New Issue – Book-Entry Only

CUSIP No: 358244AY7 **Rating: Standard & Poor's: "SP-1+"**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under statutes and court decisions and assuming continuing compliance by the County with certain conditions imposed by applicable federal tax law as described herein, interest on the Notes is not included in gross income for federal income tax purposes and is not treated as a specific item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Such interest, however, is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Interest on the Notes is exempt from present State of California personal income. See " Tax Matters" herein.

$90,000,000
COUNTY OF FRESNO, CALIFORNIA

2005-06 TAX AND REVENUE ANTICIPATION NOTES

Coupon Rate: 4.00% **Reoffering Yield: 2.52%**

Dated Date: July 1, 2005 **Maturity Date: June 30, 2006**

The County of Fresno (the "County") is issuing its $90,000,000 2005-06 Tax and Revenue Anticipation Notes (the "Notes") in one or more series for the purpose of financing seasonal cash flow requirements for its general fund expenditures during the fiscal year ending June 30, 2006. In accordance with California law, the Notes are general obligations of the County, but are payable only out of the taxes, income, revenues, cash receipts and other moneys received or accrued by the County for the General Fund of the County during Fiscal Year 2005-06 that are lawfully available for payment of the Notes and the interest thereon. The Notes and interest thereon are secured by a pledge of (i) Unrestricted Revenues received by the County during certain periods in the Fiscal Year 2005-06 ("Pledged Moneys") and, in the event such amounts are insufficient to permit the deposit into the Note Repayment Fund of the full amount of the Pledged Moneys to be deposited therein in any such period, (ii) Unrestricted Revenues available that have not been deposited previously into the Note Repayment Fund, as more particularly described herein. As provided in Article 7.6, Chapter 4, Part 1, Division 2, Title 5, Sections 53850 **et seq.** of the California Government Code (the "Act"), the Notes and the interest thereon will be a lien and charge against, and will be payable from the first moneys received by the County from the Pledged Moneys. The Note Repayment Fund is to be held in trust by the County's Auditor-Controller/Treasurer-Tax Collector, as fiscal agent (the "Fiscal Agent"). The County expects that the amounts required to be deposited in the Note Repayment Fund from Pledged Moneys will be sufficient to repay the Notes and accrued interest thereon. See "The Notes – Security for the Notes" herein. The County may issue additional series of tax and revenue anticipation notes upon satisfaction of certain conditions in the Resolution. See "Introduction – Additional Notes" herein.

The Notes will be delivered in fully registered form without coupons. The Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. The Depository Trust Company ("DTC") will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of $25,000 and integral multiples of $5,000 in excess thereof. Purchasers of the Notes (the "Beneficial Owners") will not receive certificates representing their interests in the Notes. The principal of and interest on the Notes will be paid on the Maturity Date by the Fiscal Agent to DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the Beneficial Owners. See "Book-Entry Only System" herein.

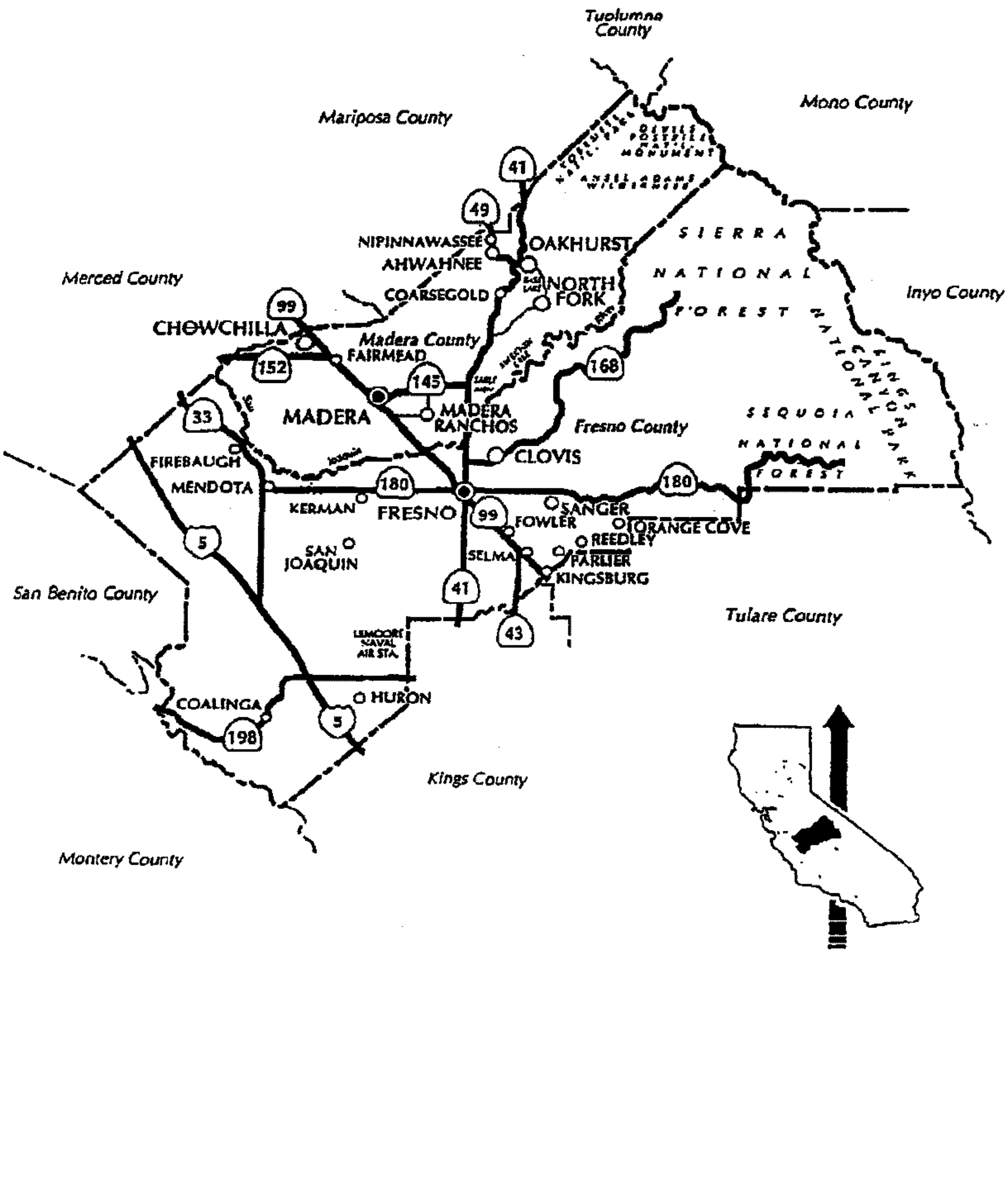
The Notes are not subject to redemption prior to maturity. See "The Notes – Description of the Notes" herein.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Notes are offered when, as and if executed and delivered, and received by the Underwriter, subject to the approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County, and certain other conditions. Certain legal matters will be passed upon for the County by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the County by the County Counsel. It is anticipated that the Notes in definitive form will be available for delivery to DTC in New York, New York, on or about July 1, 2005.

Dated: June 9, 2005

COUNTY OF FRESNO



COUNTY OF FRESNO, STATE OF CALIFORNIA

BOARD OF SUPERVISORS

Judith G. Case, Chairman	Fourth District
Phil Larson, Vice Chairman	First District
Susan B. Anderson	Second District
Henry Perea	Third District
Bob Waterston	Fifth District

COUNTY OFFICIALS

Vicki Crow, C.P.A., Auditor-Controller/Treasurer-Tax Collector
Bart Bohn, County Administrative Officer
Bernice E. Seidel, Clerk to the Board of Supervisors
Dennis A. Marshall, County Counsel

FISCAL AGENT

County of Fresno Auditor-Controller/Treasurer-Tax Collector

BOND COUNSEL AND DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
Los Angeles, California

FINANCIAL ADVISOR

Kelling, Northcross & Nobriga
A Division of Zions First National Bank
Oakland, California

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Notes other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the County and sources which the County believes to be reliable. The information and expression of opinion herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or any other parties described herein since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the County for further information in connection therewith.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

In connection with the offering of the Notes, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Notes to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering price stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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OFFICIAL STATEMENT

$90,000,000

COUNTY OF FRESNO, CALIFORNIA
2005-06 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Notes being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

General

This Official Statement, including the cover and the Appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and delivery of the County of Fresno 2005-06 Tax and Revenue Anticipation Notes in an aggregate principal amount of $90,000,000 (the "Notes"). The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code and a Resolution adopted by the Board of Supervisors of the County on May 17, 2005 (the "Resolution"). The Notes are being issued for the purpose of financing seasonal cash flow requirements of the County for its general fund expenditures during the fiscal year ending June 30, 2006. For additional information regarding general fund expenditures see "County Financial Information – Cash Flow Statements" and Appendix B – "Fresno County Cash Flow Statements" attached hereto.

Security and Sources of Payment for the Notes

In accordance with California law, the Notes are general obligations of the County, but are payable only out of taxes, income, revenues, cash receipts and other moneys received or accrued by the County for the General Fund of the County (the "General Fund") during Fiscal Year 2005-06 that are lawfully available for payment of the Notes and the interest thereon. The Notes and interest thereon are secured by a pledge of (i) Unrestricted Revenues received by the County during certain periods in the Fiscal Year 2005-06 ("Pledged Moneys") and, in the event such amounts are insufficient to permit the deposit into the Note Repayment Fund (as hereinafter defined) of the full amount of the Pledged Moneys to be deposited therein in any such period, (ii) Unrestricted Revenues available that have not been deposited previously into the Note Repayment Fund, as more particularly described herein. As provided in the Act, the Notes and the interest thereon will be a lien and charge against, and will be payable from the first moneys received by the County from the Pledged Moneys. The Note Repayment Fund is to be held in trust by the County's Auditor-Controller/Treasurer-Tax Collector, as fiscal agent (the "Fiscal Agent"). The County expects that the amounts required to be deposited in the Note Repayment Fund from Pledged Moneys will be sufficient to repay the Notes and accrued interest thereon. See "The Notes – Security and Sources of Payment for the Notes" herein.

General Description of the Notes

The Notes will be delivered in fully registered form without coupons. The Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of $25,000 and integral multiples of $5,000 in excess thereof. Purchasers of the Notes (the "Beneficial Owners") will not receive certificates representing their interests in the Notes. The principal of and interest on the Notes will be paid on the Maturity Date by the Fiscal Agent to DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the Beneficial Owners. See "Book-Entry Only System" and "The Notes – Description of the Notes" herein.

The Notes are not subject to redemption prior to maturity.

Additional Notes

The County may issue additional series of tax and revenue anticipation notes on parity with the Notes upon satisfaction of certain conditions in the Resolution, including confirmation from Standard & Poor's that the issuance of such additional series of tax and revenue anticipation notes will not cause a reduction or withdrawal in its rating on the first series of notes and an opinion of Bond Counsel to the effect that interest on the additional series of notes is excludable from gross income for federal income tax purposes. Pursuant to the Resolution, the additional series of tax and revenue anticipations notes, if any, together with the Notes, may be issued in the aggregate principal amount of not to exceed $100,000,000.

Tax Matters

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under statutes and court decisions and assuming continuing compliance by the County with certain conditions imposed by applicable federal tax law as described herein, interest on the Notes is not included in gross income for federal income tax purposes and is not treated as a specific item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Such interest, however, is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Interest on the Notes is exempt from present State of California (the "State") personal income. See "Tax Matters" herein.

Continuing Disclosure

The County has covenanted in the Resolution to file notices of certain material events with either the Municipal Securities Rulemaking Board or each nationally recognized municipal securities information repository and with the state information depository for the State, if any. See "Continuing Disclosure" for a description of the specific nature of the notices of material events. These covenants have been made in order to assist the Underwriter (as hereinafter defined) in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC"). The County has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

The County regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain monthly activity reports. Any owner of a Note may obtain a copy of any such report, as available, from the County. Additional information regarding this Official Statement may be obtained by contacting: County of Fresno Auditor-Controller/Treasurer-Tax Collector's Office, 2281

Tulare Street, Room 105, Fresno, California 93721, Attention: Auditor-Controller/Treasurer-Tax Collector.

Miscellaneous

The Notes will be offered when, as and if executed and delivered, and received by the Underwriter, subject to the approval as to their legality by Bond Counsel and certain other conditions. It is anticipated that the Notes in definitive form will be available for delivery to DTC on or about July 1, 2005.

The descriptions herein of the Resolution are qualified in their entirety by reference to such document, and the descriptions herein of the Notes are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. Copies of the Resolution are on file and available for inspection at the County from the office of the Auditor-Controller/Treasurer-Tax Collector at 2281 Tulare Street, Room 105, Fresno, California 93721, Attention: Auditor-Controller/Treasurer-Tax Collector.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE NOTES

General

The Notes will be dated, will mature, and will bear interest at the rate per annum as shown on the cover page hereof computed on the basis of a 30-day month, 360-day year. Principal and interest on the Notes will be payable on the Maturity Date. The Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of $25,000 and in integral multiples of $5,000 in excess thereof. Beneficial Owners (as defined below) of the Notes will not receive physical certificates representing the Notes purchased. The principal of and interest on the Notes will be paid on the Maturity Date by the Fiscal Agent to DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the Beneficial Owners. See "Book-Entry Only System" herein.

