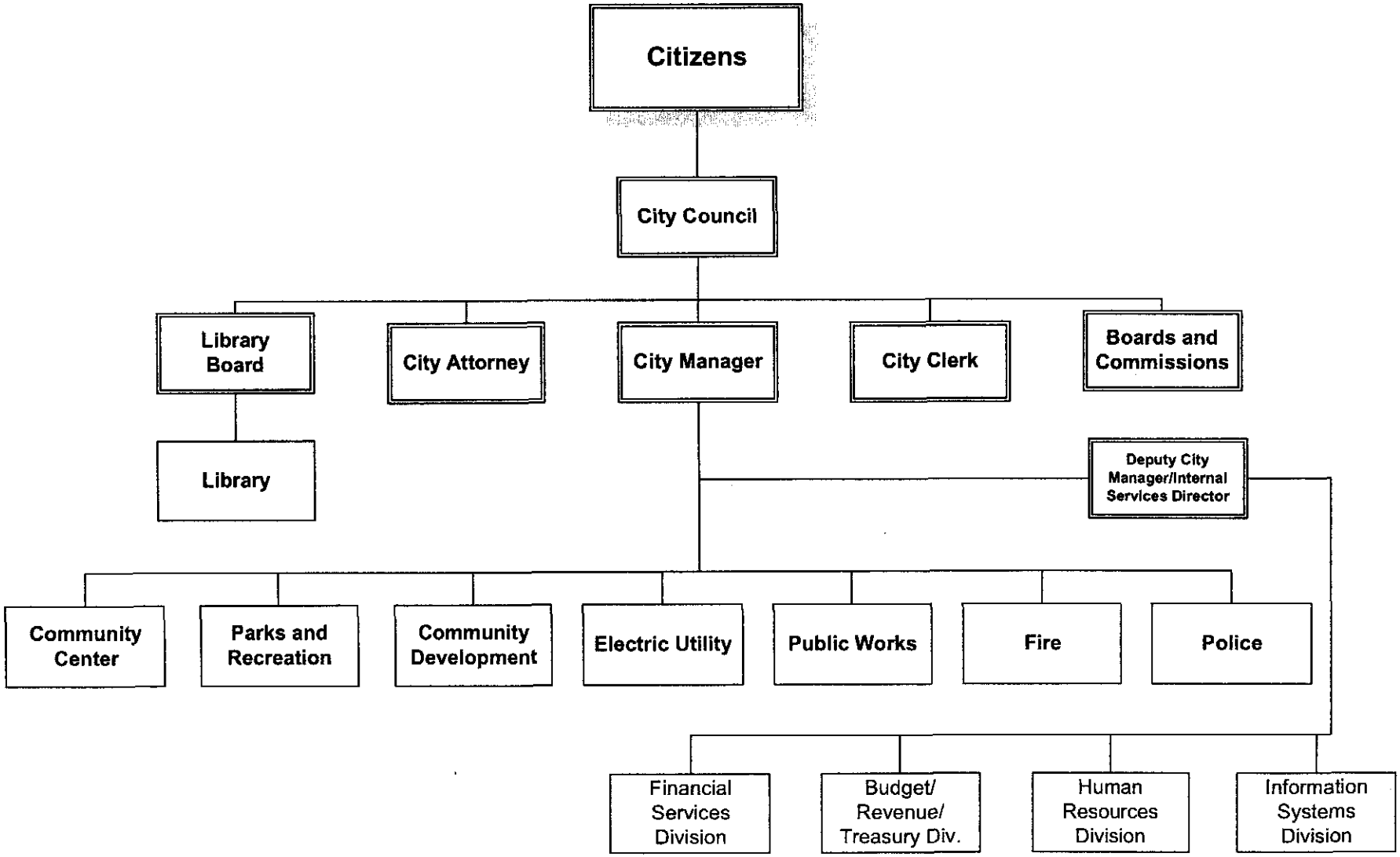
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

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

ADVISORY BODIES

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

PRINCIPAL ADMINISTRATIVE OFFICERS

Blair King	City Manager
Jordan Ayers	Deputy City Manager
Steve Schwabauer	City Attorney
Randi Johl	City Clerk
Nancy Martinez	Library Services Director
Kevin Donnelly	Interim Fire Chief
James Rodems	Community Center Director
Wally Sandelin	Public Works Director
Ken Weisel	Interim 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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3000 S Street, Suite 300
Sacramento, CA 95816
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WALNUT CREEK

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

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, 2009, 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, 2009, 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. 45, *Accounting and Financial Reporting by Employers of Post-employment Benefits Other than Pensions* and Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* during the year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009 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, the schedule of funding progress – OPEB 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 and continuing disclosure sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual nonmajor fund statements and schedules and the schedule of expenditures of federal awards 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, statistical and continuing disclosure sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report is presented as discussion and analysis of the financial performance of the City of Lodi (City) for the fiscal year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the 2009 fiscal year by $185,151,549 (net assets). Of this amount, $38,910,042 is unrestricted net deficit, needed to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by $66,828,969 in fiscal year 2009.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of $17,010,318, a decrease of $3,167,285 in comparison with the prior year. Of this amount, $15,140,236 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* $3,766,188 (*of which* $3,383,191 is unreserved and undesignated) or 9.87 % of total general fund expenditures of $38,161,027.
- The City's total long-term debt increased by $6,457,558 (2.6%) 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 these funds 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 and OPEB 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 assets exceeded liabilities by $185,151,549 at the close of the current fiscal year.

City of Lodi's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	$ 31,574,708	34,037,758	95,268,567	100,662,535	$ 126,843,275	134,700,293
Capital assets	138,412,794	132,039,677	186,710,027	179,681,047	325,122,821	311,720,724
Total assets	169,987,502	166,077,435	281,978,594	280,343,582	451,966,096	446,421,017
Liabilities:						
Long-term liabilities outstanding	37,182,469	41,631,099	214,205,305	137,570,894	251,387,774	179,201,993
Other liabilities	7,739,079	5,691,109	7,687,694	9,547,397	15,426,773	15,238,506
Total liabilities	44,921,548	47,322,208	221,892,999	147,118,291	266,814,547	194,440,499
Net assets:						
Invested in capital assets, net of related debt	115,035,793	107,873,736	95,533,308	98,108,325	210,569,101	205,982,061
Restricted	13,492,490	15,043,323		8,656,905	13,492,490	23,700,228
Unrestricted (deficit)	(3,462,329)	(4,161,832)	(35,447,713)	26,460,061	(38,910,042)	22,298,229
Total net assets	$ 125,065,954	118,755,227	60,085,595	133,225,291	$ 185,151,549	251,980,518

Assets. The City's total assets increased by $5,545,079 or 1.24%. The increase is primarily due to the following:

Governmental activities. Total assets for the governmental activities increased by $3,910,067. Capital assets used to support governmental activities increased by $6,373,117, resulting from a $2,590,082 increase in non-depreciable assets primarily construction in progress; and a $3,783,035 increase in depreciable capital assets such as buildings and improvements, machinery and equipment, vehicles and infrastructure.

Business-type activities. Total assets for the business-type activities increased by $1,635,012 or 0.58%. The increase is mainly attributed to the increase in capital assets of $7,028,980, primarily from construction in progress, buildings and improvements and machinery and equipment.

Liabilities. The City's total liabilities increased by $72,374,048 or 37.22%. The increase is primarily due to the following:

Governmental activities. Total liabilities for the governmental activities decreased by $2,400,660. Historically, the City reported its retiree sick leave conversion medical benefits as part of the compensated absences. This year, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* This statement generally requires governments to account for and report the annual cost of other postemployment benefits (OPEB) and the outstanding obligations related to OPEB in essentially the same manner as pensions. Annual OPEB cost for most governments will be based on actuarially determined amounts that, if paid on an ongoing basis, would generally provide sufficient resources to pay benefits as they become due. GASB allows governments to apply this statement prospectively, establish the OPEB liability at zero at the beginning of the initial year of implementation, and does not require governments to fund the OPEB plans.

The City established its OPEB liability at zero this year and removed the previously accrued retiree sick leave conversion healthcare benefits for a total of $4,357,678 from the compensated absences liability. The outstanding obligation related to OPEB was $1,195,521 at June 30, 2009, and reported as part of the City's liabilities. Other insignificant activities accounted for the remaining decrease.

Business-type activities. Total liabilities for the business-type activities increased by $74,774,708 or 50.83%. The increase is primarily attributable to the City's implementation of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This statement addresses accounting and reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Statement establishes once any five specified obligating events occurs, that a government is required to estimate the components of the expected pollution remediation outlays and determine whether the outlays for those components should be recorded as a liability or, if appropriate, capitalized when goods and services are acquired. The City has restated its beginning net assets by $70,505,924, to recognize the City's estimated pollution remediation obligation as of July 1, 2008. The outstanding pollution remediation obligation as of June 30, 2009, was $69,952,135.

Net Assets. The City's overall financial position has declined during the fiscal year. The net assets have decreased by $66,828,969 or 26.52%. A decrease of $65,728,223 resulted from adjustments to the beginning assets due to the implementation of GASB Statement No. 45 and GASB Statement No. 49 as discussed earlier.

The largest portion ($210,569,101) 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.

An additional portion of the City's net assets, $13,492,490 (7.29%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted deficit amounts to $38,910,042. At the end of the current fiscal year, the City is able to report positive balances in two categories of net assets for the government as a whole. Unrestricted net assets are negative for both the governmental and business-type activities.

Refer to page 10 for analysis of the business-type activities unrestricted net assets.

City of Lodi's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	$ 4,784,593	5,125,103	95,314,241	90,003,049	$ 100,098,834	95,128,152
Operating grants and contributions	1,950,601	2,304,734	3,653,466	3,380,952	5,604,067	5,685,686
Capital grants and contributions	10,822,032	4,717,336	5,774,006	8,064,375	16,596,038	12,781,711
General revenues:						
Property taxes	13,563,551	13,838,387			13,563,551	13,838,387
Other taxes	9,952,613	10,874,018			9,952,613	10,874,018
Grants and contributions not restricted to specific programs	8,248,606	9,593,031			8,248,606	9,593,031
Litigation - environmental lawsuits proceeds			2,010,085	8,891,315	2,010,085	8,891,315
Other	2,849,319	2,084,506	3,275,486	4,745,278	6,124,805	6,829,784
Total revenues	52,171,315	48,537,115	110,027,284	115,084,969	162,198,599	163,622,084
Expenses						
General government	9,450,858	8,306,827			9,450,858	8,306,827
Public protection	27,110,381	25,531,071			27,110,381	25,531,071
Public works	10,464,204	12,224,480			10,464,204	12,224,480
Community development	1,322,428	2,027,038			1,322,428	2,027,038
Library	1,495,407	1,695,638			1,495,407	1,695,638
Parks and recreation	4,609,091	4,414,367			4,609,091	4,414,367
Interest on long-term debt	1,133,880	1,165,982			1,133,880	1,165,982
Electric			73,357,886	65,201,065	73,357,886	65,201,065
Wastewater			10,939,721	12,227,529	10,939,721	12,227,529
Water			9,604,024	9,919,629	9,604,024	9,919,629
Transit			4,832,465	3,907,965	4,832,465	3,907,965
Total expenses	55,586,249	55,365,403	98,734,096	91,256,188	154,320,345	146,621,591

Changes in net assets before special item and transfers	(3,414,934)	(6,828,288)	11,293,188	23,828,781	7,878,254	17,000,493
Special item- swap termination			(8,979,000)		(8,979,000)	
Transfers	5,367,983	3,692,758	(5,367,983)	(3,692,758)		
Changes in net assets	1,953,049	(3,135,530)	(3,053,795)	20,136,023	(1,100,746)	17,000,493
Net assets at beginning of year, as previously reported	118,755,227	121,890,757	133,225,291	113,089,268	251,980,518	234,980,025
Change in accounting principles	4,357,678		(70,085,901)		(65,728,223)	
Net assets at beginning of year, as restated	123,112,905	121,890,757	63,139,390	113,089,268	186,252,295	234,980,025
Net assets at end of year	$ 125,065,954	118,755,227	60,085,595	133,225,291	$ 185,151,549	251,980,518

Analysis of Changes in Net Assets

Governmental activities.
Net assets for the governmental activities increased by $1,953,049 in the current fiscal year.

The key factors impacting the change in net assets are:

- Negative revenue growth
- Slow down on new developments
- Increase in personnel costs
- Charges for services decreased by 7%, a net amount of $340,510 from the prior fiscal year largely from decreased revenue from engineering inspection fees ($213,098), in engineering fees ($249,085), and community development fees mainly building permits ($197,378). Other insignificant increases offset the difference.
- Operating grants and contributions decreased by $354,133 or 15 % largely from the shift of the After School program grant to the Lodi Unified School District.
- Capital grants and contributions increased by $6,104,696 or 129% from prior fiscal year. Increase in capital contributions ($7,400,558) was mainly attributable to the commercial developments at Reynolds Ranch, Sacramento Street reconstruction and the Lower *Sacramento road widening project.*
- Property taxes – decreased by $274,836 or 2% compared to prior year. The dismal housing market and the continuing decline in market values falling below the assessed values caused homes to be reassessed and affected property tax revenues in the current year.
- Other taxes decreased by $921,405 or 8% - In prior years, both Sewer ($830,000) and Water ($418,700) Funds paid in-lieu taxes to the General Fund. Beginning the current year, both funds ceased paying in-lieu taxes and the cost of services were based on a cost study to adequately charge both funds for administrative costs. This decrease was offset by the increase in waste removal franchise fees ($263,266) and the increase in cable television franchise fees ($141,679).
- Grants and contributions not restricted to specific programs decreased by $1,344,425 or 14%. Sales tax revenues declined by $1,271,428 and State motor vehicle license fees decreased by $72,997. Business close-outs and the continuing decline in both prices and consumer spending on most taxable goods largely contributed to the decrease in sales tax revenue.

- Other revenues increased by $764,813 or 37% from prior fiscal year. This increase was primarily from the one-time sale of land on 217 E. Lockeford ($339,852) and the receipt of donations used for the Library renovation and HVAC projects ($555,000).

Expenses for governmental functions totaled $55,586,249 an increase of $220,846 from the prior fiscal year.

Business-type activities.
Business-type activities decreased the City's net assets by $3,053,795 in the current year. The key elements of this decrease are:

- Capital Contributions: Net decrease of $2,290,369.

  Electric Fund - $249,504 – a decrease of $735,281 from prior year.
  Wastewater Fund - $2,083,307 – a decrease of $4,376,265 from prior year.
  Water Fund - $525,092 – an increase of $494,309.
  Transit Fund - $2,916,103 – an increase of $2,326,868.

- Proceeds from litigation settlements - $2,010,085 - a decrease of $6,881,230 from prior year.
- Swap termination payment of $8,979,000.

The City's Energy Cost Adjustment (ECA) was established with the intent to automatically adjust the electric rates for monthly fluctuations in the City's purchased power expenses. Bulk power costs increased in the current year and by way of the ECA charge, operating revenue increased by $4,715,596 in the current year.

Wastewater and water rates were also increased based on CPI change during the year resulting in increased operating revenues of $184,997 or 2% in Wastewater Utility; and $437,154 or 4% in Water Utility.

Electric fund expenses increased by $8,156,821 primarily due to increased purchased power costs of $6,793,025, increase in interest expense of $759,608 and increase in personnel cost of $342,718.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds.
The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 $17,010,318, a decrease of $3,167,285 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 $3,383,191 while total fund balance was $3,766,188, a decrease of $1,542,674 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 8.87% of total general fund expenditures.

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 Wastewater Fund were $6,990,227 and for the Transit Fund $1,826,897. The Electric Fund unrestricted deficit was $3,024,514, Water Fund unrestricted net deficit was $41,240,323 and the Internal Services Funds unrestricted net deficit was $642,463.

Other factors concerning the finances of these funds are discussed in the City'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 decrease in appropriations of $671,097. The decrease in appropriations can be briefly summarized as follows:

- $195,949 decrease in general government
- $286,080 decrease in public protection
- $212,518 decrease in public works
- $98,861 decrease in library
- $122,311 increase in parks

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

- Intergovernmental revenues – an unfavorable variance of $965,590 was attributable to an unexpected downturn comprised primarily of sales tax ($928,322) and the state motor vehicle in-lieu ($79,071) offset by various increases.
- Charges for services – an unfavorable variance of $237,813 was largely from the decline in engineering inspection fees ($110,421), decrease in engineering fees ($339,198), and offset by increase in contract work for others ($125,697); strike team reimbursements ($139,287); and various decreases in other revenues.
- Fines, forfeits and penalties – a favorable variance of $157,774 resulted from enhanced revenues through moving violations ($64,994), late payments for utilities ($88,651), and utility connections ($15,788).
- Miscellaneous revenues – a favorable variance of $353,104 is primarily attributable to the sale of land located at 217 E. Elm Street.
- For expenditures, a favorable variance between the final budget and actual expenditures of $950,557 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's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to $325,122,821 (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's investment in capital assets for the current fiscal year was 4.30% (a 4.83% increase in governmental activities and 3.91% increase in business-type activities) as shown in the table below.