The Notes are not subject to redemption prior to maturity.

Security and Sources of Payment for the Notes

In accordance with California law, the Notes are general obligations of the County, but are payable only out of taxes, income, revenues, cash receipts and other moneys received or accrued by the County for the General Fund of the County during Fiscal Year 2005-06 that are lawfully available for payment of the Notes and the interest thereon. The Notes and interest thereon are secured by a pledge of (i) Unrestricted Revenues received by the County during certain periods in the Fiscal Year 2005-06

(“Pledged Moneys”) and, in the event such amounts are insufficient to permit the deposit into the Note Repayment Fund of the full amount of the Pledged Moneys to be deposited therein in any such period, (ii) Unrestricted Revenues available that have not been deposited previously into the Note Repayment Fund, as more particularly described herein. The County expects that the amounts required to be deposited in the Note Repayment Fund from Pledged Moneys will be sufficient to repay the Notes and accrued interest thereon. The Note Repayment Fund is to be held in trust by the Fiscal Agent.

Pledged Moneys are as follows: (i) an amount equal to thirty percent (30%) of the aggregate principal amount of the Notes from the first Unrestricted Revenues received by the County in February 2006, (ii) an amount equal to forty percent (40%) of the aggregate principal amount of the Notes from the first Unrestricted Revenues received by the County in April 2006, (iii) an amount equal to thirty percent (30%) of the aggregate principal amount of the Notes from the first Unrestricted Revenues to be received by the County in May 2006, and (iv) an amount equal to (a) the interest accrued and to accrue on the Notes to the maturity thereof, from the first Unrestricted Revenues to be received by the County in June 2006, plus (b) an amount, if any, equal to the rebate amount calculated pursuant to the terms of the Resolution to be due to the United States Treasury.

As provided in the Act, the Notes and the interest thereon will be a lien and charge against, and will be payable from the first moneys received by the County from the Pledged Moneys. In the event that in any of the foregoing periods Unrestricted Revenues are insufficient to permit the deposit into the Note Repayment Fund of the full amount of the Pledged Moneys to be deposited therein in such period, Unrestricted Revenues available that have not been deposited previously into the Note Repayment Fund pursuant to the terms of the Resolution will be deposited into the Note Repayment Fund up to the amount of any deficiency in the amount of Pledged Moneys required to be on deposit therein as of such date. The Notes will be secured by the Pledged Moneys ratably according to the amount of principal thereof and the accrued but unpaid interest thereon.

“Unrestricted Revenues” means the taxes, income, revenues, cash receipts and other moneys received or accrued by the County for the General Fund of the County during the Fiscal Year 2005-06 that are lawfully available for payment of the Notes and the interest thereon.

Note Repayment Fund

In accordance with the provisions of the Resolution, a Note Repayment Fund (the “Note Repayment Fund”) is to be established by the County to be held in trust by the Fiscal Agent and all Pledged Moneys (as that term is defined in the Resolution) are to be deposited into the Note Repayment Fund as required by the terms of the Resolution. Moneys in the Note Repayment Fund are to be invested in Qualified Investments (as hereinafter defined) that provide sufficient liquidity so that moneys will be available no later than the Maturity Date. Moneys in the Note Repayment Fund are to be used to pay the Notes and the interest thereon when and as they become due and payable and may not be used for any other purposes, provided, however, that any proceeds of any such investments may, upon the request of the Auditor-Controller/Treasurer-Tax Collector, be transferred by the Fiscal Agent to the County’s General Fund. Any balance in the Note Repayment Fund on the Maturity Date in excess of the amounts needed to pay the principal of and interest on the Notes shall be transferred to the County’s General Fund.

Investment of Note Proceeds and Amounts in the Repayment Fund

Note proceeds will be deposited in the General Fund of the County and used and expended by the County for any purpose for which it is authorized to expend funds from the General Fund of the County. Such note proceeds will be deposited in the County Investment Pool (as hereinafter defined), or invested as authorized by the Resolution. For certain information concerning the County's pooled cash portfolio, see "County Financial Information – County Investment Pool" herein.

Moneys in the Note Repayment Fund will be deposited with the Fiscal Agent and shall be invested by the Fiscal Agent in Qualified Investments. "Qualified Investments" consist of any of the following securities, provided that in no event shall any Qualified Investment mature or otherwise be repayable such that moneys will be available later than the Maturity Date: (a) United States Treasury obligations and other direct obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest; (b) obligations fully guaranteed as to principal and interest by the United States or any agency of the United States; (c) obligations of the following government sponsored agencies that are not backed by the full faith and credit of the United States: (i) Federal Home Loan Mortgage Corp., (ii) Farm Credit System, (iii) Federal Home Loan Banks, (iv) Federal National Mortgage Association, (v) Student Loan Marketing Association, (vi) Financing Corp., (vii) Resolution Funding Corp., and (viii) U.S. Agency for International Development guaranteed notes that mature at least four business days prior to the payment date set forth therein; (d) deposits of the Federal Deposit Insurance Corporation that are fully insured and have a predetermined fixed dollar amount of principal due at maturity; (e) debt obligations rated "AAA" by S&P (herein defined), or "AA-" if such obligations mature 365 days or less and pre-refunded municipals rated "AAA" by S&P; (f) commercial paper rated A-1+ by S&P, and maturing in not more than 365 days; (g) investments in money market funds rated 'AAAm' or 'AAAm-G' by S&P; (h) certain stripped securities where the principal-only and interest-only strips of noncallable obligations are issued by the United States Treasury and REFCORP securities stripped by the Federal Reserve Bank of New York; (i) repurchase agreements of any securities described in clauses (a) or (b) of this definition of Qualified Investments or of certificates of deposit or banker's acceptances (with maturities that do not exceed 365 days) of any bank, the short-term obligations of which are rated "A-1+" by S&P, in each case that have a maximum maturity of one year or are due on demand; (j) investment agreements, including guaranteed investment contracts, with any entity whose claims-paying ability or senior long-term unsecured debt obligations are rated "AA-" or higher by S&P, which are guaranteed by an entity whose claims-paying ability or senior long-term unsecured debt obligations are rated "AA-" or higher by S&P, or which investment agreements are rated "AA-" or higher by S&P; (k) the Local Agency Investment Fund ("LAIF-California") created by California law which the State Treasurer invests through the Pooled Money Investment Account; (l) the Pooled Investment Fund of the County of Fresno; and (m) any other investment authorized by S&P.

BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC and DTC's book-entry system has been obtained from sources the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued in the aggregate principal amount of the Notes and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC," "GSCC," "MBSCC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Participants or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC (nor its nominee), the Fiscal Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE COUNTY NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

Neither the County nor the Fiscal Agent can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Notes paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered.

THE COUNTY AND THE FISCAL AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE COUNTY OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, EVIDENCED BY THE NOTES PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. NEITHER THE COUNTY NOR THE FISCAL AGENT IS RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE NOTES OR AN ERROR OR DELAY RELATING THERETO.

SUPPLEMENTAL FINANCIAL INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.

2004-05 Fiscal Year State Budget

On July 31, 2004, Governor Schwarzenegger signed the 2004-05 Budget Act (the "2004-05 Budget Act") into law. The 2004-05 Budget Act assumes General Fund revenues will increase from $76.6 billion in Fiscal Year 2003-04 to $77.3 billion in Fiscal Year 2004-05. General Fund expenditures are expected to increase from $77.6 billion in Fiscal Year 2003-04 to $78.8 billion in Fiscal Year 2004-05, or approximately 10 percent. The 2004-05 Budget Act projects a year-end reserve of $678 million as of June 30, 2005. Approximately $268 million of the reserve is designated for Proposition 98 and the remaining $410 million is designated for non-Proposition 98 purposes.

Certain of the features of 2004-05 Budget Act affecting local governments include the following:

1. The Vehicle License Fee (the "VLF") rate is lowered from 2.0 percent to 0.65 percent and the VLF backfill is eliminated. The State will provide increased property tax revenues to compensate for the reduction in revenues local governments previously received from VLF.

2. A diversion of $1.3 billion from local governments in Fiscal Years 2004-05 and 2005-06, including $350 million from counties, $350 million from cities, $350 million from special districts and $250 from redevelopment agencies. Each county's reduction reflects its proportionate share of statewide county VLF revenues, property taxes and sales taxes.

3. The 2004-05 Budget Act proposed a constitutional amendment to protect certain local government revenues ("Proposition 1A"), which was approved by the voters in November 2004. Pursuant to Proposition 1A, the State may not reduce local governments' share of the property tax below current levels, but may borrow up to 8% of local property tax revenues in the event of a fiscal emergency, provided the amount borrowed would be repaid within three years and certain other conditions are satisfied. Proposition 1A also prohibits the State from reallocating local sales taxes.

Proposed Governor's Budget for Fiscal Year 2005-06

On January 10, 2005, Governor Schwarzenegger released his proposed budget for Fiscal Year 2005-06 (the "2005-06 Proposed Budget"). The 2005-06 Proposed Budget projects General Fund revenues (not including transfers) for Fiscal Year 2005-06 of $83.2 billion, an increase of 6.8 percent above the anticipated revenues for Fiscal Year 2004-05, and General Fund expenditures of $85.7 billion, an increase of 4.2 percent above the anticipated expenditures for Fiscal Year 2004-05. See "State of California Budget Information - LAO Overview of the Governor's Budget" herein.

The 2005-06 Proposed Budget identifies a budget shortfall of $9.1 billion without implementation of the policy changes proposed in the 2005-06 Proposed Budget. The budget shortfall is a result of an operating deficit in Fiscal Year 2004-05 of $1.7 billion, a difference between the growth in baseline expenditures and revenues of $5.2 billion, the absence of $2 billion of proceeds from the economic recovery bonds authorized by the voters in March 2004 (the "Economic Recovery Bonds") that were available in Fiscal Year 2004-05 and $170 million in other adjustments. The 2005-06 Proposed Budget proposes to address the budget shortfall through policy changes consisting primarily of reductions in the rate of increase of State spending in the amount of $7 billion. The 2005-06 Proposed Budget also proposes to address the estimated budget shortfall by increasing available resources using $1.7 billion of proceeds from the Economic Recovery Bonds, approximately $300 million less borrowing than was included in the 2004-05 Budget, and a variety of proposals to increase revenues by $409 million without tax increases.

The revenue increase forecasted by the 2005-06 Proposed Budget includes gains in the personal income tax, sales and use tax and corporation tax. Personal income tax revenues are forecasted to be $39.5 billion in Fiscal Year 2004-05 and $42.9 billion in Fiscal Year 2005-06. This forecast assumes an increase in personal income tax revenue of 8.6 percent for Fiscal Year 2004-05 and 8.5 percent for Fiscal Year 2005-06. Sales and use tax revenue is forecasted to be $25.2 billion in Fiscal Year 2004-05 and $26.9 billion in Fiscal Year 2005-06. This forecast assumes a 5.7 percent increase in taxable sales for 2004 and that, as a result of an improving economy, taxable sales will continue to increase at similar rates for 2005 and 2006, representing a 5.7 percent and 5.6 percent increase, respectively. Corporation tax revenues are expected to total $8.7 billion in Fiscal Year 2004-05 and $9 billion in Fiscal Year 2005-06.

The 2005-06 Proposed Budget assumes local government revenues will increase during the next few years due in part to increases in property taxes and sales and use tax to local governments. Property taxes and sales and use tax are major sources of discretionary revenue for local governments, including the County. The 2005-06 Proposed Budget projects property taxes to local governments to be approximately $22.4 billion, an increase of 9 percent above the amount expected to be received in the Fiscal Year 2004-05, as a result of the strong housing market and increased sales of non-residential real estate. The sales and use tax in Fiscal Year 2005-06 is also expected to increase by approximately 6 percent above the amount expected to be received in Fiscal Year 2004-05. The sales and use tax is expected to provide local governments with over $4 billion for discretionary purposes, in addition to $2.7 billion for public safety, $2.7 billion for health programs and $1.3 billion for county transportation purposes. In addition, the 2005-06 Proposed Budget projects VLF revenues, which provide funding for local health programs, to increase by 3.4 percent to 4.5 percent during the next two years.

Certain of the features of the 2005-06 Proposed Budget affecting counties include the following:

1. The 2005-06 Proposed Budget includes funding in various budgets that support activities by local government agencies where the local agencies have significant discretion over the use of the funds. Such programs include law enforcement, realigned health and mental health services, public health, property tax administration, Williamson Act open space preservation contracts, libraries, recreational facilities, flood control, and housing. Funding for these programs will be approximately $5.6 billion in 2005-06, which represents a reduction of $368 million from the amount expected to be received in Fiscal Year 2004-05.

2. The 2005-06 Proposed Budget includes funding for local governments to make up the difference between the 0.65-percent rate of the VLF and the previous 2 percent rate through a reallocation of property tax from schools and community colleges to cities and counties. The General Fund expenditures for Proposition 98, which guarantees K-14 schools a minimum share of funding from General Fund revenues (the "Proposition 98 Guarantee"), are increased to offset the reduction in property taxes for schools.

3. The 2005-06 Proposed Budget includes a provision to maintain funding for the Citizen's Option for Public Safety, which supports local law enforcement, sheriff's departments for jail construction and operations and district attorneys for prosecution, at $100 million for Fiscal Year 2005-06.

4. The 2005-06 Proposed Budget includes a provision that restores \$201.4 million in Federal Temporary Assistance to Needy Families funding for juvenile probation services. However, the 2005-06 Proposed Budget also proposes that the \$100 million in funding associated with the Juvenile Justice Crime Prevention Act program be reduced by \$75 million and the remaining \$25 million be shifted to the Board of Corrections for distribution to local governments. This will result in an overall reduction of 25% in State funding to local government for juvenile justice programs.

5. The 2005-06 Proposed Budget includes a provision to eliminate funding for the Small and Rural Sheriffs program, which provides grants of \$500,000 each to 37 sheriff's departments in the smaller counties of the State, to save approximately \$18.5 million in Fiscal Year 2005-06.

6. The 2005-06 Proposed Budget includes funding of grants to counties for property tax administration in the amount of \$54.3 million, which represents a reduction of \$5.7 million from Fiscal Year 2004-05.

In the 2005-06 Proposed Budget, the Governor proposes several budget reforms to address the State's continued structural budget deficit. The Governor's reform proposals include: (a) a proposed amendment to the State Constitution to require an across-the-board spending reductions to address a budget shortfall either (i) shortly after the beginning of a Fiscal Year when the State has not enacted a budget and faces a budgetary imbalance, or (ii) during specified times in a Fiscal Year when the administration determines an enacted budget has fallen out of balance and the Governor and legislature fail to agree on a mid-year plan to address the shortfall within a specified period; (b) a proposed amendment to the State Constitution to eliminate the ability to suspend the minimum funding requirement of the Proposition 98 Guarantee with a two-thirds vote of the legislature and to eliminate a calculation related to the Proposition 98 Guarantee, which reduces the growth rate of Proposition 98 funding during the years when the State encounters low revenues; (c) the proposed repayment over a 15-year period of certain outstanding obligations of the State, including the currently outstanding \$3.6 billion in "maintenance factor" and \$1.3 billion in potential "settle-up" payments to schools, the unfunded mandates to local governments and schools, loans to the State's General Fund from special funds supporting transportation and other loans from special funds; (d) a proposal to eliminate the legislature's ability, after the Fiscal Year 2006-07, to suspend the transfer of sales tax revenues on gasoline from the State's General Fund to special funds supporting transportation as currently permitted; and (e) a proposal that prohibits the Governor and the legislature from borrowing from special funds to cover State's General Fund shortfalls in the future.

May Revision to the 2005-06 Proposed Budget

On May 13, 2005, the Governor released the May Revision to the 2005-06 Proposed Budget (the "May Revision"). The May Revision includes approximately \$6.6 billion in additional revenues for the current and budget year than was assumed in the 2005-06 Proposed Budget. Much of this additional revenue is attributable to the May Revision's assumptions of an increase in personal income taxes in the current year, an increase in corporate taxes in Fiscal Year 2004-05 and lower sales tax revenues in the current year compared to the 2005-06 Proposed Budget. The net additional revenues based on these assumptions for Fiscal Year 2005-06 are estimated to be approximately \$3.7 billion. The May Revision also assumes approximately \$3.9 billion in additional one-time revenue to the General Fund for Fiscal Years 2004-05 and 2005-06. The net effect is an increase of \$2.2 billion in the current fiscal year from the time that the 2004-05 Budget Act was enacted. In addition, the May Revision assumes the increase in revenue in Fiscal Year 2005-06 to be an additional \$4.4 billion, equaling a two-year increase of \$6.6 billion.

Personal income tax revenue forecasts have increased by $2.367 billion in Fiscal Year 2004-05 and by $319 million in Fiscal Year 2005-06 from the $39.5 billion and $42.9 billion forecasted in the 2005-06 Proposed Budget, respectively. The current year forecast includes approximately $480 million in revenue acceleration due to the tax shelter amnesty program and the budget year forecasts $200 million in additional amnesty receipts. Additionally, collections of General Fund revenues received in April and early May were $1.2 billion above the amounts projected in the 2005-06 Proposed Budget. Sales and use tax revenue forecasts are reduced by $75 million in Fiscal Year 2004-05 and increased by $4 million in Fiscal Year 2005-06 from the $25.2 billion and $26.9 billion forecasted in the 2005-06 Proposed Budget, respectively. The $75 million reduction forecasted partially results from a reduced assumption of taxable sales growth in Fiscal Years 2004-05 and 2005-06 than that assumed in the 2005-06 Proposed Budget. Corporate tax revenues are expected to decrease by $1.117 billion in Fiscal Year 2004-05 and $198 million in Fiscal Year 2005-06 from the $8.7 billion and $9 billion forecasted in the 2005-06 Proposed Budget, respectively.

The Governor proposes no new borrowing in the May Revision.

Certain of the principal features of the May Revision include the following:

1. The May Revision assumes the State will accelerate repayment by one year of approximately $593 million owed to cities and counties for VLF revenues withheld by the State in Fiscal Year 2003-04, which repayment will not impact the finances of local governments that have sold or otherwise disposed of such VLF receivables. The May Revision also proposes $108 million in increased funding for State mandate reimbursements.

2. The May Revision proposes to reinstate the transfer, eliminated in the 2005-06 Proposed Budget, of gasoline sales tax revenue from the General Fund to transportation purposes pursuant to Proposition 42 in the amount of $1.3 billion, with $254 million to be provided to cities and counties for local streets and roads.

3. The May Revision reduces the amount of transportation loans to be repaid with tribal gaming bonds in Fiscal Year 2005-06 by $222 million, providing that such repayment occur from future compacts or the General Fund no later than June 30, 2022. This would result in a decrease of anticipated revenues from $1.2 billion to $1 billion.

4. The May Revision includes total Medi-Cal expenditures of $33.4 billion ($11.7 billion General Fund), a decrease of $480.1 million ($262.4 million General Fund) from the 2005-06 Proposed Budget. General Fund expenditures for Medi-Cal have increased by $1.8 billion, a 17.7 percent increase from the expenditures for Fiscal Year 2003-04.

5. The May Revision includes total CalWorks expenditures of $6.8 billion. The projected caseload is estimated to be 1.7 percent less than the projected caseload for fiscal year 2004-05. In addition, $2.7 billion is provided in the May Revision to meet the federally required combined State and counties Temporary Assistance for Needy Families maintenance-of-effort requirement.

6. The May Revision restores $18.5 million to provide continued funding for 37 specified county sheriffs' departments for purposes of enhancing local law enforcement efforts. Funding for this program was not originally contained in the 2005-06 Proposed Budget.

7. The 2005-06 Proposed Budget maintained Fiscal Year 2004-05 Proposition 98 appropriations for K-12 schools and community colleges at the same level reflected in the 2004-05 Budget Act. However, for Fiscal Year 2005-06, the 2005-06 Proposed Budget included an increase of approximately

$2.9 billion above that level, bringing total Proposition 98 spending to nearly $50 billion. The May Revision maintains Proposition 98 appropriations for K-12 schools, and community colleges at the level proposed in the 2005-06 Proposed Budget, despite a reduction in the minimum guarantee calculation.

LAO Overview of the May Revision

On May 17, 2005, the LAO released an analysis of the May Revision entitled Overview of the 2005-06 May Revision (the "LAO Overview"). The LAO Overview is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference.

According to the LAO Overview, the general budgetary approach set forth in the May Revision, including using most of the approximately $4 billion in new revenues to repay $2.5 billion in debt and fund $1.7 billion in one-time programmatic increases, is reasonable in light of the structural budget shortfall facing the State. The LAO indicates that the State's revised budgetary shortfall is approximately $6 billion, which amount takes into account the higher revenues described in the May Revision and other offsetting factors such as higher Proposition 98 funding requirements. According to the LAO, the May Revision sets forth $6.5 billion in budgetary solutions (which amount includes a $500 million reserve) derived from (1) program-related savings, including $3.1 billion in savings from holding Proposition 98 funding at approximately the 2004-05 Budget Act level instead of providing schools with additional funds to meet the target suggested by language adopted with the 2004-05 Budget Act, significant savings related to social services grants, reduced state contributions for wages of In-Home Supportive Services workers and state employee compensation and (2) funding shifts, loans and tax compliance measures, including the transfer of funding for annual base-program contribution costs for the State Teachers' Retirement System ("STRS") from the State to school districts or their employees.

The LAO Overview indicates that the May Revision has eliminated some of the risky assumptions set forth in the 2005-06 Proposed Budget, such as the savings assumed from contract procurement reform, but that the May Revision continues to include significant risks with respect to employee compensation (assumption of $408 million in savings related to employee compensation, which are dependent upon collective bargaining negotiations that have recently begun), retirement costs (assumption of $469 million in savings related to the shift of funding in STRS retirement costs from the State to school districts, which could require a readjustment of the Proposition 98 funding guarantee and which does not account for a recent superior court decision finding that the fiscal year 2004-05 suspension of a $500 million payment to STRS was illegal) and pension bonds (assumption that the State will offset a portion of its fiscal year 2005-06 pension costs through the proceeds received from the issuance of pension obligation bonds although the proposed size of such bond issuance has been reduced by $235 million and remains subject to court challenges).

The LAO concludes that, absent ongoing solutions, the State would face a major budget problem in fiscal year 2006-07 and beyond, when temporary solutions adopted in past budgets expire, past borrowings come due, the State's borrowing capacity is exhausted and few easy options are available. The LAO estimates that the longer-term implications of the policy proposals included in the May Revision include an annual operating imbalance of approximately $5 billion in fiscal year 2006-07, $4 billion in fiscal year 2007-08 and $3 billion in fiscal year 2008-09, with the larger structural imbalance in fiscal year 2006-07 attributable to an assumed $900 million in revenue reduction from higher refunds and lower audit payments associated with the tax amnesty program. The LAO further states that it is important for the Legislature to aim at adopting on-going solutions involving either expenditures or revenues that are similar in magnitude to those proposed in the May Revision such that any significant augmentations to ongoing spending should be offset by ongoing spending reductions elsewhere and/or through increased revenues.

Potential Impact of State Budget on County's Financial Condition

The County cannot predict whether the State will continue to encounter budgetary problems in this or in any future fiscal years, and if it were to do so, it is unknown what measures would be taken by the State to balance its budget, as required by law. Accordingly, the County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control. See Appendix A - "The County of Fresno - County Financial Information - Impact of State Budgets on the County" attached hereto.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised $42.4 million value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In May 1990, the voters through their approval of Proposition 111 amended Article XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to a governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified out lay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in May 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively. Since the adoption of Proposition 62, the County has enacted increases in taxes in compliance therewith.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the County, to levy and collect both existing and future taxes, assessments, fees and charges. The County is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the County does not presently believe that the potential impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to pay principal of and interest on the Notes and perform its other obligations as and when due.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax that the County imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election that must be held within two years of November 5, 1996. These voter approval requirements of Proposition

218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. The County has identified its public library tax as the only tax that could be reduced or repealed in connection with the broad initiative powers of tax reduction or repeal extended by Proposition 218. Also, the County has adopted fees and charges to fund specific programs in certain maintenance districts and County service areas. If the County is unable to collect fees and charges relating to those specific programs as a consequence of Proposition 218, the County's current practice is to curtail such services rather than use amounts in the County General Fund (the "County General Fund") to finance such programs.

The legal authority set forth in Article XIII C could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the County's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or SB 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIIIC, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The County is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the County would be able to pay the principal of and interest on the Notes as and when due or any of its other obligations payable from the Operating Budget.

Article XIIID adds several new requirements making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and SB 919 to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Article XIIID may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay the principal of and interest on the Notes, as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting “fees” and “charges” which are defined as “any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” All new and, after June 30, 1998, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase of such property based fee, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the County, two-thirds voter approval by the electorate residing in the affected area. The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees and charges under Article XIIID of Proposition 218 is not substantial. Accordingly, the County does not presently anticipate that any impact Article XIIID may have on future fees and charges will adversely affect the ability of the County to pay the principal of and interest on the Notes as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 1A

Proposition 1A (SCA 4) (“Proposition 1A”), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 1A and Propositions 62 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

ENFORCEABILITY OF REMEDIES

The rights of the owners of the Notes are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of County of Orange v. Merrill Lynch that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The County is in possession of the taxes and other revenues that will be set aside and pledged to repay the Notes and, following payment of these funds to the Fiscal Agent, these funds will be invested in the name of the Fiscal Agent for a period of time in the County Investment Pool. In the event of a petition for the adjustment of County debts under Chapter 9 of the Bankruptcy Code, a court might hold that the Owners of the Notes do not have a valid and/or prior lien on the Pledged Amounts where such amounts are deposited in the County Investment Pool and may not provide the Noteowners with a priority interest in such amounts. In that circumstance, unless the Owners could "trace" the funds from the Repayment Fund that have been deposited in the County Investment Pool, the Owners would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Owners could successfully so "trace" the pledged taxes and other revenues.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Notes, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the County, under existing statutes, interest on the Notes is exempt from California personal income taxes.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Notes of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth on the cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a "Discount Note"), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Notes paid by the County.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner's adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the bond premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note, determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Note). An owner of a Premium Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Notes.