Changes in Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 24,099,912	$ 24,016,374	$ 5,438,359	$ 5,438,359	$ 29,538,271	$ 29,454,734
Buildings and Improvements	35,651,579	36,522,080	26,271,445	24,691,134	61,923,024	61,213,214
Machinery and Equipment	1,613,652	1,383,916	99,010,483	96,652,254	100,624,135	98,036,174
Vehicles	1,238,294	1,369,953	2,683,977	2,694,895	3,922,271	4,064,844
Infrastructure	69,678,224	65,122,765			69,678,224	65,122,765
Work of Art	62,024	62,024			62,024	62,024
Construction in Progress	6,069,109	3,562,565	53,305,763	50,204,405	59,374,872	53,766,969
Total	$ 138,412,794	$ 132,039,677	$ 186,710,027	$ 179,681,047	$ 325,122,821	$ 311,720,724

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; the Lodi Lake boat house project; the finance relocation project; and the Lodi Public Library renovation and HVAC projects. The increase in building and improvements is due to the completion of the Municipal Service Center Transit Vehicle Maintenance Facility.

Additional information on the City's capital assets can be found in Note 6 on pages 44-46 of this report.

Long-term debt
At the end of the current fiscal year, the City had total bonded debt outstanding of $163,678,072. Of this amount, $22,855,000 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 $140,823,072 from the business-type activities consists of $57,589,159 for the Wastewater Fund; and $83,233,913 for the Electric Fund.

City of Lodi's Outstanding Debt

	Governmental Activities	Business-type activities	Total
Certificates of Participation	$ 22,855,000	140,823,072	163,678,072

The City's total bonded debt increased by $6,737,212 during the current fiscal year.

Bond Rating
In May of 2008, Standard & Poor's Rating Services upgraded the rating on outstanding electric utility debt instruments to A- with a stable outlook as a result of improved financial performance due to the implementation of various policies instituted by new management.

Additional information on the City's long-term debt can be found in Note 8 on pages 47-54 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET
The collapse of the real estate market and the banking industry are the obvious consequences of the faltering economy along with the increase in unemployment rate across the country. Closures of automobile dealerships have also dramatically changed the sales tax base throughout the state. Sales tax, which once was the City's largest General Fund revenue source, is projected to drop to the second largest revenue source behind property taxes. Building and construction also slowed contributing to the decrease in development fee revenues. The State with its own budget crisis, has adopted a program that will borrow property tax revenue from local governments under the provisions of Proposition 1A thereby creating a receivable from the State. The City has sold its receivable to a joint powers agency that will make the City revenue stream whole for FY 2009-10.

Lodi continues to employ best management practices and be focused on creating a financially sustainable City with appropriate reserves and expenditure controls. To this end, the City was quick to take action to revise the FY 2008-09 budget when it became apparent the revenue estimates would be below budgeted levels. The City sought and received the assistance of labor groups to reduce payroll and benefits costs. The FY 2009-10 budget focused on the following issues and approach: manage declining General fund revenues while maintaining the broad range of services; reduce staff and/or personnel costs; streamline functions; avoid using one-time revenues or relying on future revenue that may not materialize; maintain balance among services; and complete the General Plan and address Wastewater Fund and Water Resource issues.

For FY 2009-10, General Fund revenues have declined and the City has reduced expenditures accordingly to maintain a balanced budget. In terms of reducing costs, management and various employee organizations have agreed to a mix of reductions in work hours, benefits, and compensation to avoid large-scale layoffs. Staff levels for FY 2009-10 are proposed to be approximately the same as they were in FY 1999-2000.

Economic Development

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

The City's unemployment rate continues to track roughly 4 percent lower than that of San Joaquin County. The City's diversified economic base continues to help the City maintain its revenue base.

Although agriculture is an important part of the City's past, present and future by providing residents with employment on farms and in processing plants, 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 the City, and large national and international manufacturers such as General Mills, CertainTeed and Thule find the City an attractive base for their West Coast operations.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City' accountability for the money it receives. If you have any questions about this report or need additional information, contact the Financial Services Division of the City of Lodi at 310 W. Elm Street, Lodi, California, 95240.

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, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 24,183,079	39,775,226	$ 63,958,305
Accounts receivable, net	3,115,943	8,262,600	11,378,543
Property tax receivable	1,603,438		1,603,438
Interest receivable	86,010	130,886	216,896
Internal balances	(1,225,173)	1,225,173	
Due from other governmental agencies	861,191	1,573,601	2,434,792
Restricted assets	1,687,747	21,516,023	23,203,770
Loan receivable	1,084,000		1,084,000
Advance receivable		5,904,783	5,904,783
Inventory	147,024	1,682,052	1,829,076
Other assets	31,449	5,784	37,233
Deferred charges		15,192,439	15,192,439
Capital assets, net:			
Nondepreciable	30,231,045	58,744,122	88,975,167
Depreciable, net	108,181,749	127,965,905	236,147,654
TOTAL ASSETS	169,987,502	281,978,594	451,966,096
LIABILITIES			
Accounts payable and accrued liabilities	2,543,464	3,184,688	5,728,152
Accrued salaries and wages	1,764,230		1,764,230
Accrued interest	273,747	2,886,738	3,160,485
Unearned revenue	1,962,117	1,616,268	3,578,385
Net OPEB obligation	1,195,521		1,195,521
Long-term liabilities:			
Due within one year	4,606,352	4,530,676	9,137,028
Due in more than one year	32,576,117	209,674,629	242,250,746
TOTAL LIABILITIES	44,921,548	221,892,999	266,814,547
NET ASSETS			
Invested in capital assets, net of related debt	115,035,793	95,533,308	210,569,101
Restricted for:			
Capital projects	11,578,237		11,578,237
Debt service	1,687,747		1,687,747
Other purposes	226,506		226,506
Unrestricted (deficit)	(3,462,329)	(35,447,713)	(38,910,042)
TOTAL NET ASSETS	$ 125,065,954	60,085,595	$ 185,151,549

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

CITY OF LODI
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

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	$ 9,450,858	1,630,875	27,769	9,526	(7,782,688)		$ (7,782,688)
Public protection	27,110,381	844,338	831,683	77,459	(25,356,901)		(25,356,901)
Public works	10,464,204	358,301	1,038,268	9,828,830	761,195		761,195
Community development	1,322,428	749,207		17,161	(556,060)		(556,060)
Library	1,495,407	44,167	52,881		(1,398,359)		(1,398,359)
Parks & recreation	4,609,091	1,157,705		889,056	(2,562,330)		(2,562,330)
Interest on long-term debt	1,133,880				(1,133,880)		(1,133,880)
Total governmental activities	55,586,249	4,784,593	1,950,601	10,822,032	(38,029,023)		(38,029,023)
Business-type activities:							
Electric	73,357,886	73,999,938		249,504		891,556	891,556
Wastewater	10,939,721	9,276,217	55,576	2,083,307		475,379	475,379
Water	9,604,024	11,787,140		525,092		2,708,208	2,708,208
Transit	4,832,465	250,946	3,597,890	2,916,103		1,932,474	1,932,474
	98,734,096	95,314,241	3,653,466	5,774,006		6,007,617	6,007,617
Total primary government	$ 154,320,345	100,098,834	5,604,067	16,596,038	(38,029,023)	6,007,617	$ (32,021,406)
General revenues:							
Taxes:							
Property taxes					13,563,551		13,563,551
Franchise taxes					8,356,756		8,356,756
Business license tax					1,190,370		1,190,370
Transient occupancy tax					405,487		405,487
Grants and contributions not restricted to specific programs					8,248,606		8,248,606
Investment earnings					467,048	1,384,935	1,851,983
Litigation - environmental lawsuits proceeds						2,010,085	2,010,085
Other					2,382,271	1,890,551	4,272,822
Special item - swap termination						(8,979,000)	(8,979,000)
Transfers					5,367,983	(5,367,983)	
Total general revenues, special item and transfers					39,982,072	(9,061,412)	30,920,660
Change in net assets					1,953,049	(3,053,795)	(1,100,746)
Net assets, beginning of year, as previously reported					118,755,227	133,225,291	251,980,518
Change in accounting principles					4,357,678	(70,085,901)	(65,728,223)
Net assets, beginning of year, as restated					123,112,905	63,139,390	186,252,295
Net assets, end of year					$ 125,065,954	60,085,595	$ 185,151,549

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, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	$ 1,824,807	15,124,620	$ 16,949,427
Restricted assets		1,687,747	1,687,747
Receivables:			
Accounts, net	2,656,710	458,594	3,115,304
Property taxes	1,603,438		1,603,438
Interest	14,801	46,707	61,508
Due from other funds	1,126,826	492,672	1,619,498
Due from other governmental agencies		861,191	861,191
Loan receivable		1,084,000	1,084,000
Inventory	24,758		24,758
Advances to other funds	294,640	328,385	623,025
Other assets	8,799	7,782	16,581
Total assets	$ 7,554,779	20,091,698	$ 27,646,477
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other liabilities	$ 2,024,361	333,755	$ 2,358,116
Accrued salaries and wages	1,764,230		1,764,230
Due to other funds		1,619,498	1,619,498
Advances from other funds		1,848,198	1,848,198
Deferred revenue		3,046,117	3,046,117
Total liabilities	3,788,591	6,847,568	10,636,159
Fund balances:			
Reserved	382,997	1,487,085	1,870,082
Unreserved reported in:			
General Fund	3,383,191		3,383,191
Special revenue funds		6,539,775	6,539,775
Capital projects funds		5,217,270	5,217,270
Total fund balances	3,766,188	13,244,130	17,010,318
Total liabilities and fund balances	$ 7,554,779	20,091,698	$ 27,646,477

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, 2009

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

Fund balances - total governmental funds	$ 17,010,318
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Nondepreciable capital assets	30,231,045
Depreciable capital assets, net	108,145,568
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	(7,147,947)
Long-term debt	(23,377,001)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due	(273,747)
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 and liabilities of the internal service funds are included in governmental activities in the statement of net assets	(606,282)
Net assets of governmental activities	$ 125,065,954

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, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 23,516,164		$ 23,516,164
Licenses and permits	61,783	369,648	431,431
Intergovernmental revenues	8,967,410	4,261,681	13,229,091
Charges for services	1,055,137	2,273,542	3,328,679
Fines, forfeits and penalties	1,415,174	900	1,416,074
Investment and rental income	231,181	690,689	921,870
Miscellaneous revenue	446,404	1,315,209	1,761,613
Total revenues	35,693,253	8,911,669	44,604,922
Expenditures:			
Current:			
General government	6,922,096	1,509,163	8,431,259
Public protection	24,463,771	251,744	24,715,515
Public works	2,967,402	1,690,065	4,657,467
Community development		1,341,445	1,341,445
Library	1,499,720		1,499,720
Parks and recreation	2,160,035	1,615,726	3,775,761
Capital outlay		6,791,260	6,791,260
Debt service:			
Interest and fiscal charges	18,516	1,120,307	1,138,823
Principal payments	129,487	659,453	788,940
Total expenditures	38,161,027	14,979,163	53,140,190
Deficiency of revenues under expenditures	(2,467,774)	(6,067,494)	(8,535,268)
Other financing sources (uses):			
Transfers in	5,367,983	5,241,676	10,609,659
Transfers out	(4,442,883)	(798,793)	(5,241,676)
Total other financing sources (uses)	925,100	4,442,883	5,367,983
Net change in fund balances	(1,542,674)	(1,624,611)	(3,167,285)
Fund balances, beginning of year	5,308,862	14,868,741	20,177,603
Fund balances, end of year	$ 3,766,188	13,244,130	$ 17,010,318

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, 2009

Amounts reported for governmental activities are different because:

Net change in fund balances - total governmental funds	$	(3,167,285)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays, capital contributions and depreciation expense are as follows:		
Capitalized capital outlays		6,791,260
Capital asset contributions		7,400,558
Depreciation expense		(7,799,668)
Book value on disposed capital assets		(17,586)
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		129,489
Certificates of participation principal		565,000
Loan principal		94,451
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.		(1,910,155)
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		(137,958)
Change in accrued interest		4,943
Change in net assets of governmental activities	$	1,953,049

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

CITY OF LODI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
ASSETS						
Current assets:						
Cash and investments	$ 12,003,103	7,499,322	20,272,801		$ 39,775,226	$ 7,233,652
Restricted cash and investments			8,177,185		8,177,185	
Restricted assets with fiscal agents	5,475,101	5,693,071	816		11,168,988	
Receivables:						
Accounts, net	4,931,289	583,995	1,030,886	1,716,430	8,262,600	639
Interest	39,155	25,324	66,407		130,886	24,502
Due from other funds			110,120		110,120	
Due from other governmental agencies		16,196		1,557,405	1,573,601	
Advance receivable	5,904,783				5,904,783	
Inventory	1,465,049	11,749	205,254		1,682,052	122,266
Other assets		4,509	1,275		5,784	14,868
Total current assets	29,818,480	13,834,166	29,864,744	3,273,835	76,791,225	7,395,927
Noncurrent assets:						
Restricted assets with fiscal agents		2,169,850			2,169,850	
Advances to other funds			1,225,173		1,225,173	
Deferred charges	14,196,456	995,983			15,192,439	
Capital assets,net:						
Nondepreciable	6,417,731	48,883,331	2,208,526	1,234,534	58,744,122	
Depreciable, net	37,386,306	49,882,966	27,128,296	13,568,337	127,965,905	36,181
Total capital assets	43,804,037	98,766,297	29,336,822	14,802,871	186,710,027	36,181
Total noncurrent assets	58,000,493	101,932,130	30,561,995	14,802,871	205,297,489	36,181
TOTAL ASSETS	87,818,973	115,766,296	60,426,739	18,076,706	282,088,714	7,432,108
LIABILITIES						
Current liabilities:						
Accounts payable and other liabilities	631,275	462,679	1,496,340	594,394	3,184,688	185,348
Accrued interest	2,166,638	706,137	13,547	416	2,886,738	
Due to other funds				110,120	110,120	
Unearned revenue		87,501	868,218	660,549	1,616,268	
Self-insurance liability						1,953,845
Accrued compensated absences	187,823	136,462		12,907	337,192	57,633
Certificates of participation payable	2,708,889	1,309,133			4,018,022	
Water note payable			175,462		175,462	
Total current liabilities	5,694,625	2,701,912	2,553,567	1,378,386	12,328,490	2,196,826
Noncurrent liabilities:						
Self-insurance liability						4,577,491
Accrued compensated absences	685,519	754,072		68,552	1,508,143	68,552
Certificates of participation payable	80,525,024	56,280,026			136,805,050	
Water note payable			1,409,301		1,409,301	
Net OPEB obligation						1,195,521
Pollution remediation obligation			69,952,135		69,952,135	
Total noncurrent liabilities	81,210,543	57,034,098	71,361,436	68,552	209,674,629	5,841,564
TOTAL LIABILITIES	86,905,168	59,736,010	73,915,003	1,446,938	222,003,119	8,038,390
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	3,938,319	49,040,059	27,752,059	14,802,871	95,533,308	36,181
Unrestricted (deficit)	(3,024,514)	6,990,227	(41,240,323)	1,826,897	(35,447,713)	(642,463)
TOTAL NET ASSETS (DEFICIT)	$ 913,805	56,030,286	(13,488,264)	16,629,768	$ 60,085,595	$ (606,282)

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, 2009

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
OPERATING REVENUES						
Charges for services	$ 73,999,938	9,276,217	11,787,140	250,946	$ 95,314,241	$ 8,988,662
OPERATING EXPENSES						
Personnel services	5,965,737	2,984,049	1,471,463	258,565	10,679,804	1,301,998
Supplies, materials and services	10,007,935	2,067,646	6,054,427	3,856,538	21,986,534	6,073,355
Utilities	46,481,625	869,129	804,767	70,786	48,226,307	3,417
Depreciation and amortization	6,182,264	2,136,819	1,216,499	646,576	10,182,158	1,447
Claims						3,746,893
TOTAL OPERATING EXPENSES	68,637,561	8,057,643	9,547,156	4,832,465	91,074,825	11,127,110
OPERATING INCOME (LOSS)	5,362,377	1,218,574	2,239,984	(4,581,519)	4,239,416	(2,138,448)
NONOPERATING REVENUES (EXPENSES)						
Investment income	373,038	428,586	570,662	12,649	1,384,935	165,835
Interest expense	(4,720,325)	(2,882,078)	(56,868)		(7,659,271)	
Rent		221,422	15,981	4,200	241,603	
Operating grants		55,576		3,597,890	3,653,466	
Litigation-environmental lawsuits proceeds			2,010,085		2,010,085	
Other revenues	822,338	396,731	334,969	94,910	1,648,948	62,458
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,524,949)	(1,779,763)	2,874,829	3,709,649	1,279,766	228,293
INCOME (LOSS) BEFORE SPECIAL ITEMS, CAPITAL CONTRIBUTIONS AND TRANSFERS	1,837,428	(561,189)	5,114,813	(871,870)	5,519,182	(1,910,155)
Special item - swap termination	(8,979,000)				(8,979,000)	
Capital contributions	249,504	2,083,307	525,092	2,916,103	5,774,006	
Transfers out	(2,856,383)	(1,451,478)	(1,060,122)		(5,367,983)	
Net special item, capital contributions and transfers	(11,585,879)	631,829	(535,030)	2,916,103	(8,572,977)	
Change in net assets	(9,748,451)	70,640	4,579,783	2,044,233	(3,053,795)	(1,910,155)
NET ASSETS - BEGINNING OF YEAR, as previously reported	10,460,580	55,695,950	52,414,674	14,654,087	133,225,291	1,274,830
Change in accounting principles	201,676	263,696	(70,482,721)	(68,552)	(70,085,901)	29,043
NET ASSETS (DEFICIT) - BEGINNING OF YEAR, as restated	10,662,256	55,959,646	(18,068,047)	14,585,535	63,139,390	1,303,873
NET ASSETS (DEFICIT) - END OF YEAR	$ 913,805	56,030,286	(13,488,264)	16,629,768	$ 60,085,595	$ (606,282)

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, 2009

	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	$ 75,561,260	9,766,496	14,763,586	345,856	$ 100,437,198	$ 64,278
Receipts from interfund services provided	322,520				322,520	8,988,662
Cash paid to suppliers for goods & services	(57,018,009)	(3,347,088)	(6,666,688)	(3,627,780)	(70,659,565)	(8,034,540)
Payments to employees	(6,002,167)	(2,989,408)	(1,471,463)	(246,943)	(10,709,981)	(1,287,304)
Payments for interfund services provided	(2,755)	(774,032)	(775,620)	(53,667)	(1,606,074)	
Proceeds from litigation settlements			2,010,085		2,010,085	
Net cash provided by (used in) operating activities	12,860,849	2,655,968	7,859,900	(3,582,534)	19,794,183	(268,904)
Cash flows from noncapital financing activities:						
Loaned from other funds				110,120	110,120	
Operating grants		55,576		2,097,281	2,152,857	
Transfers out	(2,856,383)	(1,451,478)	(1,060,122)		(5,367,983)	
Net cash provided by (used in) noncapital financing activities	(2,856,383)	(1,395,902)	(1,060,122)	2,207,401	(3,105,006)	
Cash flows from capital and related financing activities:						
Proceeds from Certificates of Participation	61,282,808				61,282,808	
Refunding of Certificates of Participation	(46,760,000)				(46,760,000)	
Swap termination payment	(8,979,000)				(8,979,000)	
Issuance costs - Certificates of Participation	(2,780,161)				(2,780,161)	
Acquisition and construction of capital assets	(660,300)	(6,114,449)	(782,382)	(2,428,579)	(9,985,710)	
Fees received from developers	2,458	261,889	13,086		277,433	
Capital grants received		385,700		2,295,980	2,681,680	
Principal payments on debt	(5,240,000)	(1,270,000)	(169,746)		(6,679,746)	
Interest payments on debt	(4,355,422)	(2,884,242)	(58,278)		(7,297,942)	
Net cash used in capital and related financing activities	(7,489,617)	(9,621,102)	(997,320)	(132,599)	(18,240,638)	
Cash flows from investing activities:						
Rent of City property		221,422	15,981	4,200	241,603	
Interest on investments	420,434	455,767	540,537	25,074	1,441,812	205,171
Net cash provided by investing activities	420,434	677,189	556,518	29,274	1,683,415	205,171
Net increase (decrease) in cash and cash equivalents	2,935,283	(7,683,847)	6,358,976	(1,478,458)	131,954	(63,733)
Cash and cash equivalents, beginning of year	14,542,921	20,876,240	22,091,826	1,478,458	58,989,445	7,297,285
Cash and cash equivalents, end of year	$ 17,478,204	13,192,393	28,450,802		$ 59,121,399	$ 7,233,552
Reconciliation to the statement of net assets:						
Cash and investments	$ 12,003,103	7,499,322	20,272,801		$ 39,775,226	$ 7,233,552
Restricted cash and investments			8,177,185		8,177,185	
Restricted assets with fiscal agents - current	5,475,101	5,693,071	816		11,168,988	
Total cash and cash equivalents	$ 17,478,204	13,192,393	28,450,802		$ 59,121,399	$ 7,233,552
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ 5,362,377	1,218,574	2,239,984	(4,581,519)	$ 4,239,416	$ (2,138,448)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	6,182,264	2,136,819	1,216,499	646,576	10,182,158	1,447
Proceeds from litigation settlements			2,010,085		2,010,085	
Other revenues	822,338	396,731	334,969	94,910	1,648,948	62,458
Change in assets and liabilities:						
Decrease in accounts receivable	479,550	73,973	3,051,567		3,605,090	4,328
Decrease in advance receivables	581,924				581,924	
Increase in due from other funds			(110,120)		(110,120)	
Increase in due from other governmental agencies		(9,462)			(9,462)	
Increase in inventory	(126,796)	(1,714)	(12,050)		(140,560)	(7,630)
Decrease (increase) in other assets	30	385	30		445	(2,508)
(Decrease) increase in accounts payable and other liabilities	(404,408)	(1,182,631)	(17,275)	245,877	(1,358,437)	55,898
(Decrease) increase in compensated absences	(36,430)	(5,359)		11,622	(30,167)	14,694
Increase (decrease) in unearned revenue		28,652	(300,000)		(271,348)	
Increase in self-insurance liability						545,336
Decrease in pollution remediation obligation			(553,789)		(553,789)	
Increase in OPEB obligation						1,195,521
Net cash provided by (used in) operating activities	$ 12,860,849	2,655,968	7,859,900	(3,582,534)	$ 19,794,183	$ (268,904)
Noncash Investing, Capital and Financing Activities						
Capital asset contributions	$ 247,046	1,435,718	512,006	250,438	$ 2,445,208	

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, 2009

	Private-Purpose Trust Funds	Agency Fund
ASSETS		
Cash and investments	$ 248,308	$ 617,876
Receivables:		
Special assessments		78,336
Interest		2,083
TOTAL ASSETS	248,308	698,295
LIABILITIES		
Agency obligations		698,295
TOTAL LIABILITIES		698,295
NET ASSETS	$ 248,308	$

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, 2009

		Private-Purpose Trust Funds
ADDITIONS		
Investment and rental income	$	37
Total additions		37
DEDUCTIONS		
Current		
Library		419,287
Interest and fiscal charges		186,691
Total deductions		605,978
CHANGE IN NET ASSETS		(605,941)
NET ASSETS, BEGINNING OF YEAR		854,249
NET ASSETS, END OF YEAR	$	248,308

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. Since then, several Certificates of Participation were issued to finance various major projects (See Note 8).

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

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

(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, 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. 45, Accounting and Financial Reporting by Employers of Post-employment Benefits Other than Pensions.* This statement addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. These benefits are collectively referred to as other postemployment benefits (OPEB).

The City provides healthcare benefits to eligible retirees who elect to convert their unused sick leave balance. The City pays one month's premium for employee and dependents for each day after conversion. The amount of premium paid is the same as the premium paid by the City at the time of retirement.

Historically, the City followed guidance provided by GASB Statement No. 16, *Accounting for Compensated Absences,* to report its liabilities for sick leave benefits. The liabilities were generally calculated for employees eligible for the sick leave conversion who reached the age of 49 and 10 years of service credit. In June 2004, the GASB issued Statement No. 45. This statement generally requires that governments account for and report the annual cost of OPEB and the outstanding obligations related to OPEB in essentially the same manner as pensions. Annual OPEB cost for most governments will be based on actuarially determined amounts that, if paid on an ongoing basis, would generally provide sufficient resources to pay benefits as they come due.

The GASB allows governments to apply this statement prospectively, establish the OPEB liability at zero at the beginning of the initial year of implementation, and does not require governments to fund the OPEB plans. The statement supersedes or amends previous authoritative guidance on accounting and financial reporting for an employer's OPEB expense and related information.

The City elected to implement GASB No. 45 prospectively beginning the current year and opted to establish its OPEB liability at zero at the beginning of the initial year of implementation; the City's net assets were restated to reflect this change in the accounting principle. As a result, $4,357,678 and $420,023 were added to the beginning net assets of the governmental activities and business-type activities, respectively, to recognize the reduction of the City's liabilities for sick leave benefits previously accrued under GASB Statement No. 16. The beginning net assets of individual enterprise fund and internal service funds were also restated to reflect this change in accounting principle.

The latest actuarial valuation determined that the City's annual OPEB cost was $1,785,173, the City's actual pay-as-you go cost was $589,652 and the net OPEB obligation as of June 30, 2009, was $1,195,521(See Note 11).

The City also adopted the *provisions of GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations.* This statement addresses accounting and reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Statement establishes once any five specified obligating events occurs, that a government is required to estimate the components of the expected pollution remediation outlays and determine whether the outlays for those components should be recorded as a liability or, if appropriate, capitalized when goods and services are acquired.

In accordance with GASB Statement No. 49, the City has restated its beginning net assets by $70,505,924, to recognize the City's estimated pollution remediation obligation as of July 1, 2008 (See Note 16).

(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 2008 Certificates of Participation reserved for debt service. 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.

(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, 2007, upon which the 2008 levy was based, was $5,422,385,000.

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, 2009, 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 C & D amortized over 9.5 years and the 2008 Certificates of Participation Series A amortized over 24 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

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

(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, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and investments	$	63,958,305
Restricted assets		23,203,770
Fiduciary funds cash and investments:		
Private-purpose trust funds		248,308
Agency fund		617,876
Total cash and investments	$	88,028,259

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	$	2,371
Deposits with financial institutions		15,790,081
Investments		72,235,807
Total cash and investments	$	88,028,259

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 that invest in eligible securities, 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, 2009	Maturity Less than One Year	Maturity One to Five Years	Total
LAIF	$ 56,970,508		$ 56,970,508
Money Market Mutual Funds	132,000		132,000
Equities and options	106,716		106,716
Held by bond trustee:			
Money Market Mutual Funds	12,856,733		12,856,733
Guaranteed investment contracts (GICs)		2,169,850	2,169,850
Total	$ 70,065,957	2,169,850	$ 72,235,807

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. $15,879,893 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, 2009 was $25.2 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2009 had a balance of $50.7 billion. Of this amount, 14.71% 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 235 days as of June 30, 2009.

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	$	18,700
Uncollectibles related to electric sales and services		220,400
Uncollectibles related to wastewater services		57,400
Uncollectibles related to water sales and services		70,900
Total uncollectibles of the current fiscal year	$	367,400

(4) INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables at June 30, 2009 are as follows:

Due from	Due to		Amount
Other governmental	General	$	1,126,826
Other governmental	Other governmental		492,672
Transit	Water		110,120
		$	1,729,618

"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 $ 1,126,826 and $492,672 represent cash deficits in other governmental funds. The $110,120 represents the cash deficit in the Transit Fund.

Advances from	Advances to		Amount
General	Other governmental	$	294,640
Other governmental	Other governmental		328,385
Water	Other governmental		1,225,173
		$	1,848,198

The $294,640 from the General Fund to the other governmental is an advance used for the start up costs of a redevelopment agency. The $328,385 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, 2009, are summarized as follows:

	Transfers in		
Transfers out:	General	Other Governmental	Total
General	$	4,442,883	$ 4,442,883
Other governmental		798,793	798,793
Electric	2,856,383		2,856,383
Wastewater	1,451,478		1,451,478
Water	1,060,122		1,062,122
Total	$ 5,367,983	5,241,676	$ 10,609,659

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

Transfers out of $2,856,383 from the Electric Fund, $1,451,478 from Wastewater Fund, and $1,060,122 from Water Fund represent the cost of services reimbursement to the General Fund.

The $4,442,883 transfers out from the General Fund to other governmental represent transfers of $1,010,219 to the Debt Service Fund for the principal, interest and fiscal charges required to pay the 2002 Certificates of Participation; $1,261,872 to the Community Center and $534,615 to the Recreation Fund; $685,000 to the Library Fund for the Library renovation and HVAC projects; $239,947 to Community Development; $576,223 to the Vehicle and Equipment Fund which include $511,223 for vehicle replacements and $65,000 for information systems replacements; and $135,007 to the Capital Outlay Reserve Fund for public safety software.

The transfer out of $798,793 from other governmental to other governmental include $662,515 transferred from Community Center to Debt Service Fund for the principal, interest and fiscal charges required to pay the 2002 Certificates of Participation; $25,000 transferred from the Vehicle and Equipment Fund to the Capital Outlay Reserve Fund for the animal shelter improvements project; the annual transfer from the Streets Fund of $96,106 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 $4,183 from the Community Development, $5,672 from Recreation Fund, and $5,317 from the Community Center to the Vehicle and Equipment Fund for fleet replacement.

(6) CAPITAL ASSETS

Capital assets activity of the primary government for the year-ended June 30, 2009, was as follows:

Governmental activities	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 24,016,374	101,124	(17,586)	$ 24,099,912
Work of art	62,024			62,024
Construction in progress	3,562,565	3,399,849	(893,305)	6,069,109
Total capital assets, not being depreciated	27,640,963	3,500,973	(910,891)	30,231,045
Capital assets, being depreciated:				
Buildings and improvements	57,018,484	603,932	(124,477)	57,497,939
Machinery and equipment	8,758,944	632,795		9,391,739
Vehicles	9,205,434	229,152	(190,639)	9,243,947
Infrastructure	114,820,174	10,118,271		124,938,445
Total capital assets, being depreciated	189,803,036	11,584,150	(315,116)	201,072,070
Less accumulated depreciation for:				
Buildings and improvements	20,496,404	1,474,433	(124,477)	21,846,360
Machinery and equipment	7,375,028	403,059		7,778,087
Vehicles	7,835,481	360,811	(190,639)	8,005,653
Infrastructure	49,697,409	5,562,812		55,260,221
Total accumulated depreciation	85,404,322	7,801,115	(315,116)	92,890,321
Total capital assets, being depreciated, net	104,398,714	3,783,035		108,181,749
Governmental activities capital assets, net	$ 132,039,677	7,284,008	(910,891)	$ 138,412,794

Business-type activities	**Balance June 30, 2008**	**Increases**	**Decreases**	**Balance June 30, 2009**
Capital assets, not being depreciated:				
Land	$ 5,438,359			$ 5,438,359
Construction in progress	50,204,405	9,510,485	(6,409,127)	53,305,763
Total capital assets, not being depreciated	55,642,764	9,510,485	(6,409,127)	58,744,122
Capital assets, being depreciated:				
Buildings and improvements	34,483,556	2,503,880		36,987,436
Machinery and equipment	136,904,385	6,380,110		143,284,495
Vehicles	8,104,473	445,570	(184,890)	8,365,153
Total capital assets, being depreciated	179,492,414	9,329,560	(184,890)	188,637,084
Less accumulated depreciation for:				
Buildings and improvements	9,792,422	923,569		10,715,991
Machinery and equipment	40,252,131	4,021,881		44,274,012
Vehicles	5,409,578	456,488	(184,890)	5,681,176
Total accumulated depreciation	55,454,131	5,401,938	(184,890)	60,671,179
Total capital assets, being depreciated, net	124,038,283	3,927,622		127,965,905
Business-type activities capital assets, net	$ 179,681,047	13,438,107	(6,409,127)	$ 186,710,027

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

Governmental activities:		
General government	$	607,463
Public protection		884,450
Public works		5,681,752
Community development		651
Library		2,696
Parks and recreation		622,656
Internal service funds		1,447
Total depreciation expense - governmental activities	$	7,801,115
Business-type activities:		
Electric	$	1,453,569
Wastewater		2,085,294
Water		1,216,499
Transit		646,576
Total depreciation expense - business-type activities	$	5,401,938

(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 $135,365 for the year ended June 30, 2009.