Legislation

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Notes will not have an adverse effect on the tax-exempt status or market price of the Notes.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, sale, execution and delivery by the County of the Notes are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the County. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix D hereto. Certain legal matters will be passed upon for the County by its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the County by the County Counsel.

FINANCIAL ADVISOR

Kelling, Northcross & Nobriga, a Division of Zions First National Bank, served as Financial Advisor to the County in connection with the issuance of the Notes.

LITIGATION

No litigation is pending or threatened concerning the validity of the Notes, and an opinion of the County Counsel (based upon its best knowledge after reasonable investigation) to that effect will be furnished to the purchaser at the time of the original delivery of the Notes. The County is not aware of any litigation pending or threatened questioning the political existence of the County or contesting the County's ability to levy and collect ad valorem taxes or contesting the County's ability to issue and pay the Notes.

There are a number of lawsuits and claims pending against the County. The County does not believe that any of these proceedings could have a material adverse impact upon the financial condition of the County.

RATING

The Notes have been assigned a rating of "SP-1+" by Standard & Poor's, a Division of the McGraw-Hill Companies, Inc. ("S&P"). An explanation of the significance of such rating may be obtained from S&P. The rating reflects the views of S&P and the County makes no representation as to the appropriateness of the rating. Further, there is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the sole judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the trading value and the market price of the Notes. The County undertakes no responsibility either to bring to the attention of the owners of the Notes any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal.

UNDERWRITING

The Notes are being purchased for reoffering by J.P. Morgan Securities Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Notes at a price of $91,279,755. The Note Purchase Agreement provides that the Underwriter will purchase all of the Notes, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Note Purchase Agreement, the approval of certain legal matters by Bond Counsel and certain other conditions. The

Underwriter may offer and sell the Notes to certain dealers and others at a price lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The County has agreed in the Resolution, upon the occurrence of any of the following "Listed Events," to report the occurrence of such event to either the Municipal Securities Rulemaking Board or to each nationally recognized municipal securities information repository and to the State information depository, if any. Listed Events include any of the following events if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) bond calls; (9) defeasances; (10) release, substitution or sale of property securing repayment of the securities; and (11) rating changes. There are currently no debt service reserves, credit enhancements or liquidity providers in place with respect to the payment of principal of and interest on the Notes, and the Notes are not subject to redemption prior to maturity in accordance with their terms.

The County's obligations under the Resolution with respect to continuing disclosure shall terminate upon payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the County shall give notice of such termination in the same manner as for a Listed Event. If any party initiates any legal or equitable action to enforce the County's obligations under the Resolution with respect to continuing disclosure, the proper venue for any such action is the Superior Court of the State of California, in and for the County of Fresno.

These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). The County has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the County since the date hereof.

The execution and delivery of this Official Statement have been duly authorized by the County.

COUNTY OF FRESNO

By: /s/ Vicki Crow, C.P.A.
Auditor-Controller/Treasurer-Tax Collector

APPENDIX A

THE COUNTY OF FRESNO

APPENDIX A
THE COUNTY OF FRESNO

COUNTY FINANCIAL INFORMATION

Budgetary Process and Budget

The County is required by State law to adopt, on or before August 31st each year, a fiscal line item budget setting forth final expenditures, revenues, and fund balances available so that appropriations during that fiscal year will not exceed available financing. However, the County may, by resolution, extend on a permanent basis, or for a limited period, the date from August 31st to October 2nd. The 2004-05 County budget was initially approved by the Board of Supervisors on June 24, 2004. The County began operating under the 2004-05 budget, as initially approved, on July 1, 2004. The 2004-05 budget was amended by the Board of Supervisors to address the passage of the 2004-05 Budget Act signed by the Governor on July 31, 2004. The Auditor-Controller/Treasurer-Tax Collector is responsible for controlling expenditures within budgeted appropriations.

The County receives a significant amount of its revenues from the State of California (the "State"). Accordingly, the County is dependent upon the State budget and payments made by the State to the County for various programs. On January 10, 2005, the Governor released his proposed budget for Fiscal Year 2005-06 (the "2005-06 Proposed Budget"). On May 13, 2005, the Governor released the May Revision to the 2005-06 Proposed Budget (the "May Revision"). See "Supplemental Financial Information" in this Official Statement. The County does not expect the 2005-06 Proposed Budget, as reflected in the May Revision, to have an adverse impact on the County's 2005-06 budget. However, the Fiscal Year 2005-06 State budget is expected to be subject to negotiation and revision prior to its adoption. There can be no assurances that the Fiscal Year 2005-06 State budget will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments and the County cannot predict the ultimate impact of the final approved Fiscal Year 2005-06 State budget on the County's financial situation. However, in the event the final Fiscal Year 2005-06 State budget includes decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and or services to ensure a balanced budget.

The table which follows shows the County's adopted budgets for the General Fund for Fiscal Years 2002-03, 2003-04 and 2004-05.

TABLE 1
COUNTY OF FRESNO
GENERAL FUND ANNUAL BUDGETS
Fiscal Years Ended June 30, 2003, 2004 and 2005

	Adopted 2002-03 Budget	Adopted 2003-04 Budget[2]	Adopted 2004-05 Budget[3]
REQUIREMENTS:			
General Government	$ 85,513,230	$ 57,714,273	$ 62,111,201
Public Protection	240,661,116	244,530,646	261,916,596
Public Ways and Facilities	2,118,000	2,109,000	2,223,000
Health and Sanitation	308,690,510	311,717,027	324,005,867
Public Assistance	423,283,425	401,965,994	423,815,174
Education	798,020	756,413	760,417
Recreation and Cultural	2,701,654	2,821,116	3,129,011
Contingencies & Reserves	7,722,195	3,000,000	1,140,000
Total Requirements	$1,071,488,150	$1,024,614,469	$ 1,079,101,266
AVAILABLE FUNDS:			
Fund Balance Available	$ 13,463,000	$ 14,176,000	$ 22,711,224
Taxes [1]	67,745,710	71,299,355	68,282,099
Licenses, Permits & Franchise	5,784,686	6,941,134	8,000,647
Fines, Forfeits, & Penalties	11,153,603	9,605,408	10,040,118
Use of Money & Property	9,116,551	8,364,745	5,891,016
Aid From Other Govt. Agencies	662,470,489	610,481,694	653,192,382
Charges for Current Services	110,236,469	112,781,351	111,079,710
Other Revenues (Other Financing Sources)	113,129,338	113,559,113	122,839,737
Miscellaneous Revenues	14,190,375	18,925,708	17,935,834
Fund Balance Designation	5,918,975	7,301,634	12,921,124
Intrafund Revenue	58,278,954	51,178,327	46,207,375
Total Available Funds	$1,071,488,150	$1,024,614,469	$ 1,079,101,266

Source: Fresno County.
(1) Includes Sales and Use Taxes, Ad Valorem Taxes and other taxes.
(2) As amended by the Board of Supervisors on September 30, 2003 following the enactment of the State of California 2003-04 Budget Act.
(3) As amended by the Board of Supervisors following the enactment of the State of California 2004-05 Budget Act.

The table which follows shows the County's Statement of General Fund Revenues, Expenditures and Changes in Fund Balances for fiscal years 2000-01, 2001-02, 2002-03 and 2003-04.

TABLE 2
COUNTY OF FRESNO
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years Ended June 30, 2001, 2002, 2003 and 2004
(in thousands)

	June 30, 2001	June 30, 2002[1]	June 30, 2003	June 30, 2004
REVENUES				
Taxes	$ 67,602	$ 70,758	$ 77,387	$ 78,467
Licenses and Permits	5,556	6,915	8,033	8,617
Fines, Forfeits, and Penalties	9,383	9,070	10,873	8,520
Use of Money and Property	10,159	7,889	8,764	8,396
Aid from Other Governmental Agencies	541,662	598,989	641,485	609,294
Charges for Current Services	75,795	95,057	84,334	99,292
Other Revenues	16,578	25,125	12,953	22,364
TOTAL REVENUES	$726,735	$813,803	$843,829	$834,950
EXPENDITURES:				
General Government	$ 40,422	$ 43,162	$ 49,307	$ 46,881
Public Protection	202,098	222,060	219,676	221,752
Public Assistance, Health and Sanitation	511,596	563,871	607,633	622,546
Education	624	607	660	596
Culture and Recreational	2,497	2,421	2,453	2,493
Debt Service	3,719	2,513	1,645	1,137
TOTAL EXPENDITURES	$760,956	$834,634	$881,374	$895,405
Excess (Deficit) of Revenues Over/ (Under) Expenditures	($34,221)	($20,831)	($37,545)	($60,455)
OTHER FINANCING SOURCES (USES):				
Transfers In	$111,985	$130,702	$124,307	$126,774
Transfers Out	(80,201)	(126,600)	(147,770)	(68,551)
Total Other Financing Sources (Uses)	31,784	4,102	(23,463)	58,223
Net Change in Fund Balances Before Extraordinary Items	(2,437)	(16,729)	(61,008)	(2,232)
EXTRAORDINARY ITEM				
Sale of Tobacco Settlement Bonds	--	--	75,723	--
Net Change in Fund Balances	(2,437)	(16,729)	14,715	(2,232)
Fund Balance - Beginning	147,270	140,014	139,318	154,033
Prior Period Adjustment	(4,819)	16,033	--	--
Fund Balance - Ending	$140,014	$139,318	$154,033	$151,801

Source: Fresno County Audited Financial Statements.

(1) The County has reclassified certain capital assets pursuant to the provisions of GASB Statement 34. The County evaluated the capital asset balances previously reported in its financial statements in the general fixed asset account group with respect to its capital management system. The beginning capital asset balances were restated in the Fiscal Year 2001-02 financial statements to properly reflect the balances in the capital asset management system. See Appendix C – "Fresno County General Purpose Financial Statements for the Fiscal Year Ended June 30, 2004" attached to the Official Statement.

TABLE 3
COUNTY OF FRESNO
GENERAL FUND BALANCE SHEETS
FIVE YEAR COMPARISON
Fiscal Years Ended June 30, 2000, 2001, 2002, 2003 and 2004
(in thousands)

	2000	2001	2002(1)	2003	2004(2)
ASSETS					
Cash and Investments	$ 26,633	$ 50,983	$158,777	$218,169	$125,671
Receivables:					
Taxes	--	--	26,215	30,098	31,915
Accounts (Net of Allowance for Uncollectibles)	38,286	44,332	88,621	91,999	54,273
Interest	--	--	2,895	698	545
Loans	23,558	25,026	27,415	28,154	28,838
Dues from other Funds	118,413	83,529	24,726	13,222	12,937
Due from other Governmental Units	1,770	--	--	--	17,753
Inventory of Supplies	1,954	1,804	2,239	2,030	2,187
Deposits and other Assets	--	1,322	--	--	--
Restricted Cash and Investments	1,010	526	21	--	--
Total Assets	$211,624	$207,522	$330,909	$384,370	$274,119
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants Payable	$ 9,324	$ 5,932	$ 21,292	$ 65,906	$ 36,175
Accounts Payable	14,028	23,392	27,083	17,785	21,716
Salaries and Benefits Payable	16,136	18,479	21,243	23,429	11,730
Tax Anticipation Note Payable	--	--	72,000	56,645	--
Due to other Governmental Units	--	--	--	1,206	17,594
Due to other Funds	8,120	3,733	13,208	6,532	4,456
Deferred Revenue	3,073	15,972	$ 36,765	$ 58,834	30,647
Total Liabilities	$ 50,681	$ 67,508	$ 191,591	$230,337	$122,318
Fund Balances:					
Reserved	$ 92,920	$ 97,372	$ 76,551	$ 71,452	$ 62,267
Unreserved:					
Designated	54,603	31,847	49,477	61,638	76,516
Undesignated	13,420	10,795	13,290	20,943	13,018
Total Fund Balances	$160,943	$140,014	$139,318	$154,033	$151,801
Total Liabilities and Fund Balances	$211,624	$207,522	$330,909	$384,370	$274,119

Source: Fresno County Audited Financial Statements.

(1) Includes amounts in trust funds and $72,000,000 in the TRAN repayment fund. The County has reclassified certain capital assets pursuant to the provisions of GASB Statement 34. The County evaluated the capital asset balances previously reported in its financial statements in the general fixed asset account group with respect to its capital management system. The beginning capital asset balances were restated in the fiscal year 2001-02 financial statements to properly reflect the balances in the capital asset management system.