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, 2009, are as follows:

Fiscal Years Ending		
2010	$	25,000
Total minimum lease payments required under operating leases	$	25,000

(8) LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the City for the year ended June 30, 2009:

	Interest Rates	June 30, 2008	Additions	Reductions	June 30, 2009	Amounts Due Within One Year
Governmental activities:						
Compensated absences, as restated		$ 7,121,480	1,927,080	(1,774,428)	$ 7,274,132	$ 1,927,080
2002 Certificates of Participation	3.0-5.0%	23,420,000		(565,000)	22,855,000	590,000
Note payable	5.0%	245,000			245,000	
Loan payable	4.0%	94,451		(94,451)		
Capital leases	5.3-5.39%	406,490		(129,489)	277,001	135,427
Self-insurance liability		5,986,000	1,953,845	(1,408,509)	6,531,336	1,953,845
Governmental activity long-term liabilities		$ 37,273,421	3,880,925	(3,971,877)	$ 37,182,469	$ 4,606,352

	Interest Rates	June 30, 2008	Additions	Reductions	June 30, 2009	Amounts Due Within One Year
Business-type activities:						
Compensated absences, as restated		$ 1,875,502	337,192	(367,359)	$ 1,845,335	$ 337,192
Pollution remediation obligation, as restated		70,505,924		(553,789)	69,952,135	
California Safe Drinking Water Note Payable	3.41%	1,754,509		(169,746)	1,584,763	175,462
Certificates of Participation:						
2008 Certificates of Participation	3.8-5.05%		60,685,000		60,685,000	
Add deferred amounts:						
For issuance premium			597,808	(24,911)	572,897	24,909
Less deferred amounts:						
From refunding			(7,239,734)	301,656	(6,938,078)	(301,656)
Net			54,043,074	276,745	54,319,819	(276,747)

	Interest Rates	June 30, 2008	Additions	Reductions	June 30, 2009	Amounts Due Within One Year
2002 Certificates of Participation A & B	Variable	46,760,000		(46,760,000)		
Less deferred amounts:						
From refunding		(6,307,166)		6,307,166		
Net		40,452,834		(40,452,834)		
2002 Certificates of Participation C & D	1.54-5.25%	33,990,000		(5,240,000)	28,750,000	2,920,000
Add deferred amounts:						
For issuance premium		229,732		(65,638)	164,094	65,636
Total		34,219,732		(5,305,638)	28,914,094	2,985,636
2003 Certificates of Participation B	2.0-5.0%	4,245,000		(200,000)	4,045,000	205,000
Add deferred amounts:						
For issuance premium		62,555		(4,102)	58,453	4,102
Total		4,307,555		(204,102)	4,103,453	209,102
2004 Certificates of Participation A	2.0-5.5%	24,445,000		(965,000)	23,480,000	1,010,000
Add deferred amounts:						
For issuance premium		345,752		(21,278)	324,474	21,277
Total		24,790,752		(986,278)	23,804,474	1,031,277
2007 Certificates of Participation A	4.0-5.0%	30,320,000		(105,000)	30,215,000	105,000
Add deferred amounts:						
For issuance premium		242,102		(8,254)	233,848	8,253
Less deferred amounts:						
From refunding		(812,115)		44,499	(767,616)	(44,499)
Net		29,749,987		(68,755)	29,681,232	68,754
Total Certificates of Participation		133,520,860	54,043,074	(46,740,862)	140,823,072	4,018,022
Business-type activity long-term liabilities		$ 207,656,795	54,380,266	(47,831,756)	$ 214,205,305	$ 4,530,676

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, internal service funds self-insurance liability for $6,531,336 and $126,185 for 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, 2009, 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 to be repaid with 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
2010	$ 175,462	$ 52,562
2011	181,496	46,528
2012	187,658	40,366
2013	194,263	33,762
2014	200,872	27,152
2015-2017	645,012	39,059
Total	$ 1,584,763	$ 239,429

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
2010	$	$ 14,700
2011		14,700
2012	245,000	11,025
Total	$ 245,000	$ 40,425

Certificates of Participation

$5,000,000 California Statewide Communities Development Authority Water and Wastewater Revenue Bonds were issued on October 7, 2003. The City of Lodi along with the City of Fort Bragg issued $9.855 million 2003 Series B revenue bonds through the California Statewide Communities Development Authority (the "Authority") pooled financing program. The City of Lodi's portion is $5.0 million for the upgrade of its wastewater facilities. Principal is payable annually on October 1 in amounts from $185,000 to $365,000 with final payment due October 1, 2023. The City has pledged future wastewater revenues, net of specified operating expenses, to repay $5.0 million in wastewater revenue bonds. The bonds are payable solely from wastewater customer net revenues. The total principal and interest remaining to be paid on the bonds is $5,669,411. Principal and interest paid for the current year and total net revenues were $426,022 and $4,843,408, respectively.

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

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

operating expenses, to repay these bonds. The total principal and interest remaining to be paid on the bonds is $34,101,412. Principal and interest paid for the current year and total net revenues were $2,134,856 and $4,843,408, respectively.

$30,320,000 Certificates of Participation (2007A COP) were issued on November 16, 2007 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City and to provide resources for the repayment of the 1991 Certificates of Participation (Wastewater Treatment Plant Expansion Refunding Project). Principal is payable annually on October 1 in amounts from $105,000 to $2,980,000 with final payment due October 1, 2037. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these bonds. The total principal and interest remaining to be paid on the bonds is $62,010,788. Principal and interest paid for the current year and total net revenues were $1,591,200 and $4,843,408, respectively.

$26,745,000 Certificates of Participation (2002 COP) were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City; to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. As of June 30, 2009, 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. The advanced refunded certificates were 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. Series B was fully paid as of June 30, 2005. Series A was refunded in the current fiscal year.

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

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

energy. On November 21, 2002, the City issued $21,225,000 Revenue Certificates of Participation 2002 Series C and $22,740,000 Revenue Certificates of Participation 2002 Taxable Series D to buy out the amended contract in the amount of $42,406,175.

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.

The City has pledged future electric revenues, net of specified operating expenses, to repay these bonds. The total principal and interest remaining to be paid on the bonds is $33,703,067. Principal and interest paid for the current year and total net revenues were $6,889,865 and $16,825,594, respectively.

Current Refunding

The City issued **$60,685,000** Certificates of Participation (2008A COP) on July 24, 2008 to allow the City to prepay and cause the immediate defeasance of the outstanding $46,760,000 Certificates of Participation (Electric System Revenue Certificates of Participation 2002 Series A Variable Rate Certificates) and to pay $8,979,000 for the termination of a swap agreement related to the refunded 2002 certificates. The termination payment is presented as a special item on the government-wide statement of activities and the statement of revenues, expenses and changes in net assets of the proprietary funds. The City has pledged future electric revenues, net of specified operating expenses, to repay these bonds. The total principal and interest remaining to be paid on the bonds is $108,647,050. Interest paid for the current year and total net revenues were $3,070,462 and $16,825,594, respectively.

As a result, the refunded bonds are considered defeased and the liability has been removed from the Electric Enterprise Fund column of the statement of net assets. This current refunding was undertaken to convert the variable interest rate certificates of participation to fixed rate and to terminate the swap agreement related to the certificates of participation resulting in economic gain of $223,679; and an increase of $14,567,345 in future debt payments. The reacquisition price exceeded the net carrying amount of the old debt by $7,239,734. This amount is being netted against the new debt and amortized over the life of the old debt which is the same as the refunding debt obligation. Principal is payable annually on July 1 in amounts ranging from $2,390,000 to $5,090,000 beginning in 2016 with final payment due in 2032.

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
2010	$ 590,000	$ 1,084,071	$ 4,240,000	$ 7,014,776
2011	610,000	1,060,956	4,450,000	6,836,735
2012	630,000	1,036,156	4,700,000	6,640,535
2013	655,000	1,010,047	6,075,000	6,344,375
2014	690,000	981,013	6,325,000	6,031,538
2015-2019	3,905,000	4,390,064	29,500,000	25,870,787
2020-2024	4,925,000	3,340,594	27,485,000	19,838,995
2025-2029	6,280,000	1,958,000	31,620,000	12,498,487
2030-2034	4,570,000	350,250	23,670,000	4,941,250
2035-2038			9,110,000	939,250
Total	$ 22,855,000	$ 15,211,151	$ 147,175,000	$ 96,956,728

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	(353,215)
Total	$ 529,822

The present values of future minimum capital lease payments as of June 30, 2009, are as follows:

Fiscal Years Ending		
2010	$	148,003
2011		148,003
Total minimum lease payments		296,006
Less amounts representing interest		(19,005)
Present value of minimum capital lease payments	$	277,001

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, 2009, is $465,000.

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, 2009:

	General	Other Governmental	Total
Reserved for:			
Library	$ 11,903		$ 11,903
Encumbrances	51,696	1,158,700	1,210,396
Advances to other funds	294,640	328,385	623,025
Inventory	24,758		24,758
Total Reserved	382,997	1,487,085	1,870,082
Unreserved-designated for:			
Specific projects and programs		11,757,045	11,757,045
Total Designated		11,757,045	11,757,045
Unreserved - undesignated	3,383,191		3,383,191
Total Fund Balances	$ 3,766,188	13,244,130	$ 17,010,318

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 12.058% for miscellaneous employees, 24.128% 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 2009, the City's annual pension cost of $4,945,023 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006, 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 plan over 30 years and (b) miscellaneous plan over 22 years, as of June 30, 2008.

(d) Trend Information

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	$ 4,437	100%	$0
6/30/08	4,963	100%	$0
6/30/09	4,945	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) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(a) Plan Description

The City participates in the PERS medical program. Employees who retire from the City and receive a PERS pension are eligible for postemployment medical benefits. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. In general, retirees must contribute any premium amounts in excess of the City contribution. However, as described below, a closed group of active employees and retirees receive additional postemployment benefits.

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

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

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

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

(b) Funding Policy

Contribution requirements of the postemployment benefit are based on pay-as-you-go financing. For fiscal year 2008-09, the City contributed $589,652, or 33.03%, of the actuarially required contributions.

(c) Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution/annual OPEB cost (expense)	$ 1,785,173
Contribution made	(589,652)
Increase in net OPEB obligation	1,195,521
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 1,195,521

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2008-09, the initial year implementing GASB Statement No. 45, is as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	$ 1,785,173	33.03%	$ 1,195,521

(d) Funding Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	$	23,323,165
Actuarial value of plan assets		0
Unfunded actuarial accrued liability (UAAL)	$	23,323,165
Funded ratio (actuarial value of plan assets/AAL)		0.0%
Annual covered payroll (active plan members)	$	9,846,065
UAAL as percentage of annual covered payroll		237%

(e) Actuarial Methods and Assumptions

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

Projections of benefits for financial purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and the assumptions used include techniques that are designed to reduce short-tem volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4% discount rate to calculate the present value of future benefit payments; an annual healthcare cost trend rate of 8.5% initially, reduced by .3 percent increments to an ultimate rate of 5.5% in the eleventh year and beyond; the PERS minimum benefit will increase 5% per year; a 3.25% annual rate of increase in payroll; assumed that 100% future eligible retirees will elect to maintain their enrollment in a PERS medical plan and qualify for the City's minimum contribution; 75% of future retirees will enroll a spouse; and also assumed that 100% of General Services, Maintenance and Operators and Dispatchers will elect the conversion option and 50% of Executive Management, Mid Management and Police will elect the option, The conversion option is not available to IBEW and Fire retirees. The unfunded actuarial accrued liability is amortized as a level of percentage of expected payroll over thirty years.

(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-Insurance Funds.

The City is self-insured for general liability up to the first $500,000 per occurrence with claims from $500,000 to $40,000,000 per occurrence and in the aggregate insured through the California Joint Powers Risk Management Authority. The City never had any settlements that exceeded its general liability insurance coverage (See Note 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 $300,000,000 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 $6,531,336 at June 30, 2009, for all self-insured claims in the Internal Service Fund-Insurance Funds that includes an amount for incurred but not reported claims. The liability amount is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In the opinion of the City, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes in the self-insurance liability for fiscal years ended June 30, 2009 and 2008 are as follows:

	Beginning	Current-Year Claims and Changes in Estimates	Claim Payments	Ending
FY 07-08	$ 6,396,000	1,589,702	(1,999,702)	$ 5,986,000
FY 08-09	$ 5,986,000	1,953,845	(1,408,509)	$ 6,531,336

(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, 2009, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is $5,904,783.

Project Participation

The NCPA members and their percentage share at June 30, 2009, 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%	30.3590 %
Biggs	0.2270		.118		0.4082
Gridley	0.3360		.210		0.7103
Healdsburg	3.6740	1.66	3.500		6.6068
Lodi	10.2800	10.37	8.036	39.50	18.4861
Lompoc	3.6810	2.30	3.500	5.00	6.6194
Palo Alto		22.92			11.0736
Plumas-Sierra Rural Electric Coop	.7010	1.69	1.090		1.4647
Roseville	7.8830	12.00	40.000	36.50	14.1756
Santa Clara	44.3905	37.02	25.000		
Turlock Irrigation District	6.3305				
Ukiah	5.6145	2.04	5.454		10.0963

Bulk power purchased by the City through NCPA amounted to $46,404,576 during the year ended June 30, 2009 and is reflected in utilities expense in the Electric Enterprise Fund.

NCPA Geothermal Project

A purchase power agreement with NCPA obligates the City for a 10.28% share of the operating costs and debt service of two of NCPA's 110-megawatt steam powered plants, Project Number 2 and Project Number 3. Outstanding long-term debt related to this project was approximately $77 million at June 30, 2008.

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, 2008, approximately $478 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, 2008 approximately $12 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 18.4861% of the debt service and operating costs. At June 30, 2008, approximately $2.5 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, 2008, approximately $64 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, 2008
(in thousands)

Assets			Liabilities and Capitalization		
Current assets	$	81,632	Current portion of long-term debt	$	38,205
Restricted assets		155,151	Other current liabilities		76,377
Electric plant, net		344,171	Other liabilities and deferred credits		128,913
Other assets and deferred charges		282,141	Long-term debt, net		593,696
			Net assets		25,904
Total assets	$	863,095	Total liabilities and net assets	$	863,095

Combined Statement of Revenues and Expenses and Changes in net Assets
Year ended June 30, 2008
(in thousands)

Sales for resale	$	311,374
Operating expenses		(292,639)
Other revenues (expenses)		(28,783)
Future recoverable costs		24,911
Net revenues before refunds		14,863
Refunds to participants		(13,456)
Increase in net assets		1,407
Net assets, beginning of year		24,497
Net assets, end of year	$	25,904

Combined Statement of Cash Flow
Year ended June 30, 2008
(in thousands)

Net cash provided by operating activities	$	50,555
Net cash provided by investing activities		24,563
Net cash used in capital and related financing activities		(76,728)
Net cash used in noncapital and related financing activities		(6,868)
Decrease in cash and cash equivalents		(8,478)
Cash and cash equivalents, beginning of year		96,219
Cash and cash equivalents end of year	$	87,741

At June 30, 2008, NCPA's total outstanding long-term debt was $631,901,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2008, was $38,205,000.

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, 2008, approximately $348 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 17 other individual cities and 4 joint powers authorities, of California Joint Powers Risk Management Authority (CJPRMA) organized under a Joint Powers Agreement pursuant to the California Government Code for the purpose of sharing the risk of catastrophic general liability, automobile liability and public officials' errors and omissions losses because adequate insurance is not available in the commercial insurance market. CJPRMA has a twenty-one member Board of Directors, including a director from the City of Lodi. The Board members elect officers of CJPRMA every two years.

The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience and will be determined through an actuarial analysis of loss history during the ten-year period preceding the three years prior to the end of the current program year. The City periodically pays deposits to the CJPRMA. These deposits are recorded as expenditures in the year paid, as they are a reasonable estimate of the actual cost of the program. During the year ended June 30, 2009, deposits of $84,877 were paid to CJPRMA for the liability program.

The participants at June 30, 2009, are as follows: City of Alameda, Chico, Fairfield, Fremont, Livermore, Lodi, NCCSIF, Petaluma, 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-three other public agencies, is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which was formed July 1992, for the purpose of sharing the risk of workers' compensation losses. LAWCX offers $150,000, 250,000, $350,000, $500,000 and $1 million self-insured retentions (SIR) or a member can attach directly to the purchased excess insurance. LAWCX covers the layer above the member SIR up to $5 million. The City of Lodi's self-insured retention is $250,000. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) to obtain coverage up to statutory limits. The City paid $293,724 in deposits to LAWCX during the fiscal year ended June 30, 2009.

The participants at June 30, 2009, are as follows: Alameda, ABAG, BCJPIA, City of Benicia, CCCTA, Central San Joaquin Valley Risk Mgmt Authority (CSJVRMA), City of Clovis, City of Coronado, City of Encinitas, East Bay Regional Park District, 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
1750 Creekside Oaks Drive, Suite 200
Sacramento, California 95833

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 claims administrator services.

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

CalTIP purchases excess insurance over its $1,000,000 retention up to $20 million per occurrence. Each member is provided with $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 $107,195 in deposits to CalTIP during the fiscal year ended June 30, 2009. 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 $921,716 at June 30, 2009, is attributed to the unprecedented decrease in development due to the slowing economy. The City has raised the building fees effective July 1, 2009 and an increase in planning rates is scheduled for City Council action in November, 2009. Additionally, with the current fiscal year budget, the department has cut staff in order to balance revenues with expenditures.