(2) Includes amounts in trust funds and in the TRAN repayment fund. Under GASB Statement 34, the County is no longer required to report unreserved fund balances as designated or undesignated.

Major Revenues

The County derives its revenues from a variety of sources including ad valorem property taxes, sales and use taxes, licenses, permits and franchises issued by the County, use of County property and money, aid from other governmental agencies, charges for services provided by the County and other miscellaneous revenues. For fiscal year ended June 30, 2004, the approximate percentages of the County's total general fund revenues were allocated as follows:

Taxes	9.4%
Licenses, Permits and Franchises	1.0
Fines, Forfeitures and Penalties	1.0
Use of Property and Money	1.0
Aid from Other Governmental Agencies	73.0
Charges for Current Services	11.9
Other Revenues	2.7
Total	100.0%

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

Ad Valorem Property Taxes

The County levies property taxes on behalf of taxing agencies in the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). In such instances, the property is reassessed and a supplemental tax bill is sent to the new owner based on the new value prorated for the balance of the tax year. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate assessment rolls. The secured roll includes property assessed by the State Board of Equalization (property owned by public utilities, canals and pipelines within two or more counties), real property owned by an assessee, and personal property owned by an assessee of real property and located on that real property or, at the taxpayer's request, located elsewhere if the assessor determines that the assessee's real property is adequate security for payment of the personal property taxes. The unsecured roll includes all taxable property that is not assessed on the secured roll. Typical unsecured roll assessments are for personal property not located on the assessee's land.

The tax rate is approximately 1% of the full cash value of the taxable property. The assessor must reassess property upon a change in ownership. The assessor may increase assessed values by no more than 2% each year to reflect inflation. The assessor may decrease assessed values (a) by no more than 2% each year to reflect reductions in the consumer price index (or comparable local data) and (b) to reflect damage, destruction or "other factors causing a decline in value." See "Limitations on Tax Revenues" herein. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) pro rated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are a group of entities that share the taxes of the particular area. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are payable in two installments which are due on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00

p.m. on June 30. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the ten dollar cost, a fifteen dollar redemption fee, and redemption penalty of one and one half percent per month starting July 1 and continuing until the end of redemption. If taxes remain unpaid five years after the property becomes tax-defaulted, the Auditor-Controller/Treasurer-Tax Collector may sell the property at a tax sale. Before the sale, State law requires that the Auditor-Controller/Treasurer-Tax Collector send and publish several notices. This process requires approximately 120 days. The Auditor-Controller/Treasurer-Tax Collector conducts a tax sale each March. The minimum bid for each property is the defaulted taxes, penalties and costs. If the Auditor-Controller/Treasurer-Tax Collector receives no bids at the minimum bid amount, the Board may authorize the Auditor-Controller/Treasurer-Tax Collector to offer the property for sale at the same or subsequent tax sale for less than defaulted taxes, penalties and costs.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Recorder's Office specifying certain facts in order to obtain a judgment lien on property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

Set forth below is certain information regarding County property tax levies and collections, including taxes levied and collected on behalf of all taxing agencies in the County.

TABLE 4
COUNTY OF FRESNO
SUMMARY OF TAX LEVIES AND COLLECTIONS
Fiscal Years 1998-99 through 2004-05
(Unaudited)
(Amounts Expressed in Thousands)

Year	Secured Tax Charge	Unsecured Tax Charge	Total Tax Levy	Total Tax Collection through June 30	Outstanding Delinquent Taxes	Ratio of Delinquency to Tax Levy
1998-99	$365,382	$22,739	$388,122	$377,951	$10,171	2.62%
1999-00	373,669	25,395	399,064	389,076	9,988	2.50
2000-01	383,926	25,626	409,552	399,064	10,488	2.62
2001-02	403,076	26,158	429,234	418,409	11,567	2.76
2002-03	428,657	31,110	459,767	446,818	12,949	2.82
2003-04	468,858	31,231	500,089	487,579	12,510	2.50
2004-05*	514,719	32,829	547,548	533,093	14,455	2.64

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.
* Estimate.

During fiscal year ended June 30, 2004, these tax collections were allocated approximately 14% to the County, 11% to cities, 15% to special districts and 60% to school districts within the County.

TABLE 5
COUNTY OF FRESNO
ASSESSED VALUATION
Fiscal Years 1998-99 through 2004-05
(Unaudited)
(in thousands)

Fiscal Year	Total Secured	Unsecured	Total Assessed Value
1998-99	$30,906,563	$1,919,320	$32,825,883
1999-00	31,814,406	1,989,867	33,804,273
2000-01	32,818,992	2,080,804	34,899,796
2001-02	34,134,346	2,185,496	36,319,842
2002-03	35,686,489	2,474,168	38,160,657
2003-04	38,056,316	2,497,402	40,553,718
2004-05	41,444,708	2,736,253	44,180,961

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

Largest Taxpayers

Set forth below is a list of the ten largest property taxpayers in the County by total taxes assessed for fiscal year ended June 30, 2005. Pacific Gas & Electric Co. ("PG&E") is the largest property taxpayer in the County by total taxes assessed for fiscal year 2004-05.

TABLE 6
COUNTY OF FRESNO
TEN LARGEST PROPERTY TAXPAYERS BY TOTAL TAXES ASSESSED
(in thousands)
(Fiscal Year 2004-05)

Taxpayer	Type of Business	Amount of Tax
Pacific Gas & Electric Co.	Utility	$13,213
Southern California Edison Co.	Utility	3,974
SBC California	Telecommunications	2,058
Chevron U.S.A. Inc.	Petroleum	1,845
Macerich Fresno Limited Partnership	Real Estate	1,218
McGarry Patrick Henry	Real Estate	1,212
The Gap Inc.	Retail Distribution Center	1,103
AERA Energy LLC	Petroleum	988
Gallo E & J Winery	Winery	980
Gap Inc.	Retail Distribution Center	912

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

Intergovernmental Revenues

Intergovernmental Revenues, mostly in the form of State and federal grants and subventions, is one of the County's largest revenue sources. A large amount of this revenue source also comes from the State in the form of payment for services provided by the County for the State. The information presented regarding the County, including the information set forth in "County Financial Information," summarizes the County's expected Intergovernmental Revenues for the current year. However, the amount of State aid may vary from year to year. The County cannot predict the ultimate impact of the State's budget on its finances and operations. However, the County possesses sufficient reserves to address short-term impacts while adjusting programs and staffing to accommodate long-term changes in State aid. Therefore, the County does not expect variations in State aid to have a material effect on its ability to repay the Notes. See "County Financial Information – Major Revenues" herein.

Expenditures

As noted in the financial statements included herein, the County's major expenditures each year are public assistance and public protection. See Appendix C – "Fresno County General Purpose Financial Statements for the Fiscal Year Ended June 30, 2004" attached to the Official Statement.

Employees and Labor Relations

A summary of County employment levels follows. Some employees are hired under various federally funded programs.

TABLE 7
FRESNO COUNTY EMPLOYMENT LEVELS
Fiscal Years 1997 through 2005

Fiscal Year	Permanent*
1996-97	6,045
1997-98	6,354
1998-99	6,488
1999-00	7,169
2000-01	7,541
2001-02	7,827
2002-03	8,069
2003-04	7,881
2004-05	7,757

Source: County of Fresno.
* Figures represent number of authorized positions as of the adoption of the budget each year.

The County has generally enjoyed positive relations with its employees. Approximately 86.3% of the County's employees are represented by employee organizations covering 23 bargaining units, including 27.1% office and clerical workers, 5.8% technical service workers and 2.5% maintenance workers. The remaining 64.6% of represented County employees are paraprofessionals, professionals, protective service employees and skilled craft workers. Presently, 20 bargaining units have contracts that expire between October 9, 2005 and May 3, 2009, two bargaining units are negotiating their initial contracts, and one bargaining unit has an expired contract.

Medical Services

Under the terms of an agreement effective October 7, 1996 (the "Agreement"), by and between the County and Fresno Community Hospital ("FCH"), FCH serves as the provider of medical services for the County for purposes of discharging the County's indigent and inmate care obligations. Under the Agreement, the County pays FCH an annual base payment and FCH provides medical services to the County's indigent and inmate populations. Pursuant to an amendment to the Agreement effective July 1, 1998, the County's original base fixed payment of $17.5 million was reduced to $14.0 million (adjusted for inflation). In exchange for the payment reduction, FCH retains all governmental revenues accruing to the hospital and non-governmental contributions or revenues.

Retirement Program

General. The Fresno County Employees' Retirement Association (the "Association") was established on January 1, 1945 under provisions of the County Employees Retirement Law of 1937 (the "Retirement Law") to provide for pension benefits, including retirement, disability, death and survivor benefits, for substantially all full-time employees of the County and member agencies. There are presently five member agencies. The Association's assets will not secure or be available to pay principal of or interest on the Notes.

Membership. The payroll for employees covered by the Association for the year ended June 30, 2004 was $338,093,165. The following table sets forth the Association's membership on June 30, 2004.

TABLE 8
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Membership as of June 30, 2004

Retirees and beneficiaries receiving benefits:	4,234
Terminated employees entitled to benefits but not yet receiving them:	1,378
Current employees:	
Vested	
General	3,385
Safety	581
Nonvested	
General	3,242
Safety	345
Total Current Employees	7,553
Total Membership	13,165

Source: Fresno County Employees' Retirement Association - Comprehensive Annual Financial Report A Component Unit of the County of Fresno for the Fiscal Year Ended June 30, 2004.

Determination of Pension Benefits. Pension benefits are funded in advance by employer and employee contributions and are based upon several factors, including a participant's age at the time of retirement, years of service, average pensionable or retirement compensation for the highest paid year of employment, the retirement allowance option selected by the participant, and whether the participant was employed as a safety member or as a general member of the retirement program. Disability and death benefits are additionally based upon whether the disability was service connected and whether the death occurred before or after retirement. Employees' contributions, including interest, are 100% vested at all times. Employees do not have a vested interest in the employer's contributions unless they actually retire from the employing agency, and may only receive the employer's contributions in the form of retirement benefits. Employees vest in the system after five years, and may leave their contributions on deposit and defer their retirement if they terminate their employment without retiring. Employees with less than five years of service may leave their contributions on deposit if they terminate their employment without retiring, but do not vest in the system unless they earn sufficient time to meet the five-year minimum or establish reciprocity.

The County recently engaged its certified labor organizations in a meet and confer process because of significant increases in the cost of retirement benefits. As a result of this meet and confer process, 14 of the 23 certified labor organizations in the County agreed to an optional "lower-tier" retirement benefit option for their members, which will become effective on July 1, 2005. Under this option, eligible members may select the lower-tier retirement benefit option on a one-time irrevocable basis. General Members would receive 2 percent at age 55 and safety members would receive 3 percent at age 55 under the lower-tier option. The lower-tier retirement benefit option is scheduled to expire in fiscal year 2008-09.

Retirement Contributions. The Association does not make separate measurements of assets and pension benefit obligations for individual employees. Rather, the Association's independent actuary (the "Actuarial Consultant") determines the pension benefit obligation for the entire system. The pension benefit obligation is a standard disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of all employees' service to date, inflation and assumed rate of return. The measure is the actuarial present value of credited projected benefits and is intended to help determine the annual required contributions from employers and employees and to help users assess the Association's funding status, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems. Significant actuarial assumptions of the Actuarial Consultant presently include (a) a rate of return on the investment of present and future assets of 8.16% per year, (b) an inflation assumption of 4.00%, (c) projected salary increases of 6.0% (includes 4.00% inflation assumption) per year for the first eight years and 5.0% (includes 4.00% inflation assumption) per year for more than eight years of service for safety members and 9.0% (includes 4.00% inflation assumption) per year for the first five years of service and 4.75% (includes 4.00% inflation assumption) per year for more than five years of service for general members and (d) a maximum 3% per year cost of living post-retirement benefit increase. The governing board of the Association (the "Board of Retirement") may modify such assumptions based in part on analyses of experience and recommended changes submitted by the Actuarial Consultant.

The employers currently fund, at a minimum, the amounts recommended by the Actuarial Consultant. Such amounts are determined by the Actuarial Consultant using the entry age normal cost method. This method currently produces an employer contribution rate consisting of amounts for (a) normal cost and (b) amortization of all unfunded actuarial accrued liability over a 30-year period. Employees' contributions are funded and recognized currently through payroll deductions in amounts recommended by the Actuarial Consultant. Historically, a portion of the contributions were financed through undistributed earnings, if any, or increases in employer and employee contribution rates. The Board of Retirement recently adopted a 30-year amortization period for the unfunded actuarial accrued liability attributable to the employees' cost of living benefit. In addition, the Board of Retirement limited increases in required employee contribution rates to a maximum of 50% of the prior contribution rate for the fiscal year ended June 30, 2005. For the fiscal year ended June 30, 2006, the Board of Retirement limited the increase in required employee contribution rates to a maximum of 50% of any increase that exceeded 10% from the prior contribution rate.

For the fiscal year ended June 30, 2004, required employer contributions totaled $64,624,383. Of this amount, $18,612,697 was funded with undistributed earnings and the balance of $46,011,686 was to be paid by the employers. Approximately $37.0 million of this balance was normal cost and approximately $9.0 million was unfunded actuarial accrued liability and interest. The following table sets forth the schedule of annual employer contributions and percentage contributed for the Fiscal Years 1999 through 2004.

TABLE 9
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Schedule of Annual Employer Contributions and Percentage Contributed
Fiscal Years 1999-2004

Fiscal Year Ended June 30	Annual Required Contributions (in thousands)	Percentage Contributed
1999	$ 6,005	100.00%
2000	--[1]	100.00
2001	--[1]	100.00
2002	7,780	100.00
2003	33,583	100.00
2004	44,939	985.67[2]

Source: Fresno County Employees' Retirement Association - Comprehensive Annual Financial Report A Component Unit of the County of Fresno for the Fiscal Year Ended June 30, 2004.

(1) On March 19, 1998, the County issued its 1998 Bonds which paid off the estimated unfunded actuarial accrued liability as of such date. As a result of the June 30, 1998 actuarial study, the Board of Retirement elected to use a distribution of excess earnings to pay the employer contributions for approximately six years and six months beginning July 1, 1999.

(2) On March 23, 2004, the County issued pension obligation bonds which paid off a portion of the unfunded actuarial accrued liability. The proceeds of these bonds in the amount of $398,141,000 are included in the Actuarial Value of Assets as of June 30, 2003.

Unfunded Actuarial Accrued Liability and Unrecognized Losses as of June 30, 2004. In its draft report dated April 11, 2005, the Actuarial Consultant determined that the total funded ratio is 98% as of June 30, 2004. The major sources for such unfunded actuarial accrued liability included (i) reductions in market value of the Association's investments, (ii) benefit increases for employees generally resulting from the Ventura litigation, (iii) changes in actuarial assumptions and (iv) adjustments to the methodology for calculating the unfunded actuarial accrued liability. The Association's investment policy and annualized rates of return are summarized in "-Investment Policy" herein. The benefit increases, which became effective January 1, 2001, resulted in increases for general employees from 2 percent at age 57 to approximately 2.5 percent at age 55 and for safety employees from 2 percent at age 50 to approximately 2.5 percent at age 50.

In addition, the Actuarial Consultant estimated that the amount of unrecognized losses from investments in the Association's investment portfolio as of June 30, 2004 total approximately $55.8 million, which amount will be booked by the Association on a smoothed, five-year basis, in accordance with current pension fund accounting principles. A portion of such unrecognized losses are expected to be recognized in each of the next four annual valuations and may become part of a future unfunded actuarial accrued liability of the County. The Association's unrecognized losses have resulted from weak investment performance for the past few years. As a result, the Actuarial Consultant has recommended employer rates of 14.14% for general employees and 25.02% for safety employees. The County is unable to forecast future unfunded actuarial accrued liability and the net cost impact to the County with any certainty. However, the County does not believe that the estimated unrecognized losses as of June 30, 2004, should they become part of a future unfunded actuarial accrued liability, will impair the County's ability to pay any of its financial obligations when due.

On March 23, 2004, the County issued its $402,897,748.85 Taxable Pension Obligation Bonds, Series 2004 (the "Series 2004 Pension Obligation Bonds") to refund the Debenture evidencing $398,140,728 of the unfunded actuarial accrued liability as of June 30, 2003.

Actuarial Assumptions. The Actuarial Consultant considers various factors in determining the assumptions to be used in calculating funding ratios. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability and other factors. This experience study is done once every three years. The most recent experience study was completed for the June 30, 2003 actuarial study. In addition, the Actuarial Consultant considers certain economic factors assumptions in determining the assumptions to be used in calculating funding ratios. The actuarial assumptions have a significant impact on the determination of the ratio of assets of the Association that are set aside to pay plan benefits by the Association. The following table sets forth certain economic actuarial assumptions for the Fiscal Years ended June 30, 1998 through June 30, 2004.

TABLE 10
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Actuarial Assumptions

Actuarial Assumption	1998	2000	2002	2003	2004
Interest	8.25%	8.42%	8.16%	8.16%	8.16%
Inflation	4.75	4.50	4.00	4.00	4.00
Employee Account Interest Credit Rate	8.25	8.42	8.16	8.16	8.16

Source: County of Fresno.

Historical Funding Progress. The following table sets forth the schedule of funding progress as of the four most recent actuarial valuation dates. Funding progress is measured by a comparison of plan assets which have been set aside by the Association to pay plan benefits with plan liabilities.

TABLE 11
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Schedule of Funding Progress
(in thousands)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded (Overfunded) AAL (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Unfunded (Overfunded) AAL Percentage of Covered Payroll (3)/(5)
6/30/98	$1,647,935	$1,549,166	($98,769)	106.4%	$219,398	(45.0%)
6/30/00	1,698,282	1,719,905	21,623	98.7	273,426	7.9
6/30/02	1,674,900	1,932,300	257,400	86.7	326,975	78.7
6/30/03	1,922,149	1,953,490	31,341	98.9	341,981	9.2

Source: Fresno County Employees' Retirement Association - Comprehensive Annual Financial Report A Component Unit of the County of Fresno for the Fiscal Year Ended June 30, 2004.

The actuarial value of assets has been based on a five-year smoothed market method since the fiscal year ended June 30, 1996. This method spreads the difference between the market investment return achieved by the investment portfolio of the Association and the assumed investment return over a five-year period. The Board of Retirement adopted a modified version of the smoothed market method, setting a 20 percent corridor around the market value of assets effective with the actuarial valuation as of June 30, 2003.

Transfers of Investment Earnings by the Association. The Board of Retirement annually directs the crediting of the Association's investment earnings to reserves, some of which are part of valuation assets, and some of which are not part of valuation assets. Valuation assets are those used to fund vested benefits and are those assets used in calculating the funded ratio and the unfunded actuarial accrued liability.

The Board of Retirement directs that investments earnings be transferred to the following Association reserves, effectively, in the following order. First, such earnings are credited to the Association's valuation assets as semi-annual interest earnings up to an amount determined by the Board of Retirement's policies, currently in an amount equal to 8.16% annual yield of the value of the Association's valuation assets as of the end of the prior six-month interest crediting period (June 30 and December 31). Second, an amount of such earnings is transferred to a contingency reserve (the "Contingency Reserve") that is necessary to maintain the amount on deposit in the Contingency Reserve equal to one percent of the total valuation assets of the Association. The Contingency Reserve is not part of valuation assets. The Association may transfer amounts from the Contingency Reserve to valuation assets when current investment earnings are insufficient to credit the valuation asset reserves with the 8.16% interest target. The Board of Retirement then allocates earnings to fund the required contributions for benefits provided as part of the Ventura II Settlement Agreement. The Board of Retirement then must use any available "excess earnings" to provide additional health benefits in accordance with the table included in the Ventura II Settlement Agreement, before it may allocate any "excess earnings" to any other reserves, whether inside or outside of valuation assets, in accordance with its broad discretion under the Retirement Law. Decisions of the Board of Retirement regarding allocation of excess earnings may cause the unfunded actuarial accrued liability to increase or decrease and thus impact the amount of County and member agency contributions in future years.

The Retirement Law permits the Association to use any excess earnings to pay certain supplemental benefits to retirees or credit them to the Association's valuation assets. The Board of Retirement has historically transferred excess earnings primarily to two reserves (1) a retiree health reserve (the "Health

Reserve") from which the Association pays a cash benefit to all retirees and beneficiaries which may be used for any purpose and (2) a reserve established for a supplemental targeted adjustment for a cost of living adjustment ("Supplemental COLA"). Both the Health Reserve and the Supplemental COLA reserve are outside of valuation assets and are not included as assets when calculating the Association's unfunded actuarial accrued liability. For a discussion of the Supplemental COLA benefits paid by the Association see "-Supplemental COLA Benefits" herein. For a discussion of health benefits paid by the Association and certain other related issues, see "-Post-Retirement Health Care Benefits" herein.

If transfers of earnings to valuation reserves are not made, higher County contribution rates may result for two reasons. First, when earnings are held outside of valuation assets, those amounts are not available to decrease the unfunded actuarial accrued liability, since they are not available to pay benefits reflected in the unfunded actuarial accrued liability. This causes the annual contribution amounts of the County to be greater in later fiscal years than would have been the case if all earnings were deposited in the Association's valuation assets. Second, the manner in which earnings are calculated for allocation purposes may lead to excess earnings being generated in years in which the Association's investment rate of return on valuation assets is less than the actuarially assumed rate of return. This is the case when cumulative gains available from prior years recognized through the smoothing process cause the actuarial rate of return to exceed the actuarial assumed rate of return.

Reserve Levels. As of June 30, 2004, there was approximately $2.1 million on deposit in the Supplemental COLA reserve and approximately $72.7 million was on deposit in the Health Reserve. Since these benefits are paid from undistributed earnings, any benefits that the Board of Retirement intends to continue should be funded up to the present value of such benefits. The funded percentage, i.e. the present value of these benefits compared to the actuarial value of assets available to pay such benefit, as of June 30, 2004 was 63.2%. See "-Supplemental COLA Benefits" and "-Health Benefits" herein.

Investment Policy. The Board of Retirement has exclusive control of the investment of the employees' retirement fund. Except as otherwise expressly restricted by the State Constitution and by law, the Board of Retirement may, in its discretion, invest, or delegate the authority to invest the assets of the fund through the purchase, holding, or sale of any form or type of investment financial instrument, or financial transaction when prudent in the informed opinion of the Board of Retirement. The Association has established a series of procedures and guidelines. The procedures, grouped together as the "Investment Policy," serve to guide the Association's investment program. The Board of Retirement has directed the investment consultant to review the investment policy quarterly and make recommendations on revisions for the Board of Retirement's consideration as necessary. The following table sets forth the asset allocations for the investment portfolio for the fiscal year ended June 30, 2004.

TABLE 12
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Asset Allocation

Association's Portfolio	Target Allocations	Actual Allocations
Core Bonds[1]	28%	29%
Global Bonds	3	2
Domestic Stocks	38	34
International Stocks	18	14
Private Markets[2]	11	8
Cash and Cash Equivalent[3]	2	13

Source: Fresno County Employees' Retirement Association - Comprehensive Annual Financial Report A Component Unit of the County of Fresno for the Fiscal Year Ended June 30, 2004.
(1) Includes mortgages, U.S. Government and Agencies.
(2) Includes real estate, futures and alternative investments.
(3) Overall target allocations for Cash and Cash Equivalent is 2% and is not broken down by type of investment.

The Association's assets are exclusively managed by external professional investment management firms. The Board of Retirement monitors the performance of the managers with the assistance of an external investment consultant. The following table sets forth the total return on investments in the portfolio for the fiscal years ended June 30, 1998 through June 30, 2004.

TABLE 13
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Results Based on Market Value

Year Ended June 30	Annualized Rates of Return[1]
1998	20.4%
1999	7.0
2000	8.4
2001	-1.5
2002	-4.1
2003	3.0
2004	16.6

Source: County of Fresno.
(1) Annualized rates of return shown are gross of annual fees.

Supplemental COLA Benefits. The Supplemental COLA benefit provides retirees with additional cost-of-living adjustments. The Supplemental COLA was adopted by the Board of Retirement on October 3, 1980 to provide additional benefits to retirees and beneficiaries whose purchasing power had fallen by 25% under Section 31874.3(a) of the Retirement Law. The Association is limited to providing cost-of-living increases to a maximum of 3% per year based on the Annual Consumer Price Index for All Urban consumers for the San Francisco-Oakland-San Jose area. Any excess inflation is accrued and used to increase the cost-of-living to 3% in any future year in which inflation is less than 3%. When the accrued excess inflation for cost-of-living adjustments for future years exceeds 25%, the retiree becomes eligible for the Supplemental COLA which is funded with undistributed earnings. Currently, only those retirees who retired prior to April 2, 1981 are eligible for Supplemental COLA.

The Retirement Law does not mandate that the Association provide any Supplemental COLA benefits. In addition, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain Supplemental COLA benefits. Therefore, the Association's payment of Supplemental COLA benefits is an unvested benefit which can be cancelled at any time and for any reason by the Association. The Board of Retirement has provided this benefit to all eligible recipients using available undistributed (excess) earnings. There can be no assurance that undistributed earnings will be available to provide a Supplemental COLA benefit in the future or that a Supplemental COLA benefit will be funded from other resources if undistributed earnings are not available for this purpose. The Board of Retirement recently approved the transfer of $5 million from the health benefit reserve to the Supplemental COLA reserve and to fund the Supplemental COLA benefit at the current level for those members receiving this benefit for the next three years.