Nonmajor Governmental Fund – Community Center – A deficit in fund equity in the amount of $232,211 at June 30, 2009, is attributed to the unexpected repairs and maintenance that were previously deferred; equipment purchases necessary to support operation; and the need to reallocate personnel costs that were not addressed during the budget process. Revenue enhancements and realignment of personnel costs will be pursued in the future to adequately fund the Community Center.

Internal Service Funds - Benefits Fund – A deficit in fund equity in the amount of $1,078,724 at June 30, 2009, is attributed to the establishment of the net OPEB obligation beginning in the current year in accordance with the requirements of GASB Statement No. 45. Net OPEB obligation as of June 30, 2009, was $1,195,521. The City is still weighing its options whether to pre-fund the OPEB obligation or continue on a pay-as-you-go basis. It will be addressed during the budget process.

Proprietary Funds – Water Fund - The deficit in fund equity in the Water Fund of $13,488,264 was the result of the accrual of pollution remediation obligation as required by the implementation of GASB Statement No. 49. The balance of the accrual as of June 30, 2009, was $69,952,135. In January 2006, the City increased water rates specifically to address groundwater contamination cleanup. This increase is generating approximately $3.0 million annually.

(16) Restatement of Net Assets – Pollution Remediation (GASB 49)

Lodi relies on groundwater for its drinking water and in the late 1980's, PCE and TCE pollution was discovered in several municipal water supply wells. Investigations conducted by the California Regional Water Quality Control Board in the early 1990's under the Well Investigation program revealed numerous areas where TCE was discharged, or where PCE from dry cleaning operations were discharged to the sewer system. In 1997, the Department of Toxic Substances Control and the City entered into a cooperative agreement whereby the City assumed a lead role in the cleanup and agreed to pursue legal action against potentially responsible parties (PRPs). The City has settled with all the involved parties during the fiscal year.

The City received a draft cleanup and abatement order to investigate the discharges of waste, clean up the waste and abate the effects of the discharges of waste in conformance with the State Board's Resolution No. 92-49 Policies and Procedures for Investigation and Cleanup and Abatement of Discharges Under the Water Code Section 13304 and with the Regional Boards' Water Quality Control Plan for the Sacramento River and San Joaquin River. The City then engaged the services of Treadwell and Rollo to advise the City on courses of action in the preparation of feasibility studies, remedial design, and remedial action plan to comply with the technical and reporting requirements of the State Board.

Pursuant to the requirements of GASB Statement No. 49, which was implemented effective July 1, 2008, the City and its consultants have estimated its potential pollution remediation liability as of June 30, 2008. Total Project cost is based on conceptual-level design; Remedial Action Plan (RAP) and project Work Plans are yet to be written. The City's beginning net assets have been restated by $70,505,924 for the purpose of recognizing the estimated pollution remediation liability as of June 30, 2008.

(17) COMMITMENTS AND CONTINGENCIES

Litigation and claims – The City has fully resolved the litigation over its groundwater contamination as a potential responsible party including litigation with its former outside counsel regarding malpractice and fee claims. 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 being wholly dependent upon wells and the possible impacts of eventual overdraft of the groundwater supply, the City made a commitment in 2003 to purchase surface water supply from Woodbridge Irrigation District for 40 years beginning in 2003. The agreement provides for the purchase of 6,000 acre feet per year and the City pays the District $1.2 million annually. Commencing on January 1 of the seventh year, the amount payable to the District shall be increased by two percent (2%) per year or by the change in the Consumer Price Index whichever is higher but shall not exceed five percent (5%).

Arbitrage Earnings Rebate Liability – Arbitrage earnings are defined as income earned on the unexpended tax-exempt certificate proceeds in excess of that which would have been earned had the moneys been invested in securities with a yield of the effective rate of the certificates. Currently, arbitrage earnings must be rebated to the United States Treasury every five years. There is no cumulative arbitrage liability as of June 30, 2009, for any of the City's outstanding Certificates of Participation.

(18) FUTURE GASB PRONOUNCEMENTS

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.

In February of 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The objective of this statement is to establish fund balance classifications that comprise

a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for the City's year ending June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lodi
Required Supplementary Information
Schedule of Funding Progress - Pension Plan
June 30, 2009
(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	203,173	25,669	87%	27,322	93.95%

City of Lodi
Required Supplementary Information
Schedule of Funding Progress – OPEB Plan
June 30, 2009
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Normal Accrued Liability (B)	Unfunded Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Annual Covered Payroll (C)	UAAL As a Percentage of Covered Payroll {[(B) – (A)]/(C)}
1/1/08	$ 0	$ 23,323	$ 23,323	0%	$ 9,846	237%

As, required by GASB Statement No. 45, the City will report three years of data in the above table, as the information becomes available in subsequent years.

CITY OF LODI
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2009

	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 23,973,060	23,497,060	23,516,164	$ 19,104
Licenses and permits	79,300	79,300	61,783	(17,517)
Intergovernmental revenues	10,937,000	9,933,000	8,967,410	(965,590)
Charges for services	1,188,220	1,292,950	1,055,137	(237,813)
Fines, forfeits and penalties	1,257,400	1,257,400	1,415,174	157,774
Investment and rental income	270,500	270,500	231,181	(39,319)
Miscellaneous revenue	953,300	93,300	446,404	353,104
Total revenues	38,658,780	36,423,510	35,693,253	(730,257)
EXPENDITURES				
Current:				
General government:				
City Council	111,834	110,834	105,484	5,350
City Manager	1,138,130	1,085,631	1,060,920	24,711
City Clerk	469,098	458,238	419,908	38,330
City Attorney	488,567	524,184	518,939	5,245
Human Resources	623,257	554,566	521,447	33,119
Information Systems	1,071,547	1,075,398	1,024,470	50,928
Financial Services	1,703,947	1,562,120	1,542,768	19,352
Budget and Treasury	642,798	551,319	542,945	8,374
Non Departmental	1,100,106	1,231,045	1,185,215	45,830
Total general government	7,349,284	7,153,335	6,922,096	231,239
Public protection:				
Police	15,804,665	15,481,474	15,399,921	81,553
Fire	9,140,875	9,177,986	9,063,850	114,136
Total public protection	24,945,540	24,659,460	24,463,771	195,689
Public Works	3,509,644	3,297,126	2,967,402	329,724
Library	1,640,020	1,541,159	1,499,720	41,439
Parks	2,200,680	2,322,991	2,160,035	162,956
Debt service:				
Interest and fiscal charges	18,516	18,516	18,516	
Principal payments	129,487	129,487	129,487	
Total debt service	148,003	148,003	148,003	
Total expenditures	39,793,171	39,122,074	38,161,027	961,047
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,134,391)	(2,698,564)	(2,467,774)	230,790
OTHER FINANCING SOURCES (USES)				
Transfers in	5,502,330	5,367,983	5,367,983	
Transfers out	(3,613,644)	(4,442,883)	(4,442,883)	
Total other financing sources (uses)	1,888,686	925,100	925,100	
NET CHANGE IN FUND BALANCE	754,295	(1,773,464)	(1,542,674)	230,790
FUND BALANCE , beginning of year	4,534,293	5,308,862	5,308,862	
FUND BALANCE, end of year	$ 5,288,588	3,535,398	3,766,188	$ 230,790

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.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Governmental Funds include:

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

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

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

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue	Capital Projects	Total
Assets			
Cash and investments	$ 10,022,991	5,101,629	$ 15,124,620
Restricted assets		1,687,747	1,687,747
Receivables:			
Accounts, net	458,594		458,594
Interest	36,027	10,680	46,707
Due from other funds	469,200	23,472	492,672
Due from other governmental agencies	480,627	380,564	861,191
Loan receivable	1,084,000		1,084,000
Other assets	2,747	5,035	7,782
Advances to other funds		328,385	328,385
Total assets	$ 12,554,186	7,537,512	$ 20,091,698
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 146,371	187,384	$ 333,755
Due to other funds	1,596,026	23,472	1,619,498
Advances from other funds	328,385	1,519,813	1,848,198
Deferred revenue	3,046,117		3,046,117
Total liabilities	5,116,899	1,730,669	6,847,568
Fund Balances :			
Reserved for encumbrances	897,512	261,188	1,158,700
Reserved for advances to other funds		328,385	328,385
Unreserved-designated for specific projects and programs	6,539,775	5,217,270	11,757,045
Total fund balances	7,437,287	5,806,843	13,244,130
Total liabilities and fund balances	$ 12,554,186	7,537,512	$ 20,091,698

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2009

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Licenses and permits	$ 369,648			$ 369,648
Intergovernmental revenues	3,363,804		897,877	4,261,681
Charges for services	2,196,904		76,638	2,273,542
Fines, forfeits and penalties	900			900
Investment and rental income	590,722		99,967	690,689
Miscellaneous revenue	671,518		643,691	1,315,209
Total revenues	7,193,496		1,718,173	8,911,669
Expenditures:				
Current:				
General government	1,509,163			1,509,163
Public protection	251,744			251,744
Public works	1,690,065			1,690,065
Community development	1,341,445			1,341,445
Parks and recreation	1,615,726			1,615,726
Capital outlay	2,926,046		3,865,214	6,791,260
Debt service:				
Interest and fiscal charges		1,109,387	10,920	1,120,307
Principal payments		659,453		659,453
Total expenditures	9,334,189	1,768,840	3,876,134	14,979,163
Deficiency of revenues under expenditures	(2,140,693)	(1,768,840)	(2,157,961)	(6,067,494)
Other financing sources (uses):				
Transfers in	2,036,434	1,768,840	1,436,402	5,241,676
Transfers out	(773,793)		(25,000)	(798,793)
Total other financing sources (uses)	1,262,641	1,768,840	1,411,402	4,442,883
Net change in fund balances	(878,052)		(746,559)	(1,624,611)
Fund balances, beginning of year	8,315,339		6,553,402	14,868,741
Fund balances, end of year	$ 7,437,287		5,806,843	$ 13,244,130

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

Community Center
This fund was established to account for the revenues and expenditures related to the activities of the Hutchins Street Square and Performing Arts Theater.

Recreation
This fund was established to account for the revenues and expenditures related to the wide-range of recreation activities and programs offered to the public.

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

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

Streets Fund

This fund was established to account for the following:

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

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

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

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

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

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

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2009

	Community Center	Recreation	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
ASSETS								
Cash and Investments	$	53,531	111,680		9,829,788	27,992		$ 10,022,991
Receivables:								
Accounts, net	2,527	10,414	40,126	8,538	351,846	45,143		458,594
Interest			618		35,315	94		36,027
Due from other funds					469,200			469,200
Due from other governmental agencies			9,713		1,714		469,200	480,627
Other assets	531	1,310		906				2,747
Loan receivable							1,084,000	1,084,000
TOTAL ASSETS	$ 3,058	65,255	162,137	9,444	10,687,863	73,229	1,553,200	$ 12,554,186
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and other liabilities	$ 29,699	10,845	8,860	9,904	87,063			$ 146,371
Due to other funds	205,570			921,256			469,200	1,596,026
Advances from other funds					328,385			328,385
Deferred revenue					1,962,117		1,084,000	3,046,117
TOTAL LIABILITIES	235,269	10,845	8,860	931,160	2,377,565		1,553,200	5,116,899
FUND BALANCES (DEFICIT)								
Reserved for encumbrances	4,500	7,620		2,856	882,536			897,512
Unreserved-designated for specific projects and programs	(236,711)	46,790	153,277	(924,572)	7,427,762	73,229		6,539,775
TOTAL FUND BALANCES (DEFICIT)	(232,211)	54,410	153,277	(921,716)	8,310,298	73,229		7,437,287
TOTAL LIABILITIES AND FUND BALANCES	$ 3,058	65,255	162,137	9,444	10,687,863	73,229	1,553,200	$ 12,554,186

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2009

	Community Center	Recreation	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
REVENUES								
Licenses and permits	$			369,648				$ 369,648
Intergovernmental revenues			260,283	17,161	2,923,324	45,143	117,893	3,363,804
Charges for services	442,171	1,034,807		379,559	340,367			2,196,904
Fines, forfeits and penalties			900					900
Investment and rental income	240,306	106,171	3,450		239,831	964		590,722
Miscellaneous revenue	435	215	182	119,724	550,962			671,518
Total revenues	682,912	1,141,193	264,815	886,092	4,054,484	46,107	117,893	7,193,496
EXPENDITURES								
Current								
General government	1,509,163							1,509,163
Public protection			251,744					251,744
Public works					1,572,172		117,893	1,690,065
Community development				1,341,445				1,341,445
Parks and recreation		1,615,726						1,615,726
Capital outlay					2,849,697	76,349		2,926,046
Total expenditures	1,509,163	1,615,726	251,744	1,341,445	4,421,869	76,349	117,893	9,334,189
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(826,251)	(474,533)	13,071	(455,353)	(367,385)	(30,242)		(2,140,693)
OTHER FINANCING SOURCES (USES)								
Transfers in	1,261,872	534,615		239,947				2,036,434
Transfers out	(667,832)	(5,672)		(4,183)	(96,106)			(773,793)
Total other financing sources (uses)	594,040	528,943		235,764	(96,106)			1,262,641
NET CHANGE IN FUND BALANCES	(232,211)	54,410	13,071	(219,589)	(463,491)	(30,242)		(878,052)
FUND BALANCES (DEFICIT), beginning of year			140,206	(702,127)	8,773,789	103,471		8,315,339
FUND BALANCES (DEFICIT), end of year	$ (232,211)	54,410	153,277	(921,716)	8,310,298	73,229		$ 7,437,287

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, 2009

	COMMUNITY CENTER		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Charges for services	$ 431,200	442,171	$ 10,971
Investment and rental income	234,539	240,306	5,767
Miscellaneous revenue		435	435
Total Revenue	665,739	682,912	17,173
EXPENDITURES			
Current			
General government	1,509,163	1,509,163	
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(843,424)	(826,251)	17,173
OTHER FINANCING SOURCES (USES)			
Transfers in	1,261,872	1,261,872	
Transfers out	(667,832)	(667,832)	
Total other financing sources (uses)	594,040	594,040	
NET CHANGE IN FUND BALANCE	(249,384)	(232,211)	17,173
FUND BALANCE, BEGINNING OF YEAR			
FUND DEFICIT, END OF YEAR	$ (249,384)	(232,211)	$ 17,173

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, 2009

	RECREATION		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Charges for services	$ 1,086,338	1,034,807	$ (51,531)
Investment and rental income	60,000	106,171	46,171
Miscellaneous revenue		215	215
Total Revenue	1,146,338	1,141,193	(5,145)
EXPENDITURES			
Current			
Parks and recreation	1,763,730	1,615,726	148,004
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(617,392)	(474,533)	142,859
OTHER FINANCING SOURCES (USES)			
Transfers in	652,500	534,615	(117,885)
Transfers out	(5,672)	(5,672)	
Total other financing sources (uses)	646,828	528,943	(117,885)
NET CHANGE IN FUND BALANCE	29,436	54,410	24,974
FUND BALANCE, BEGINNING OF YEAR			
FUND BALANCE, END OF YEAR	$ 29,436	54,410	$ 24,974

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, 2009

	PUBLIC SAFETY		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 683,517	260,283	$ (423,234)
Fines, forfeits and penalties	3,000	900	(2,100)
Investment and rental income		3,450	3,450
Miscellaneous revenue		182	182
Total Revenue	686,517	264,815	(421,702)
EXPENDITURES			
Current			
Public protection	636,592	251,744	384,848
NET CHANGE IN FUND BALANCE	49,925	13,071	(36,854)
FUND BALANCE, BEGINNING OF YEAR	140,206	140,206	
FUND BALANCE, END OF YEAR	$ 190,131	153,277	$ (36,854)

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, 2009

	COMMUNITY DEVELOPMENT		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Licenses and permits	$ 899,999	369,648	$ (530,351)
Intergovernmental revenues		17,161	17,161
Charges for services	380,001	379,559	(442)
Miscellaneous revenue	150,000	119,724	(30,276)
Total Revenue	1,430,000	886,092	(543,908)
EXPENDITURES			
Current			
Community development	1,628,438	1,341,445	286,993
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(198,438)	(455,353)	(256,915)
OTHER FINANCING SOURCES (USES)			
Transfers in	239,947	239,947	
Transfers out	(4,183)	(4,183)	
Total other financing sources (uses)	235,764	235,764	
NET CHANGE IN FUND BALANCE	37,326	(219,589)	(256,915)
FUND DEFICIT, BEGINNING OF YEAR	(702,127)	(702,127)	
FUND DEFICIT, END OF YEAR	$ (664,801)	(921,716)	$ (256,915)

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, 2009

	STREETS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 3,412,996	2,923,324	$ (489,672)
Charges for services	1,268,138	340,367	(927,771)
Investment and rental income	121,400	239,831	118,431
Miscellaneous revenue		550,962	550,962
Total Revenue	4,802,534	4,054,484	(748,050)
EXPENDITURES			
Current			
Public works	1,611,563	1,572,172	39,391
Capital outlay	7,147,213	2,849,697	4,297,516
Total Expenditures	8,758,776	4,421,869	4,336,907
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,956,242)	(367,385)	3,588,857
OTHER FINANCING USES			
Transfers out	(96,106)	(96,106)	
NET CHANGE IN FUND BALANCE	(4,052,348)	(463,491)	3,588,857
FUND BALANCE, BEGINNING OF YEAR	8,773,789	8,773,789	
FUND BALANCE, END OF YEAR	$ 4,721,441	8,310,298	$ 3,588,857

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2009

	TRANSPORTATION		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 95,116	45,143	$ (49,973)
Investment and rental income	2,000	964	1,036
Total Revenue	97,116	46,107	(51,009)
EXPENDITURES			
Capital outlay	106,432	76,349	30,083
NET CHANGE IN FUND BALANCE	(9,316)	(30,242)	(20,926)
FUND BALANCE, BEGINNING OF YEAR	103,471	103,471	
FUND BALANCE, END OF YEAR	$ 94,155	73,229	$ (20,926)

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, 2009

	HOME PROGRAM and COMMUNITY DEVELOPMENT BLOCK GRANTS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	$ 461,105	117,893	$ (343,212)
EXPENDITURES			
Current			
Public works	$ 461,105	117,893	$ 343,212
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.