The Board of Retirement had exclusive rights to determine how undistributed earnings were used prior to the adoption of the Ventura II Settlement Agreement in December 2000. However, under the Ventura II Settlement Agreement, additional costs associated with the benefits provided under the settlement are to be funded first from undistributed earnings to the extent any are available. See "-Transfers of Investment Earnings by the Association." The Supplemental COLA cannot be funded prior to the funding of the additional Health Benefit created by the Ventura II Settlement Agreement. There were no undistributed earnings available as of June 30, 2004.

The Actuarial Consultant has determined that approximately $1.85 million will be required to fund the Supplemental COLA for the period July 1, 2005 through June 30, 2006, at the current level. Approximately 565 retirees and beneficiaries currently receive Supplemental COLA totaling approximately $155,000 each month. Based on the actuarial valuation for the one year period ended June 30, 2004 and an analysis of the Association's available cash, it has been determined that the Association has sufficient reserves to continue to fund the Supplemental COLA at its current level through July 31, 2005.

Post-Retirement Healthcare Benefits. Currently, governmental agencies that are on a pay-as-you-go basis are not required to accrue for post-employment healthcare benefits in the same manner as they accrue for pension benefits. On January 30, 2004, the Governmental Accounting Standards Board ("GASB") published a proposed statement covering accounting and financial reporting by employers of post-employment benefits other than pensions. On June 21, 2004, GASB adopted the proposed statement with certain modifications (as modified, the "Statement"). The Statement requires substantially different financial accounting of any post-employment benefits that are provided separately from a pension plan, such as post-employment healthcare. The core requirement of the Statement is that at least biennially an actuarial analysis must be prepared with respect to projected benefits ("Plan Liabilities"); against this would be measured the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, then similar to the actuarial and accounting practices for pension plan liabilities, the difference would be amortized over a period which could be up to 30 years. The method of financial reporting for post-employment benefit costs would be similar to financial reporting for pension plan normal costs and unfunded actuarial accrued liability. The Statement seeks to associate the costs of the post-employment benefits with the periods in which the employee services are rendered in exchange for the post-employment benefits. The requirements that the Statement impose on the County only affect the County's financial statements and would not impose any requirements regarding the funding of any post-employment benefit plans.

As of June 30, 2004, approximately $74.5 million was on deposit in the Health Benefit Reserve and $34.1 million in the Health Benefit Reserve (Ventura Settlement), which is the portion provided under the

Ventura II Settlement Agreement. Both reserves are included in the annual valuation. The Health Benefit Reserve (Ventura Settlement) is included in the Employer's Settlement Contribution rate of the actuarial valuation. The County Board of Supervisors is expected to consider a recommendation from County staff in June 2005 to unblend the health insurance premium rates for active employees and retirees. The County presently does not have an estimate with respect to the costs to the County associated with the proposed unblending of the health insurance premium rates.

Employment Litigation

On March 27, 2001, *Ann Bennett et al. v. County of Fresno, et al.* was filed by four present and former employees and two employee organizations of the County. In contravention of presently existing payoff schedules, the plaintiffs sought to compel the payment to employees for the value of all accrued and unused annual leave (sick leave and vacation plan) hours remaining at termination of County employment. One of the two employee organizations agreed to dismiss this case as to itself and the employees it represents, in exchange for certain prospective changes in other aspects of the County's current employee vacation and sick leave plans. Recently, a proceeding on the merits was held and a statement of decision was issued to the effect that the plaintiffs, upon the submission of proof, were entitled to a peremptory writ of mandate directing the County to pay the cash value of the unused annual leave. However, because the court did not specify the nature of the required proof, both the County and the plaintiffs are currently seeking clarification of the decision. Although the County's potential liability resulting from this lawsuit cannot be determined at this time, the County anticipates that any liability it may have as a result of this case will not adversely affect the County's ability to pay principal of and interest on any of its obligations when due.

On June 25, 2003, *Lean et al. v. County of Fresno, et al.* was filed as a class action by retirees of the County seeking writs of mandamus to compel the County to pay employees and retirees for all accrued and unused annual leave hours remaining at the time of their separation from County employment. This case is a companion to the Bennett case. A hearing on the writ has been scheduled for December 2005. The County's potential liability resulting from this lawsuit cannot be determined at this time.

The County anticipates the filing of a third lawsuit relating to the payment to employees for the value of all accrued and unused annual leave hours remaining at termination of County employment by the Fresno Deputy Sheriff's Association. The lawsuit is expected to allege that the County's refusal to pay the full amount of the accrued annual leave is a violation of the collective bargaining agreement. The County's potential liability resulting from this lawsuit cannot be determined at this time.

Insurance

The County 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 County has established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss (the "Risk Management Fund"). The fund is also used to account for the unemployment benefits program and for employee medical coverage provided through contracts with various health maintenance organizations. The Risk Management Fund provides a combination of self-insurance and insurance purchased by the County to protect the County from losses due to general liability, medical malpractice, workers compensation, and property damage. The Risk Management Fund also provides insurance for medical, disability and life insurance benefits to employees. The County is not self-insured for health benefits.

Self-insured general liability coverage is provided up to a maximum of $750,000 per claim. Coverage above $750,000, up to a maximum amount of $5,000,000, is provided through a risk pool agreement with the California State Association of Counties Excess Insurance Authority (the "CSAC-EIA"). The risk pool is reinsured through commercial companies up to $15,000,000 per claim.

All-risk coverage of County property is provided by an all-risk policy up to a maximum of $600,000,000, which is subject to a $25,000 deductible. Any loss less than $25,000 is covered by the Risk Management Fund.

The County is self-insured for its medical malpractice exposure arising from providing medical services through its public and mental health services and the medical care rendered in its correctional institutions. Prior to October 7, 1996, the County operated an acute hospital. The medical staff and resident physicians were covered by the University of California at San Francisco. The non-physician staff were covered by the County's self-insurance plan. After that date, the operation of the hospital was contracted to a local private non-profit hospital. The medical malpractice exposure arising from County operation of the hospital will diminish over time as the claims arising from the hospital are closed. The County currently employs approximately 33 physicians and psychiatrists who provide medical services for the County's correctional facilities, mental health and public health programs. These physicians are covered by the County's self-insured medical malpractice program.

A self-insured workers compensation coverage is provided up to a maximum of $500,000 per claim. Coverage above $500,000 is provided by participation in a risk pool agreement with CSAC-EIA up to $5,000,000. The risk pool is reinsured through commercial companies up to $100,000,000.

Annual contributions are made by the County to the workers' compensation and general liability programs based upon actuarially recommended funding levels. The reserve for each program includes the estimated liability for claims filed against the County as well as the estimated amount of claims incurred but not reported, as computed by an independent actuary. Contributions to the fire and property, unemployment, medical malpractice, and out-of-area health programs are based on actual historical claim loss experience.

Settled claims for all programs have not exceeded the commercial coverage in any of the past three fiscal years. The claims liability of $46,113,000 reported in the Risk Management Fund at June 30, 2004 is based on the requirement that 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. Changes in the Risk Management Fund's claims liability amount in the last eight fiscal years were as follows:

TABLE 14
COUNTY OF FRESNO
RISK MANAGEMENT FUND CLAIMS LIABILITY
Fiscal Years 1996-97 through 2003-04
(in thousands)

Fiscal Year	Beginning of Fiscal-Year Liability	Current-Year Claims and Changes in Provision	Claim Payments	Balance at Fiscal Year-End
1996-97	$33,706	$ 2,916	$ (8,145)	$28,477
1997-98	28,477	2,807	(8,409)	22,875
1998-99	22,875	12,995	(7,205)	28,665
1999-00	28,665	10,851	(8,868)	30,648
2000-01	30,648	14,793	(11,538)	33,903
2001-02	33,903	19,528	(13,001)	40,430
2002-03	40,430	19,013	(14,286)	45,157
2003-04	45,157	16,481	(15,525)	46,113

Source: County of Fresno Comprehensive Annual Financial Report as of June 30, 2004.

Indebtedness

Short-Term Financing. The County has a cash management program for its General Fund through the issuance of tax and revenue anticipation notes. The notes provide cash flows to meet County General Fund expenditures during the period prior to the collection of property taxes. There are currently outstanding $80,000,000 aggregate principal amount of 2004-05 tax and revenue anticipation notes which mature on June 30, 2005. The County has made the deposits required to be made to date for these notes.

TABLE 15
COUNTY OF FRESNO
TAX AND REVENUE ANTICIPATION NOTES
Fiscal Years 1996-97 through 2004-05

Fiscal Year	Amount
1996-97	$60,000,000
1997-98	68,000,000
1998-99	85,000,000
1999-00	75,000,000
2000-01	75,000,000
2001-02	72,000,000
2002-03	55,000,000
2003-04	57,000,000
2004-05	80,000,000

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

Long Term Debt and Lease Obligations. A summary of long-term debt obligations payable from the County's General Fund is set forth below:

TABLE 16
COUNTY OF FRESNO
SUMMARY OF LONG-TERM DEBT OBLIGATIONS
PAYABLE FROM THE GENERAL FUND
As of June 30, 2005

	Interest Rates	Final Maturity Dates	Original Principal Amounts (in thousands)	Principal Amounts Outstanding (in thousands)
Fresno County Financing Authority Lease Revenue Bonds, Series 2004 (Juvenile Justice Campus)	2.00-4.40%	2024	$26,000	$26,000
Fresno County Financing Authority Lease Revenue Bonds, Series 2004B (Energy Savings Project)	2.25-4.00	2019	14,375	14,375
Fresno County Taxable Pension Obligation Bonds				
Series 1998	5.62-6.26	2008	$184,910[1]	$ 30,655
Refunding Series 2002	6.06-6.67	2018	117,055	117,055
Series 2004A	1.30-5.67[2]	2032	327,898	327,898
Series 2004B	Auction Rate	2033	75,000	75,000
Total			$745,238	$590,983

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.
(1) $96,905,000 of which were defeased and refunded with proceeds of the Taxable Pension Obligation Bonds Refunding Series 2002.
(2) Yields to maturity on the Series 2004A Capital Appreciation Bonds range from 5.365% to 5.67%.

The County has authorized the redemption of all of the outstanding $12,000,000 Solid Waste Revenue Bonds, Series 1995 (the "Solid Waste Bonds") issued by the Fresno County Financing Authority (the "Authority"). The Solid Waste Bonds are secured by special revenues in the County's Solid Waste Enterprise Fund. The final maturity of these bonds is May 15, 2014, and the interest rates thereon range from 3.9% to 5.75% per annum.

As of June 30, 2004, the County was the lessee under certain capital leases in effect with respect to and equipment used by the County. The following is a schedule by years of future minimum lease payments required by the County under capital leases, as of June 30, 2004:

TABLE 17
COUNTY OF FRESNO
MINIMUM CAPITAL LEASE PAYMENTS
(in thousands)
As of June 30, 2004

	Total Payments	Imputed Interest	Present Value of Net Minimum Lease Payments
Government Activities (Fiscal Year ended June 30)			
2005	$4,065	$451	$3,614
2006	2,442	192	2,250
2007	879	46	833
2008	158	4	154
Totals	$7,544	$693	$6,851
Busines-Type Activities (Fiscal Year ended June 30)			
2005	$ 19	$ 2	$ 17
Totals	$ 19	$ 2	$ 17
Grand Totals	$7,563	$695	$6,868

Source: County of Fresno Comprehensive Annual Financial Report as of June 30, 2004.

The County has never failed to pay any long term indebtedness or lease obligations as and when due.

Anticipated Financings. The County may issue lease revenue bonds in 2005 in the approximate amount of $46,500,000 to finance certain improvements to the new juvenile justice courthouse facility in the County.

Direct and Overlapping Debt

Direct and overlapping bonded indebtedness as of May 1, 2005 is shown in the following table compiled by California Municipal Statistics, Inc.