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, 2009

	Vehicle and Equipment	Library	Hutchins Street Square	Capital Outlay Reserve	Lodi Lake	Total
ASSETS						
Cash and investments	$ 1,935,331	231,339	2,181	2,932,778		$ 5,101,629
Restricted assets				1,687,747		1,687,747
Receivables:						
Interest				10,680		10,680
Due from other funds				23,472		23,472
Due from other governmental agencies					380,564	380,564
Advances to other funds				328,385		328,385
Other assets		5,035				5,035
TOTAL ASSETS	$ 1,935,331	236,374	2,181	4,983,062	380,564	$ 7,537,512
LIABILITIES						
Accounts payable and other liabilities	$ 174	65,145		65,500	56,565	$ 187,384
Due to other funds					23,472	23,472
Advances from other funds				1,519,813		1,519,813
TOTAL LIABILITIES	174	65,145		1,585,313	80,037	1,730,669
FUND BALANCES						
Reserved for encumbrances	4,168			246,463	10,557	261,188
Reserved for advances to other funds				328,385		328,385
Unreserved-designated for specific projects and programs	1,930,989	171,229	2,181	2,822,901	289,970	5,217,270
TOTAL FUND BALANCES	1,935,157	171,229	2,181	3,397,749	300,527	5,806,843
TOTAL LIABILITIES AND FUND BALANCES	$ 1,935,331	236,374	2,181	4,983,062	380,564	$ 7,537,512

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
Year ended June 30, 2009

	Vehicle and Equipment	Library	Hutchins Street Square	Capital Outlay Reserve	Lodi Lake	Total
REVENUES						
Intergovernmental revenues	$			*59,090*	*838,787*	$ *897,877*
Charges for services				76,638		76,638
Investment and rental income				99,967		99,967
Miscellaneous revenue	23,127	555,000		10,350	55,214	643,691
Total revenues	23,127	555,000		246,045	894,001	1,718,173
EXPENDITURES						
Capital outlay	265,910	1,069,717		1,926,278	603,309	3,865,214
Debt service:						
Interest and fiscal charges				10,920		10,920
Total expenditures	265,910	1,069,717		1,937,198	603,309	3,876,134
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(242,783)	(514,717)		(1,691,153)	290,692	(2,157,961)
OTHER FINANCING SOURCES (USES)						
Transfers in	591,395	685,000		160,007		1,436,402
Transfers out	(25,000)					(25,000)
Total other financing sources (uses)	566,395	685,000		160,007		1,411,402
NET CHANGE IN FUND BALANCES	323,612	170,283		(1,531,146)	290,692	(746,559)
FUND BALANCES , BEGINNING OF YEAR	1,611,545	946	2,181	4,928,895	9,835	6,553,402
FUND BALANCES, END OF YEAR	$ 1,935,157	171,229	2,181	3,397,749	300,527	$ 5,806,843

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INTERNAL SERVICE FUNDS

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

Fleet Services

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

Benefits

These funds are used to account for the following employee benefits:

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

Insurance

These funds are used to account for the following insurances:

General Liability
Workers' Compensation
Other Insurance

CITY OF LODI
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2009

	Fleet Services	Benefits	Insurance	Total
ASSETS				
Current assets:				
Cash and investments	$ 62,286	167,935	7,003,431	$ 7,233,652
Receivables:				
Accounts, net		639		639
Interest	100	1,070	23,332	24,502
Inventory	122,266			122,266
Other assets		14,868		14,868
Noncurrent assets:				
Capital assets (net)	36,181			36,181
Total current assets	220,833	184,512	7,026,763	7,432,108
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	49,995	67,715	67,638	185,348
Self-insurance liability			1,953,845	1,953,845
Accrued compensated absences	57,633			57,633
Noncurrent liabilities:				
Self-insurance liability			4,577,491	4,577,491
Accrued compensated absences	68,552			68,552
Net OPEB obligation		1,195,521		1,195,521
Total liabilities	176,180	1,263,236	6,598,974	8,038,390
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	36,181			36,181
Unrestricted (deficit)	8,472	(1,078,724)	427,789	(642,463)
Total net assets (deficit)	$ 44,653	(1,078,724)	427,789	$ (606,282)

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year ended June 30, 2009

	Fleet Services	Benefits	Insurance	Total
OPERATING REVENUES				
Charges for services	$ 1,240,197	6,442,018	1,306,447	$ 8,988,662
OPERATING EXPENSES				
Personnel services	950,620	314,749	36,629	1,301,998
Supplies, materials and services	261,261	5,458,670	353,424	6,073,355
Utilities	3,417			3,417
Depreciation and amortization	1,447			1,447
Claims	7,875	1,785,173	1,953,845	3,746,893
TOTAL OPERATING EXPENSES	1,224,620	7,558,592	2,343,898	11,127,110
OPERATING INCOME (LOSS)	15,577	(1,116,574)	(1,037,451)	(2,138,448)
NONOPERATING REVENUES				
Investment income			165,835	165,835
Other revenues	33	21,540	40,885	62,458
TOTAL NONOPERATING REVENUES	33	21,540	206,720	228,293
Change in net assets	15,610	(1,095,034)	(830,731)	(1,910,155)
NET ASSETS - BEGINNING OF YEAR, as previously reported		16,310	1,258,520	1,274,830
Change in accounting principle	29,043	-	-	29,043
NET ASSETS - BEGINNING OF YEAR, as restated	29,043	16,310	1,258,520	1,303,873
NET ASSETS (DEFICIT) - END OF YEAR	$ 44,653	(1,078,724)	427,789	$ (606,282)

CITY OF LODI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2009

	Fleet Services	Benefits	Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	$ 33	18,393	45,852	$ 64,278
Receipts from interfund services provided	1,240,197	6,442,018	1,306,447	8,988,662
Cash paid to suppliers for goods & services	(257,234)	(6,019,628)	(1,757,678)	(8,034,540)
Payments to employees	(935,926)	(314,749)	(36,629)	(1,287,304)
Net cash provided by (used for) operating activities	47,070	126,034	(442,008)	(268,904)
Cash flows from investing activities:				
Interest on investments		7,218	198,053	205,271
Net cash provided by investing activities		7,218	198,053	205,271
Net increase (decrease) in cash and cash equivalents	47,070	133,252	(243,955)	(63,633)
Cash and cash equivalents, beginning of year	15,216	34,683	7,247,386	7,297,285
Cash and cash equivalents, end of year	$ 62,286	167,935	7,003,431	$ 7,233,652
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating Income (loss)	$ 15,577	(1,116,574)	(1,037,451)	$ (2,138,448)
Adjustments to reconcile operating income (loss) to net cash provided (used for) by operating activities:				
Depreciation and amortization	1,447			1,447
Other revenues	33	21,540	40,885	62,458
Change in assets and liabilities:				
Decrease (increase) in accounts receivable		(639)	4,967	4,328
Increase in inventory	(7,630)			(7,630)
Increase in other assets		(2,508)		(2,508)
Increase in accounts payable and other liabilities	22,949	28,694	4,255	55,898
Increase in compensated absences	14,694			14,694
Increase in net OPEB obligation		1,195,521		1,195,521
Increase in self-insurance liability			545,336	545,336
Net cash provided (used for) by operating activities	$ 47,070	126,034	(442,008)	$ (268,904)

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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, 2009

	Private-Purpose Trust Funds		
	Library	Hutchins Street Square Bequest	Total
ASSETS			
Cash and Investments	$ 246,825	1,483	$ 248,308
TOTAL ASSETS	246,825	1,483	248,308
NET ASSETS	$ 246,825	1,483	$ 248,308

CITY OF LODI

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

Year ended June 30, 2009

	Private-Purpose Trust Funds		
	Library	Hutchins Street Square Bequest	Total
ADDITIONS			
Investment income and donations	$	37	$ 37
Total additions		37	37
DEDUCTIONS			
Current			
Library	419,287		419,287
Interest and fiscal charges	186,691		186,691
Total deductions	605,978		605,978
CHANGE IN NET ASSETS	(605,978)	37	(605,941)
NET ASSETS, BEGINNING OF YEAR	852,803	1,446	854,249
NET ASSETS, END OF YEAR	$ 246,825	1,483	$ 248,308

CITY OF LODI
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year ended June 30, 2009

	Special Assessments			
	Balance 7/1/08	Additions	Deductions	Balance 6/30/09
ASSETS				
Cash and investments	$ 662,098	565,918	610,140	$ 617,876
Special assessment receivable	78,823	78,336	78,823	78,336
Interest receivable	4,642	2,083	4,642	2,083
TOTAL ASSETS	$ 745,563	646,337	693,605	$ 698,295
LIABILITIES				
Agency obligations	$ 745,563		47,268	$ 698,295
TOTAL LIABILITIES	$ 745,563		47,268	$ 698,295

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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.	105-110
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.	111-116
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.	117-122
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.	123-125
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.	126-130

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 SEVEN FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Governmental activities:							
Invested in capital assets, net of related debt	$ 115,036	$ 107,874	$ 110,815	$ 111,572	$ 106,293	$ 100,749	$ 94,681
Restricted	13,492	15,043	15,044	14,526	13,465	11,205	12,811
Unrestricted	(3,462)	(4,162)	(3,968)	(8,838)	(8,801)	(9,437)	(7,334)
Total governmental activities net assets	$ 125,066	$ 118,755	$ 121,891	$ 117,260	$ 110,957	$ 102,517	$ 100,158
Business-type activities:							
Invested in capital assets, net of related debt	$ 95,533	$ 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	(35,448)	26,460	6,417	1,880	7,445	(7,511)	(10,270)
Total business-type activities net assets	$ 60,085	$ 133,226	$ 113,089	$ 90,343	$ 77,464	$ 59,281	$ 52,722
Primary government:							
Invested in capital assets, net of related debt	$ 210,569	$ 205,983	$ 208,776	$ 189,066	$ 173,961	$ 164,963	$ 157,433
Restricted	13,492	23,700	23,755	25,495	15,816	13,783	13,051
Unrestricted	(38,910)	22,298	2,449	(6,958)	(1,356)	(16,948)	(17,604)
Total primary government net assets	$ 185,151	$ 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 SEVEN FISCAL YEARS
(Dollar amounts in thousands)

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Expenses							
Governmental activities:							
General government	9,451	$ 8,307	$ 7,853	$ 9,746	$ 9,958	$ 13,167	$ 12,238
Public protection	27,110	25,531	23,328	22,105	22,253	19,162	16,632
Public works	10,464	12,224	10,599	13,229	12,377	11,868	10,946
Community development	1,323	2,027	2,130	2,290			
Library	1,495	1,696	1,630	1,485	1,484	1,409	1,454
Parks and recreation	4,609	4,414	4,172	4,114	4,565	4,095	3,989
Interest and fiscal charges	1,134	1,166	1,201	1,234	1,617	1,267	1,214
Total governmental activities expenses	55,586	55,365	50,913	54,203	52,254	50,968	46,473
Business-type activities:							
Electric	73,358	65,201	67,534	63,780	57,308	55,943	51,388
Wastewater	10,940	12,227	9,271	8,574	10,653	6,297	6,141
Water	9,604	9,920	9,875	8,256	11,748	7,489	12,879
Transit	4,832	3,908	3,577	3,643	3,018	3,064	5,389
Total business-type activities expenses	98,734	91,256	90,257	84,253	82,727	72,793	75,797
Total primary government expenses	$ 154,320	$ 146,621	$ 141,170	$ 138,456	$ 134,981	$ 123,761	$ 122,270
Program Revenues							
Governmental activities:							
Charges for services:							
General government	$ 1,631	$ 1,544	$ 1,280	$ 1,232	$ 3,639	$ 3,144	$ 2,355
Public protection	844	837	582	563	623	525	541
Public works	358	755	295	320	461	430	335
Community development	749	1,085	1,174	1,630			
Library	44	53	53	54	49	50	57
Parks and recreation	1,158	851	1,007	918	833	679	586
Operating grants and contributions	1,951	2,305	2,589	2,587	2,195	2,321	3,315
Capital grants and contributions	10,822	4,717	6,975	14,631	17,559	13,894	6,814
Total governmental activities program revenues	17,557	12,147	13,955	21,935	25,359	21,043	14,003
Business-type activities:							
Charges for services:							
Electric	74,000	69,284	65,809	59,112	53,908	52,899	48,873
Wastewater	9,276	9,091	8,524	8,927	8,086	6,560	6,760
Water	11,787	11,350	10,040	8,343	7,713	6,007	5,532
Transit	251	278	401	386	340	244	293
Operating grants and contributions	3,653	3,381	2,621	3,377	2,731	2,547	1,772
Capital grants and contributions	5,774	8,064	19,984	11,146	3,401	8,268	6,566
Total business-type activities program revenues	104,741	101,448	107,379	91,291	76,179	76,525	69,796
Total primary government program revenues	$ 122,298	$ 113,595	$ 121,334	$ 113,226	$ 101,538	$ 97,568	$ 83,799
Net (Expense)/Revenue							
Governmental activities	$ (38,029)	$ (43,218)	$ (36,958)	$ (32,268)	$ (26,895)	$ (29,925)	$ (32,470)
Business-type activities	6,007	10,192	17,122	7,038	(6,548)	3,732	(6,001)
Total primary government net expense	$ (32,022)	$ (33,026)	$ (19,836)	$ (25,230)	$ (33,443)	$ (26,193)	$ (38,471)

(Continued)

CITY OF LODI

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

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets:							
Governmental activities:							
Taxes:							
Property	$ 13,564	$ 13,838	$ 9,524	$ 8,031	$ 7,124	$ 7,188	$ 6,398
Franchise taxes	8,357	9,338	9,609	8,721	8,918	8,381	7,624
Business license tax	1,190	1,140	1,082	973	982	874	822
Transient occupancy tax	405	396	380	368	352	317	400
Grants and contributions not restricted to	8,249	9,593	14,772	14,215	13,193	11,895	12,069
Investment earnings	467	1,008	874	328	150	125	269
Other	2,382	1,077	621	1,012	608	590	137
Transfers	5,368	3,693	4,727	4,923	4,008	2,915	2,981
Total governmental activities	39,982	40,083	41,589	38,571	35,335	32,285	30,700
Business-type activities:							
Investment earnings	1,385	2,028	2,380	2,008	1,880	2,242	6,457
Litigation- environmental lawsuits	2,010	8,892	6,222	6,700	9,150	865	2,728
Other	1,891	2,717	1,749	2,056	2,432	2,635	1,594
Special item-forgiveness of debt					15,277		
Special item-swap termination	(8,979)						
Transfers	(5,368)	(3,693)	(4,727)	(4,923)	(4,008)	(2,915)	(2,981)
Total business-type activities	(9,061)	9,944	5,624	5,841	24,731	2,827	7,798
Total primary government	$ 30,921	$ 50,027	$ 47,213	$ 44,412	$ 60,066	$ 35,112	$ 38,498
Change in Net Assets							
Governmental activities	$ 1,953	$ (3,135)	$ 4,631	$ 6,303	$ 8,440	$ 2,360	$ (1,770)
Business-type activities	(3,054)	20,136	22,746	12,879	18,183	6,559	1,797
Total primary government	$ (1,101)	$ 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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Fund										
Reserved	$ 383	$ 1,150	$ 1,144	$ 1,321	$ 1,185	$ 1,296	$ 927	$ 856	$ 532	$ 473
Unreserved	3,383	4,159	5,175	3,048	1,507	157	640	2,507	3,414	3,315
Total General Fund	$ 3,766	$ 5,309	$ 6,319	$ 4,369	$ 2,692	$ 1,453	$ 1,567	$ 3,363	$ 3,946	$ 3,788
All other governmental funds										
Reserved	$ 1,487	$ 1,932	$ 1,874	$ 1,138	$ 4,942	$ 3,778	$ 6,405	$ 3,363	$ 2,779	$ 555
Unreserved, reported in:										
Special revenue funds	6,540	7,433	6,651	6,271	1,400	534	2,322	1,814	2,439	5,774
Capital projects funds	5,217	5,504	6,200	5,663	5,650	5,720	7,655	17,905	1,695	3,511
Total all other governmental funds	$ 13,244	$ 14,869	$ 14,725	$ 13,072	$ 11,992	$ 10,032	$ 16,382	$ 23,082	$ 6,913	$ 9,840
	$ 17,010	$ 20,178	$ 21,044	$ 17,441	$ 14,684	$ 11,485	$ 17,949	$ 26,445	$ 10,859	$ 13,628

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues:										
Taxes	$ 23,516	$ 24,712	$ 20,594	$ 18,094	$ 17,606	$ 16,908	$ 24,100	$ 23,043	$ 21,909	$ 19,801
Licenses and permits	431	683	717	1,020	2,511	2,021	1,669	1,464	1,592	1,406
Intergovernmental revenues	13,229	14,980	19,892	25,491	22,834	16,657	7,385	22,000	11,641	9,054
Charges for services	3,329	4,757	4,696	3,848	9,404	4,479	6,272	3,888	4,249	4,611
Fines and forfeitures	1,416	1,321	1,245	1,173	1,190	1,085	803	806	765	714
Investment and rental income	922	1,312	998	707	753	537	832	1,234	1,509	982
Miscellaneous revenue	1,762	822	304	653	458	473	453	1,349	383	764
Total revenues	44,605	48,587	48,446	50,986	54,756	42,160	41,514	53,784	42,048	37,332
Expenditures:										
Current:										
General government	8,431	9,545	8,893	8,345	10,858	10,815	10,874	8,987	8,862	7,813
Public protection	24,716	23,979	22,211	20,863	20,351	17,491	15,597	13,562	13,190	11,430
Public works	4,657	5,842	5,587	7,827	7,361	7,303	6,926	5,741	6,312	5,039
Community development	1,341	2,006	2,062	1,847						
Library	1,500	1,673	1,588	1,468	1,420	1,356	1,316	1,158	1,184	1,040
Parks and recreation	3,776	3,826	3,598	3,440	3,691	3,412	3,385	2,860	2,999	2,670
Capital outlay	6,791	4,207	3,526	7,232	9,508	10,041	12,943	17,948	12,044	6,420
Debt service:										
Interest and fiscal charges	1,139	1,170	1,205	1,238	1,645	1,245	1,220	679	755	777
Principal payments	789	898	900	892	855	759	730	555	530	505
Total expenditures	53,140	53,146	49,570	53,152	55,689	52,422	52,991	51,490	45,876	35,694
Excess (deficiency) of revenues Over (under) expenditures	(8,535)	(4,559)	(1,124)	(2,166)	(933)	(10,262)	(11,477)	2,294	(3,828)	1,638

CITY OF LODI

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Other financing sources (uses):										
Transfers in	10,609	7,058	8,863	9,142	8,017	9,774	11,209	12,500	9,355	9,715
Transfers out	(5,242)	(3,365)	(4,136)	(4,219)	(4,009)	(6,859)	(8,228)	(13,052)	(10,090)	(7,130)
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										
Total other financing sources (uses)	5,367	3,693	4,727	4,923	4,132	3,798	2,981	12,992	(65)	2,585
Net change in fund balances	(3,168)	(866)	3,603	2,757	3,199	(6,464)	(8,496)	15,286	(3,893)	4,223
Fund balances, beginning of year	20,178	21,044	17,441	14,684	11,485	17,949	26,445	10,859	13,628	9,405
Adjustment to fund balance as previously reported								300	1,124	
Fund balances, end of year	$ 17,010	$ 20,178	$ 21,044	$ 17,441	$ 14,684	$ 11,485	$ 17,949	$ 26,445	$ 10,859	$ 13,628
Debt service as a percentage of noncapital expenditures	4.3%	4.4%	4.8%	4.9%	5.7%	5.0%	5.1%	3.8%	3.9%	4.6%

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										
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	% Change 2000 to 2009
Property	$ 8,887	$ 9,210	$ 9,289	$ 7,676	$ 6,771	$ 6,948	$ 6,191	$ 5,641	$ 5,322	$ 4,932	80%
Sales & Use	8,028	9,296	10,137	9,812	9,183	8,533	8,709	8,300	8,028	7,095	13%
Transient Occupancy	405	396	380	368	352	317	400	439	390	318	27%
Franchise	1,415	976	929	890	821	800	730	931	820	675	110%
Documentary Transfer	114	125	235	355	353	240	207	172	158	116	-2%
Motor Vehicle in Lieu	4,784	4,797	4,635	4,402	4,606	2,767	3,430	3,276	3,051	3,008	59%
Public Protection	296	338	390	310	304	264	247	231	242	196	51%
Business License	1,038	1,140	1,082	973	982	874	822	787	736	658	58%
In Lieu Franchise	6,942	8,362	8,680	7,831	8,097	7,581	6,894	6,569	6,015	5,721	21%
Totals	$ 31,909	$ 34,640	$ 35,757	$ 32,617	$ 31,469	$ 28,324	$ 27,630	$ 26,346	$ 24,762	$ 22,719	40%

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Secured roll	$ 5,156,706	$ 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
Utility roll	2,031	2,035	2,773	3,654	3,782	3,893	3,352	3,379	3,484	3,525
Unsecured roll	263,648	258,687	242,082	216,065	215,469	202,785	207,095	198,678	177,040	163,299
Gross assessed value	5,422,385	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
Less exemptions (1)	265,154	243,259	229,049	220,590	217,077	212,102	200,957	190,252	185,473	183,294
Net assessed value	5,157,231	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
Land	1,562,729	1,537,554	1,431,203	1,226,293	1,107,776	1,027,462	960,166	889,262	832,788	787,249
Improvements	3,577,741	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
Personal property	281,915	289,770	285,340	258,035	249,812	248,472	265,339	245,611	245,269	239,118
Gross assessed value	5,422,385	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
Less exemptions (1)	265,154	243,259	229,049	220,590	217,077	212,102	200,957	190,252	185,473	183,294
Net assessed value	$ 5,157,231	$ 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
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 - $70,348 and other - $194,806 =$265,154

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
2009	1.0000	0.0517	0.0000	1.0517
2008	1.0000	0.0478	0.0000	1.0478
2007	1.0000	0.0478	0.0000	1.0478
2006	1.0000	0.0570	0.0000	1.0570
2005	1.0000	0.0311	0.0000	1.0311
2004	1.0000	0.0475	0.0000	1.0475
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

Source: San Joaquin County Tax Collector

CITY OF LODI

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

	Fiscal Year					
	2009			2000		
Taxpayer	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Lodi Memorial Hospital Assn	$ 168,303	1	3.441 %			
General Mills	152,676	2	3.121	$ 175,049	1	6.935 %
Pacific Coast Producers	86,146	3	1.761	44,686	2	1.770
Calif Physicians Service Corp	42,615	4	0.871			
Cottage Bakery Inc	24,653	5	0.504			
Certainteed Corp	19,431	6	0.397			
Archer Daniels Midland Co Corp	19,098	7	0.391			
Dart Container Corp	18,814	8	0.385	12,885	6	0.510
Thule Hitch Systems	18,932	9	0.387			
Lowe's	14,153	10	0.289			
Dayton Hudson Corp				15,623	3	0.619
California Waste Removal System				14,354	4	0.569
GFLIP Limited Partners				12,941	5	0.513
Wells Fargo Bank				11,775	7	0.467
First Lodi Associates				11,620	8	0.460
Wallace Computer Service				10,738	9	0.426
Edmund N. Richmond				10,455	10	0.414
Principal Secured Property Valuation	564,821		11.547	320,126		12.683
Other Secured Taxpayers	4,591,885		93.874	2,387,217		94.579
Exemptions relative to secured tax roll	265,154		5.421	183,294		7.262
Total Secured Property Valuation	$ 4,891,552		100.000 %	$ 2,524,049		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
2009	$ 7,966	$ 7,966	100.0%	$ 7,966	100.0%
2008	8,167	8,167	100.0%	8,167	100.0%
2007	8,170	8,170	100.0%	8,170	100.0%
2006	7,815	7,815	100.0%	7,815	100.0%
2005	7,057	7,057	100.0%	7,057	100.0%
2004	6,570	6,570	100.0%	6,570	100.0%
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%

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 FOUR FISCAL YEARS

Type of Customer	Billed Accounts 2009	Billed Accounts 2008	Billed Accounts 2007	Billed Accounts 2006
City Accounts	189	187	186	184
Contract Large Industrial		5	5	6
Contract Medium Industrial		1	1	2
Contract Small Industrial		1	0	1
Domestic Residential	22,506	22,510	22,938	22,860
Domestic Mobile Home Park	13	13	13	13
Dusk to Dawn	92	92	95	95
Large Commercial	377	380	375	359
Large Industrial	37	32	33	33
Medium Industrial	8	8	10	13
Residental Low Income	1,847	1,943	2,003	1,910
Small Commerical	3,249	3,199	3,241	3,279
Small Industrial	10	9	9	9
Total	28,328	28,380	28,909	28,764

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

Source: City of Lodi Financial Services Division

CITY OF LODI

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

	Governmental Activities				Business-type Activities					
Fiscal Year	Certificates of Participation	Loan Payable	Notes Payable	Total Governmental Activities	Certificates of Participation	Notes Payable	Total Business-type Activities	Total Primary Government	Percent of Personal Income (1)	Per Capita (1)
2009	$ 22,855	$ -	$ 245	$ 23,100	$ 147,175	$ 1,585	$ 148,760	$ 171,860	n/a %	2,714
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

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
2009	$ 22,855	$ 22,855	0.4 %	$ 360.98
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

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Assessed valuation (1)	$ 5,227,580	$ 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
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,306,895	1,289,817	1,221,769	1,081,250	987,966	921,557	866,049	794,330	735,587	689,389
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	196,034	193,473	183,265	162,188	148,195	138,234	129,907	119,149	110,338	103,408
Total net debt applicable to limit			-	-	-	-	-	-	-	-
Legal debt margin	$ 196,034	$ 193,473	$ 183,265	$ 162,188	$ 148,195	$ 138,234	$ 129,907	$ 119,149	$ 110,338	$ 103,408
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 $194,806 deducted for 2009.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2009

	Total Debt 06/30/09	Percentage Applicable (1)	City's Share of Debt
OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Joaquin Community College District	$ 80,176,115	8.322 %	$ 6,672,256
Lodi Unified School District	10,452,000	35.678	3,729,065
City of Lodi 1915 Act Bonds	465,000	100.00	465,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			10,866,321
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	$ 207,495,000	9.178 %	19,043,891
Lodi Unified School District Certificates of Participation	49,000,000	35.678	17,482,220
City of Lodi Certificates of Participation	22,855,000	100.00	22,855,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			59,381,111
COMBINED TOTAL DEBT(2)			$ 70,247,432

2008-09 Assessed Valuation	$ 5,422,385,000
2008-09 Population	63,313

DEBT RATIOS			Per Capita	Value
	Total Gross Debt	$ 70,247,432	$ 1,110	1.30%

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

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

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

CITY OF LODI

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

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
Electric Revenue Certificates of Participation							
2009	$ 75,195	$ 58,370	$ 16,825	$ 5,240	$ 4,720	$ 9,960	1.69
2008	74,923	54,437	20,486	2,305	3,961	6,266	3.27
2007	67,865	52,984	14,881	2,350	3,977	6,327	2.35
2006	61,066	51,131	9,935	-	3,613	3,613	2.75
2005	60,793	44,252	16,541	5,895	3,146	9,041	1.83
2004	56,347	45,045	11,302	2,150	3,261	5,411	2.09
2003	55,847	39,584	16,263	4,575	2,836	7,411	2.19
2002	49,858	61,039	(11,181)	1,100	1,646	2,746	(4.07)
2001	45,435	43,407	2,028		1,391	1,391	1.46
2000	41,541	37,385	4,156		1,330	1,330	3.12

continued

CITY OF LODI

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

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
Wastewater Certificates of Participation							
2009	$ 10,764	$ 5,921	4,843	$ 1,270	$ 2,882	4,152	1.17
2008	10,530	6,189	4,341	1,355	2,334	3,689	1.18
2007	9,881	5,287	4,594	1,315	2,017	3,332	1.38
2006	9,865	4,886	4,979	1,275	2,056	3,331	1.49
2005	9,232	4,781	4,451	540	2,210	2,750	1.62
2004	7,211	4,385	2,826	175	715	890	3.18
2003	7,428	4,380	3,048	160	639	799	3.81
2002	5,277	4,808	469	150	649	799	0.59
2001	5,175	4,336	839	145	658	803	1.04
2000	4,284	3,147	1,137	140	667	807	1.41

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 in-lieu fees paid to the General Fund and 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
2009	13.92	63,313	-0.1%	689,480	9.2%	135	n/a	n/a	12.2%
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%

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	457	7	1.75	413	5	1.58
Farmers & Merchants Bank	336	8	1.29	183	10	0.70
Walmart	285	9	1.09	226	6	0.86
Target	165	10	0.63	200	7	0.77
Valley Industries				191	9	0.73
Lodi Fab Industries, Inc				200	8	0.77
Total	9,132		34.96	5,415		20.73

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

CITY OF LODI

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Department:										
Administration	32	19	35	33	37	36	37	34	34	32
Community Development	13	14	18	17	17	17	18	17	17	15
Electric	50	48	64	65	52	52	52	50	47	46
Financial Services	26	39	30	28	38	38	38	35	34	34
Fire	64	64	64	61	68	61	68	55	52	50
Library	14	14	16	14	15	15	15	14	14	14
Parks & Recreation	31	30	34	31	34	34	34	29	29	26
Police	125	125	116	117	117	116	117	115	114	113
Public Works	102	107	114	99	111	110	110	108	103	99
Total	457	460	491	465	489	479	489	457	444	429

Source: City of Lodi Budget Document

CITY OF LODI

OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
LAST FOUR FISCAL YEARS

	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
General government:				
Building permits issued	1,754	1,851	2,317	2,699
Business tax certificates:				
Retail sales and service	2,496	2,442	2,632	2,565
Manufacturers and processors	82	78	78	125
Professions	380	398	404	322
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1,411	1,063	1,127	533
Utility billing/customer service:				
Number of customers	25,555	25,555	25,712	25,655
Energy sales (KWH)	452,075,554	450,407,709	458,740,745	459,637,092
Peak demand (MW)	134	134	144	127
Public safety:				
Police:				
Major reported crimes	2,454	2,993	3,096	3,234
Total arrests	4,646	5,590	5,463	5,162
Dispatched calls for service	56,391	55,911	53,686	55,937
Fire:				
Interior structure fire calls	69	88	79	66
Non-structural fire calls	123	160	163	158
Hazardous materials calls	70	35	27	26
Emergency medical calls	3,364	3,420	3,213	2,912
Total emergency calls	5,392	5,346	5,000	4,447
Total number of units dispatched	7,038	7,841	7,005	6,055
Public works:				
Miles of streets resurfaced	6	5	4	33
Fleet job orders completed	3,921	3,520	6,938	5,608
Trees planted	96	130	95	-
Water utility:				
New connections	17	35	110	266
Water main breaks	4	4	10	8
Wastewater utility:				
Average daily treatment (million gal/day)	6.5MG	6.5MG	6.9MG	6.7MG
Library:				
Registered borrowers	53,530	48,969	44,558	52,779
Circulation of library materials	219,711	280,466	273,270	281,216
Reference, research and informational questions answered	15,379	19,257	18,854	17,342
Annual attendance at libraries	n/a	296,793	288,070	287,986
Number of programs offered	316	348	339	320
Annual attendance at programs	8,765	11,242	10,700	10,872
Public access computer usage	38,388	38,999	35,260	29,896
Community center:				
Community center bookings	475	494	302	220

CITY OF LODI

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

	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
Instructional classes	507	530	478	509
Registered students	3,316	5,550	3,548	4,369
Yearly attendance	14,050	14,410	14,429	15,369
Parks and recreation:				
After school program registration (number of participants/sites)	1,920/4	3,014/4	145000/12	135,000/12
Adult sports				
Program/Participation	2,284	28,000	36,000	36,000
Programs offered	13	11	11	11
Partnerships	1	3	3	5
Tournaments	10	10	20	20
Youth/Teen sports				
Program attendance	215,000	195,000	200,000	200,000
Programs offered	24	14	14	20
Aquatics				
Program attendance	2,433	50,000	59,000	59,000
Number of programs	6	3	8	6

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

Source: City of Lodi

CITY OF LODI

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

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

CITY OF LODI

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

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

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

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

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

Source: City of Lodi Departments

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SINGLE AUDIT REPORTS

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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	$ 117,893
Total Community Development Block Grants/Entitlement Grants			117,893
U.S. Department of Justice			
Direct:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0951	13,160
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0138	4,648
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-CK-WX-0248	93,530
Total Edward Byrne Memorial Justice Assistance Grant Program			111,338
U.S. Department of Transportation			
Direct:			
Federal Transit Formula Grants:			
2005-2006 Program Year - Operating	20.507	CA-90-Y413-00	38,812
2007-2008 Program Year - Operating	20.507	CA-90-Y634-00	314,000
2008-2009 Program Year - Operating	20.507	CA-90-Y736-00	1,392,047
2003-2005 Program Years - Capital	20.507	CA-90-Y389-00	16,420
2006-2007 Program Year - Capital	20.507	CA-90-Y565-00	20,573
2007-2008 Program Year - Capital	20.507	CA-90-Y634-00	97,241
2008-2009 Program Year - Capital	20.507	CA-90-Y736-00	140,887
Total Federal Transit Formula Grants			2,019,980
U.S. Department of Homeland Security			
Passed through San Joaquin County:			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-20336	12,750
Total Assistance to Firefighters Grant			12,750
Total Federal Awards			$ 2,261,961

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, 2009

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ended June 30, 2009, 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	$ 678,742

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OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 16, 2009. Our report contained an explanatory paragraph discussing the City's implementation of the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers of Post-employment Benefits Other than Pensions* and Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* during the year ended June 30, 2009. 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 16, 2009.

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 16, 2009

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 ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE 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, 2009. 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, 2009.

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.

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 16, 2009

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009

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?	Yes

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, 2009

None

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CONTINUING DISCLOSURES

UNAUDITED

CONTINUING DISCLOSURE REQUIREMENTS FOR THE CITY OF LODI AND THE LODI PUBLIC IMPROVEMENT CORPORATION
Fiscal Year 2008-09

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

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

ANNUAL REPORT FOR ELECTRIC UTILITY

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

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

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

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2009, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

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

CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
POWER SUPPLY RESOURCES

Source	Capacity Available (MW)[2][5]	Actual Energy (MWh)	% of Total Energy
Purchased Power[3]:			
Western	6.3	11,751	2.27%
NCPA			
Geothermal Project	11.1	96,991	18.75
Hydroelectric Project	25.2	42,094	8.14
Combustion Turbine Project No. 1	10.0	78	0.02
Capital Facilities, Unit One	19.7	18,039	3.49
Contracts, Exchanges and Bilaterals[4]	80.0	348,428	67.34
Total	152.3	517,381[5][6]	100.00%
Total Capacity and Energy Sold at Wholesale	N/A	48,289	
City System Requirement for Retail Load	152.3	469,092	

(1) Columns may not add to totals due to rounding.
(2) Non-coincident capacity available.
(3) Entitlements, firm allocations and contract amounts.
(4) Includes participation in NCPA/Seattle City Light exchange. See "OTHER NCPA PROJECTS—Power Purchase Contracts" in the forepart of this Official Statement.
(5) Units at Backbone Output.
(6) Includes supply from exchanges and line losses.

Table 2 **A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.**

CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
CUSTOMER SALES, REVENUE AND DEMAND

	Fiscal Years Ended June 30,				
	2005	2006	2007	2008	2009
Number of Customers:					
Residential	22,554	22,870	22,928	22,523	22,465
Commercial	2,439	2,455	2,423	2,714	2,696
Industrial	32	32	33	32	37
Other	178	182	182	187	188
Total Customers	25,203	25,539	25,566	25,456	25,386
Kilowatt-Hour (kWh) Sales:					
Residential	153,080,272	159,540,557	159,247,195	153,563,188	153,487,430
Commercial	151,275,376	150,561,659	153,963,719	155,146,983	155,206,324
Industrial	142,395,954	141,462,582	133,816,956	129,429,938	131,059,764
Other	8,486,879	8,072,294	11,712,875	12,267,600	12,322,036
Total kWh sales	455,238,481	459,637,092	458,740,745	450,407,709	452,075,554
Revenues from Sale of Energy[(2)]:					
Residential	$ 21,367,522	$ 24,259,736	$ 27,013,494	$ 27,127,049	$ 29,016,776
Commercial	19,721,979	21,365,903	23,241,809	25,173,286	26,883,557
Industrial	10,603,734	11,666,005	13,470,620	14,591,885	15,875,038
Other	2,214,897	1,820,944	2,071,324	2,132,120	2,224,567
Total Revenues from Sale of Energy:	$ 53,908,132	$ 59,112,588	$ 65,797,247	$ 69,024,340	$ 73,999,938
Peak Demand (kW)	117.5	124.3	140.4	132.4	117.4

(1) Columns may not add to totals due to rounding.,

Excludes revenues from California Energy Commission Tax.

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

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

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

		Outstanding Debt	Lodi's Participation[1]		Lodi's Share of Outstanding Debt
NCPA					
Geothermal Project	$	77.0	10.28%	$	7.9
Geysers Transmission Project		2.5	18.48		0.4
Calaveras Hydroelectric Project		478.0	10.37[2]		49.6
Combustion Turbine Project No. 1		12.0	8.03[3]		1.0
Capital Facilities Project Unit One		64.0	39.50		25.3
TANC					
Bonds		348.0	1.89		6.6
Commercial Paper Notes			N/A		
TOTAL*	$	981.5	9.25%	$	90.8

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

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

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

(3) Reflects the transfer of 34 MW of Lodi's interest in the NCPA Combustion Turbine Project No. 1 to the City of Roseville. Lodi remains contractually obligated under the related third phase agreement for its 34.78% entitlement share through August 31, 2010.

Source: City of Lodi.

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

CITY OF LODI

ELECTRIC SYSTEM

SUMMARY OF OPERATING RESULTS [1]

Ending Fiscal Year June 30 (Dollars in 000s)

	Actual 2005[2]	Actual 2006[2]	Actual 2007[2]	Actual 2008	Actual 2009
Operating Revenues					
Rate Revenue	$ 53,908	$ 59,113	$ 65,809	65,110	$ 65,229
ECA Revenue	-	-	-	4,174	8,771
Other Revenue [3]	6,885	1,953	2,056	5,639	1,195
Total Operating Revenue	60,793	61,066	67,865	74,923	75,195
Operating Expenses					
Purchased Power	33,069	41,170	43,362	42,862	46,405
Non-Power Costs [4]	11,183	9,961	9,622	11,575	11,965
Total Operating Expenses	44,252	51,131	52,984	54,437	58,370
Net Revenue Available for Debt Service	16,541	9,935	14,881	20,486	16,825
Parity Debt Service					
2002 C & D, 2008 A Bonds	9,041	3,613	6,327	6,266	9,960
Total Net Debt Service	9,041	3,613	6,327	6,266	9,960
Debt Service Coverage	1.83	2.75	2.35	3.27	1.69
Remaining Revenue Available for Other Purposes	7,500	6,322	8,554	14,220	6,865
Non-Operating Expenses					
In-Lieu Transfer to General Fund	(6,349)	(6,050)	(6,779)	(6,873)	(6,942)
Other Changes in Working Capital [5]	(484)	(5,192)	(1,562)		
Net Cash Flow Before Capital Expenditures	667	(4,920)	213	7,347	(77)
Beginning Operating Reserve	5,790	7,342	3,632	5,470	14,513
Changes in GOR	885	1,210	1,625	1,696	(582)
Net Deposit/Withdrawal from Reserves	667	(4,920)	213	7,347	(77)
Ending Operating Reserve	$ 7,342	$ 3,632	$ 5,470	$ 14,513	$ 13,854

Source: City of Lodi

(1) As defined in the Installment Purchase Contract, which may or may not be on the same basis as Generally Accepted Accounting Principles.

(2) Certain amounts have been recast to reflect corrected coverage amounts.

(3) Other revenues for FY 05 include a transfer of $4.5 million from a rate stabilization account and FY 08 include $3.25 million for the sale of the City's rights to the NCPA Combustion Turbine #1 to Roseville.

(4) Non-power costs include cost of services provided by other departments and does not include depreciation and amortization expense.

(5) Consists of non-cash accounting entries.

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

CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
RATE CHANGES

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

Source: City of Lodi.

ANNUAL REPORT FOR WASTEWATER UTILITY

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

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

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

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

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2009, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 **A table setting forth the City's number of connections by user type for the past five fiscal years.**

City of Lodi
Wastewater System
Number of Connections by User Type
as of June 30
and Percentage of Fiscal Year 2008-09 Service Charge Revenue by User Type

User Type	2005	2006	2007	2008	2009	% of FY 08/09 Service Charge Revenue
Residential	22,194	22,511	22,571	22,277	22,227	72.9%
Commercial/Industrial	1,584	1,603	1,562	1,847	1,815	27.1%
Total All Users	23,778	24,114	24,133	24,124	24,042	100.0%

Source: City of Lodi

Table 2 **A table showing the proportion of service charge revenue by class of user for the most recent fiscal year.**

City of Lodi
Wastewater System
Proportion of Service Charge Revenues by Class of User
Fiscal Year 2008-09

User Type	Percentage of Total Annual Service Charge Revenue
Single Family Residential	59.5%
Multiple Family Residential	13.4%
Commercial/Industrial	27.1%
Total	100.0%

Source: City of Lodi

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

City of Lodi
Wastewater System
Largest Users by Service Charge Revenues
Fiscal Year 2008-09

User	Type of Business	Service Charge Revenue	Percentage of Total Annual Service Charge Revenue
Cottage Bakery	Specialty bakery, frozen dough	$ 358,730	3.87%
Lodi Unified School District	K-12, adult education	266,538	2.87
General Mills	Cereals, bread mixes, snack foods	221,148	2.39
City of Lodi	Government	45,559	0.49
Pacific Coast Producers	Private label fruit canning	32,732	0.35
Flame Mini Mart	Gas station, liquor store	30,644	0.33
Lodi Memorial Hospital	Health Care	27,018	0.29
Miller Packing Company	Hot dog producer	25,589	0.28
Kaitz Property Management	Residential	23,298	0.25
Jay Carmac	Residential	22,719	0.24
		$ 1,053,975	11.36%

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

City of Lodi
Wastewater System
Schedule of Wastewater Service Charges

	Service Charge (effective July 1, 2005)	Service Charge (effective July 1, 2006	Service Charge (effective July 1, 2007)	Service Charge (effective July 1, 2008)
For Residential Users (per month):				
1 Bedroom.....	$15.20	$15.49	$16.03	$16.65
2 Bedrooms.....	20.26	20.65	21.37	22.19
3 Bedrooms.....	25.34	25.81	26.71	27.74
4 Bedrooms.....	30.41	30.98	32.06	33.29
5 Bedrooms.....	35.48	36.14	37.40	33.84
6 Bedrooms.....	40.54	41.30	42.74	44.38
7 Bedrooms.....	45.60	46.46	48.08	49.93
For Commercial/Industrial Users:				
Moderate Strength (annual pers Sewage Service Unit (SSU).....	$243.25	$247.80	$256.33	$266.28
High Strength:				
Flow (annual per MG).....	1,170.45	2,092.01	2,164.00	2,247.10
BOD (annual per 1,000 lbs.).....	572.79	345.24	357.12	370.83
SS (annual per 1,000 lbs.).....	468.23	215.86	223.29	231.86
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal.).....	179.30	182.80	189.09	196.35
Septic Holding Tank Waste Outside City Limits (per 1,000 gal.).....	380.64	388.06	401.41	416.82
Disposal to Storm Drain System (per MG).....	180.33	192.00	198.61	206.24
Disposal to Industrial System:				
Flow (per MG, annual basis).....			1,309.48	2,218.78
BOD (per 1,000 lbs., annual basis).....			22.82	20.34
Winery Waste (per 1,000 gallons).....		185.10	191.47	198.82

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

City of Lodi
Wastewater System
Historical Operating Results and Debt Service Coverage
Fiscal Years 2004-05 through 2008-09

	2004-05	2005-06	2006-07	2007-08	2008-09
Operating Revenues					
Charges for Services	$6,645,391	$8,206,016	$8,523,530	$9,091,220	$9,276,217
Capacity/Connection Fees	1,440,337	720,588			
Non-Operating Revenues					
Interest Income	563,759	569,234	922,153	836,862	428,586
Rent	182,345	103,345	176,202	165,931	221,422
Other	400,377	265,788	259,618	435,935	838,007
Total System Revenues	9,232,209	9,864,971	9,881,503	10,529,948	10,764,232
Operating Expenses					
Personnel services	2,336,247	2,163,754	2,289,035	2,996,028	2,984,049
Supplies, Materials and services	1,809,913	1,998,725	2,314,233	2,394,804	2,067,646
Utilities	635,100	723,387	683,669	798,652	869,129
Total Operating Expenses	4,781,260	4,885,866	5,286,937	6,189,484	5,920,824
System Net Revenues	4,450,949	4,979,105	4,594,566	$4,340,464	4,843,408
Parity Debt Service					
1991 Installment Payments	749,790	799,516	800,755	311,127	
2003 Installment Payments	382,223	378,523	379,748	380,873	426,022
2004 Installment Payments	1,618,356	2,152,825	2,151,194	2,144,438	2,134,856
2007 Installment Payments				852,239	1,591,200
Total Parity Debt Service	2,750,369	3,330,864	3,331,697	3,688,677	4,152,078
Debt Service Coverage	1.62	1.49	1.38	1.18	1.17
Non-Operating Expenses					
Transfers (In)/Out	665,691	1,057,533	1,315,191	575,326	1,451,478
Total Non-Operating Expenses	665,691	1,057,533	1,315,191	575,326	1,451,478
Net Cashflow Before Capital Expenditures	$1,034,889	$590,708	$(52,322)	$76,461	$(760,148)

Source: Financial Services Division

Additional Indebtedness

The Wastewater Utility did not incur any additional indebtedness during the 2008-09 fiscal year which is payable from the system net revenues on a parity with the installment payments.

ANNUAL REPORT FOR THE LODI PUBLIC IMPROVEMENT CORPORATION

The Lodi Public Improvement Corporation has Continuing Disclosure requirements associated with its 2002 Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi.

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

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

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2009, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table setting forth the approved budget and actual results for the most recent fiscal year.

Please refer to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 75 of this Comprehensive Annual Financial Report.

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

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

	2005	2006	2007	2008	2009
Revenues:					
Taxes	$ 16,698,748	18,093,733	20,594,293	24,712,405	$ 23,516,164
Licenses and permits	2,511,180	71,125	83,964	80,925	61,783
Intergovernmental revenues	14,419,838	15,620,997	16,091,446	10,642,600	8,967,410
Charges for services	2,646,094	1,823,583	1,854,575	2,510,207	1,055,137
Fines, forfeits and penalties	1,186,280	1,161,304	1,241,051	1,317,407	1,415,174
Investment and rental income	338,920	376,971	380,375	662,164	231,181
Miscellaneous revenue	174,375	319,815	210,495	630,413	446,404
Total revenues	37,975,435	37,467,528	40,456,199	40,556,121	35,693,253
Expenditures:					
Current:					
General government	10,857,842	8,344,970	8,893,677	9,545,370	6,922,096
Public protection	20,044,101	20,686,173	21,775,531	23,771,574	24,463,771
Public works	6,429,372	6,577,776	3,871,311	3,935,366	2,967,402
Library	1,420,257	1,468,178	1,587,714	1,672,910	1,499,720
Parks and recreation	3,671,803	3,434,361	3,597,718	3,826,450	2,160,035
Capital outlay	124,478				
Debt service:					
Interest and fiscal charges	48,475	56,026	41,464	29,724	18,516
Principal payments	266,499	282,393	273,823	249,624	129,487
Total expenditures	42,862,827	40,849,877	40,041,238	43,031,018	38,161,027
Deficiency of revenues under expenditures	(4,887,392)	(3,382,349)	414,961	(2,474,897)	(2,467,774)
Other financing sources (uses):					
Transfers in	6,043,184	6,892,824	4,937,314	4,040,166	5,367,983
Transfers out	(40,928)	(1,833,864)	(3,401,814)	(2,575,809)	(4,442,883)
Capital lease proceeds	124,478				
Total other financing sources (uses)	6,126,734	5,058,960	1,535,500	1,464,357	925,100
Net change in fund balances	1,239,342	1,676,611	1,950,461	(1,010,540)	(1,542,674)
Fund balances, beginning of year	1,452,988	2,692,330	4,368,941	6,319,402	5,308,862
Fund balances, end of year	$ 2,692,330	4,368,941	6,319,402	5,308,862	$ 3,766,188

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

Please refer to the table shown in the Statistical Section on page 112.

Table 4 **A table showing the secured property tax collections for the past ten fiscal years.**

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

Table 5 **A table showing the ten largest locally secured taxpayers for the last fiscal year.**

Please refer to the table shown in the Statistical Section on page 114.