TABLE 18
COUNTY OF FRESNO
Estimated Direct and Overlapping Bonded Debt

FRESNO COUNTY

2004-05 Assessed Valuation:	$44,180,961,155	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	2,802,315,267	
Adjusted Assessed Valuation:	$41,378,645,888	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/05
Merced Community College District School Facilities Improvement District No. 2	3.209%	$ 154,513
State Center Community College District	83.021	33,872,568
West Hills Community College District	65.428	12,571,990
Central Unified School District	100.	40,530,337
Clovis Unified School District	100.	299,551,968
Fresno Unified School District	100.	220,658,742
Fresno Unified School District Lease Tax Obligations	100.	62,680,000
Kings Canyon Joint Unified School District	89.736	15,835,252
Sanger Unified School District	100.	20,740,000
Other Unified School Districts	Various	48,010,150
High School and School Districts	Various	18,708,106
City of Mendota	100.	97,000
Hospital Districts	100.	12,823,815
Other Special Districts	100.	1,156,000
City Community Facilities Districts	100.	23,495,000
1915 Act Bonds	100.	37,548,573
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$848,434,014
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Fresno County	**100. %**	**$ 40,375,000** (1)
Fresno County Pension Obligations	**100.**	**550,607,749**
Community College District General Fund Obligations	Various	43,159,008
Central Unified School District Certificates of Participation	100.	32,205,000
Clovis Unified School District General Fund Obligations	100.	45,370,000
Fresno Unified School District General Fund Obligations	100.	9,600,000
Sierra Unified School District Certificates of Participation	100.	10,460,000
Other School District General Fund Obligations	Various	28,137,783
City of Clovis General Fund Obligations	100.	19,685,000
City of Fresno General Fund and Judgment Obligations	100.	231,349,535
City of Fresno Pension Obligations	100.	198,420,000
Other City General Fund Obligations	100.	19,499,774
Hospital General Fund Obligations	Various	1,359,670
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$1,230,228,519
Less: Cities of Clovis and Kingsburg self-supporting obligations		3,666,500
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$1,226,562,019
GROSS COMBINED TOTAL DEBT		$2,078,662,533 (2)
NET COMBINED TOTAL DEBT		$2,074,996,033

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

Ratios to 2004-05 Assessed Valuation:
Total Overlapping Tax and Assessment Debt................................1.92%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($590,982,749) 1.43%
Gross Combined Total Debt...5.02%
Net Combined Total Debt 5.01%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: $4,975,235

General Fund Financial Statements

Except as noted below, the County's accounting policies and audited financial statements conform to generally accepted accounting principles and standards for public financial reporting established by the Governmental Accounting Standards Board ("GASB").

The County's basis of accounting for its governmental type funds and agency funds is the modified accrual basis with revenues being recorded when available and measurable and expenditures being recorded when services or goods are received and with all unpaid liabilities being accrued at year-end. The accrual basis of accounting is utilized in the Proprietary Funds and the Pension Trust Fund. All of the financial statements contained in this Official Statement, other than the General Fund Cash Flow Schedules, have been prepared as described above.

Funds and Accounting Groups accounted for by the County are categorized as follows:

Governmental Funds	Proprietary Funds	Fiduciary Funds
General Fund	Enterprise Funds	Trust and Agency Funds
Special Revenue Funds	Internal Service Funds	
Capital Projects Funds		

Account Groups

General Fixed Assets Account Group

General Long-Term Debt Account Group

The County has reclassified certain capital assets pursuant to the provisions of GASB Statement 34. The County evaluated the capital asset balances previously reported in its financial statements in the general fixed asset account group with respect to its capital management system. The beginning capital asset balances were restated in the Fiscal Year 2001-02 financial statements to properly reflect the balances in the capital asset management system. In addition, the County evaluated its agency funds and moved funds that did not meet the definition of agency fund under GASB Statement 34 to the general fund, nonmajor governmental funds and the investment trust fund. Some of the larger agency funds that are reported in the general fund for the Fiscal Year 2001-02 include Proposition 172, welfare advances, Proposition 36, supplemental law enforcement, inmates' welfare and various assessor designated monies. The agency funds that are now reported in the non-major governmental funds are restricted monies for debt service on the County's pension obligation bonds, library designated monies, and emergency medical services related fines and forfeitures. See Appendix C - "Fresno County General Purpose Financial Statements for the Fiscal Year Ended June 30, 2004" attached to the Official Statement.

County Investment Pool

The Fresno County Auditor-Controller/Treasurer-Tax Collector is responsible for the investment of all monies deposited into the County treasury. Amounts held in the treasury are invested in the Pooled Investment Fund of the County (the "County Investment Pool"), which invests in securities according to the Investment Policy of the County Auditor-Controller/Treasurer-Tax Collector (the "County Investment Policy") as authorized by Section 53601 of the Government Code of California (the "California Government Code"). From time to time bills are proposed in the State Legislature that would modify the currently authorized investments and place restrictions on the ability of local agencies to invest in various securities. Therefore, there can be no assurances that the current investments in the County Investment

Pool will not vary from the investments described herein or as may be authorized in the future by the California Government Code.

The Auditor-Controller/Treasurer-Tax Collector only invests in securities legally allowed by State law and authorized by the County Investment Policy. The objectives of the County Investment Policy, listed in priority order, include legality, safety, liquidity, return on investment, and local community reinvestment. The County Investment Policy stipulates a target average days-to-maturity of 550 days or less for securities in the County Investment Pool, that no single investment may have a maturity exceeding five years, and that at no time should current cash flow requirements be impaired. The County has established an investment oversight committee. The Auditor-Controller/Treasurer-Tax Collector provides the County Board of Supervisors with a monthly Investment Inventory Report and a monthly transactions report. In addition, the County has hired an independent consultant to perform quarterly compliance reports and a certified public accounting firm to perform independent annual audits of the County Investment Pool. The County believes that the County Investment Pool is prudently invested and that investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the County's expenditures and other scheduled withdrawals.

The County Investment Policy allows for purchase of a variety of securities with limitations as to exposure, maturity and rating, varying with each security type. The composition of the County Investment Pool will change over time as old investments mature and as new investments are made Since July 1, 1997, the County, in accordance with new GASB regulations, has not realized market value fluctuations for the investments in the County Investment Pool on its income statements but has disclosed gains. Although the market value of certain of the securities in the County Investment Pool are less than the County's net book value for those securities, the County does not anticipate that it will realize any losses with respect to such investments since the County intends to hold such investments until their maturity. However, unexpected withdrawals from the County Investment Pool could force the sale of some investments prior to maturity and lead to realization of losses with respect to those investments. Such unexpected withdrawals are considered unlikely by the County, based on historical withdrawal patterns relating to the County Investment Pool. The County Investment Pool represents monies entrusted to the Auditor-Controller/Treasurer-Tax Collector by the County of Fresno, schools and special districts within the County.

State law requires that all monies of the County, school districts, and certain special districts be held by the Auditor-Controller/Treasurer-Tax Collector. Approximately 15% of the amounts in the County Investment Pool at any time, exclusive of the amounts resulting from County short-term borrowing, are attributable to the County. Approximately 85% of the amounts in the County Investment Pool are attributable to depositors such as school districts, which are required by law to make deposits in the County Investment Pool. Monies deposited in the County Investment Pool by the participants represent an undivided interest in all assets and investments in the County Investment Pool based upon the amount deposited. All interest, income, gains and losses are distributed to the participants based upon their average daily balance.

As of March 31, 2005, County Investment Pool market-to-book value analysis indicated a 0.10% depreciation because of fluctuations in interest rates. The County determines the market value of its County Investment Pool quarterly but does not mark-to-market. Current liquidity in the County Investment Pool, consisting of cash, repurchase agreements, investments in mutual funds and investments in the Local Agency Investment Fund of the State ("LAIF") and cash equivalents, is approximately 5.72% as of March 31, 2005. The Treasurer calculates and apportions interest quarterly. The average days-to-maturity for the month ended March 31, 2005 was 393 days.

The following types of securities are held by the County Investment Pool: Bankers Acceptances, Certificates of Deposit, Commercial Paper, U.S. Treasurer Bills and Bonds, Federal Agency obligations, Medium Term Bonds ("Corporate Bonds"), Money Market Mutual Funds, Overnight Repurchase Agreements, LAIF, and Mortgage Backed Securities ("MBS"). Derivatives such as inverse-floating rate securities are not held in the County Investment Pool. The securities in the County Investment Pool are not exposed to leveraging with instruments such as reverse repurchase agreements.

As of March 31, 2005, approximately 17.9% of the County Investment Pool's portfolio was comprised of securities with a weighted average maturity of less than one month, 14.4% was invested in securities with maturities ranging from one to three months, 4.8% was invested in securities with maturities ranging from three to six months, 10.6% was invested in securities with maturities ranging from six months to one year and 52.3% was invested in securities with maturities over one year.

The Underwriters and the Financial Advisor have made no independent investigation of the investments in the County Investment Pool and have not assessed the current Investment Policy. The value of the various investments in the County Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County Investment Pool will not vary from the values described herein.

The following table reflects various information with respect to the Pool as of the close of business on March 31, 2005. As described above, a wide range of investments are authorized under State law. For additional information concerning County investments, see Appendix C – "Fresno County General Purpose Financial Statements for the Fiscal Year Ended June 30, 2004" attached to the Official Statement.

Information regarding the County Investment Pool as of March 31, 2005 are presented below:

TABLE 19
COUNTY OF FRESNO
Pooled Investment Fund of the County
As of March 31, 2005

	COST VALUE (IN MILLIONS)[1]	PERCENT OF TOTAL COST VALUE
INVESTMENTS		
U.S. Treasury Securities	$ 20,087	1.1%
U.S. Agency Securities	1,158,660	61.2
Commercial Paper	330,563	17.4
Repurchase Agreements	31,225	1.7
Corporate Notes	274,581	14.5
Mutual Funds	12,738	0.7
LAIF	10,000	0.5
Cash	54,587	2.9
		100.0%
TOTAL CASH AND INVESTMENTS[2]	$1,892,441	

Source: County of Fresno, Auditor-Controller/Treasurer-Tax Collector.

(1) Amounts may not total due to rounding. The County determines the market value of its County Investment Pool quarterly.

The Teeter Plan

The County has adopted the Teeter Plan, which is an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State (comprising Sections 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan," for distribution of certain property tax and assessment levies on the secured roll.

Pursuant to the Law, the County adopted Resolution No. 93-572 on October 12, 1993 adopting the Teeter Plan. Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within the County included in the Teeter Plan based on the tax levy, rather than based on actual tax collections, in advance of the date on which the County receives such tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided.

In addition, pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund is currently fully funded in accordance with the County's election to be governed by the first alternative in the amount of $4,413,221. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are available to be credited to the County's General Fund.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS

General

The County was established April 19, 1856 from parts of Tulare, Mariposa and Merced Counties. Later boundary adjustments took parts of the original Fresno County, adding them to Madera, San Benito and Kings Counties. Fresno County is located in the approximate center of the San Joaquin Valley, about equidistant between the San Francisco and Los Angeles metropolitan areas. The County covers 6,005 square miles, including 334 square miles of water. The County's population is approximately 862,600 as of June 30, 2004. The City of Fresno is the County seat.

The County is organized as a charter county under State law. The County charter was adopted on April 19, 1933. As required by State and federal mandate, the County is responsible at the local level for activities involving public welfare, health and justice (including jails) and for the maintenance of public records. The County also provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also operates recreational and cultural facilities serving both the incorporated and unincorporated areas of the County.

The County is governed by a five member Board of Supervisors. Supervisors are elected by district to serve four-year terms on a staggered basis. The County Counsel, County Administrative Officer and Execute Director of the Fresno In-Home Supportive Service ("IHSS") Public Authority, an entity organized to facilitate negotiations with local unions, are appointed by the Board of Supervisors and serve at the pleasure of the Board of Supervisors. The Administrative Officer is responsible for the operation and functioning of the County. The County's elected officials are the Assessor/Recorder, Auditor-

Controller/Treasurer-Tax Collector, County Clerk, District Attorney, Coroner-Public Administrator/Public Guardian and Sheriff.

Population

The County's population increased by 131,917 from 1990 to 2000. The population grew by 19.8% during the period from 1990 to 2000, and by more than 10% during the period from 1999 to 2004.

The following table shows population growth of the County between 1998 and 2004.

TABLE 20
COUNTY OF FRESNO
Population Estimates
1998 through 2004

Year	Population	Percent Increase
1998	777,600	0.9%
1999	785,000	1.0
2000*	799,407	1.8
2001	811,900	1.6
2002	827,300	1.9
2003	845,600	2.2
2004	862,600	2.0

Source: State of California Department of Finance Demographic Research Unit.
* Actual population pursuant to 2000 U.S. Census Count.

Major Employers

The County's economy has a strong agricultural base, though industry has been developing rapidly in recent years. There are numerous manufacturing firms located in the County producing many steel products, materials made from concrete and glass, canned foods, paper goods, and commercial and scientific equipment.

The following table presents the largest private sector employers in the County, their product or service and the number of their respective employees.

TABLE 21
FRESNO COUNTY
Major Private Sector Employers
2004[(1)]

Employer	Employment	Product/Services
Community Medical Centers	4,809	Health care corporation
Beverly Health Care	2,700	Nursing homes
Saint Agnes Medical Center	2,534	General acute care hospital
Kaiser Permanente Medical Center	1,800	Hospital
Pelco	1,700	Video Security Systems manufacturer
SBC	1,387	Telecommunications
Gottschalks	1,200	Retail department stores
Quinn Group, Inc.	1,100	Manufacturing
Zacky Farms, LLC	951	Poultry growing/processing
Sun-Maid Growers of California	600	Raisin and dried fruit processing
The Nelson Group	596	Automotive sales
The Fresno Bee	575	Daily newspaper
Sunrise Medical, Inc.	450	Wheelchairs/medical equipment
Guarantee Real Estate	379	Real estate sales
Geil Enterprises, Inc.	350	Security, janitorial and alarm company
The Vendo Company	350	Manufacturing
Producers Dairy Foods	340	Dairy products, fruit drink and water processor
London Properties, Ltd.	300	Real estate
Educational Employees Credit Union	295	Credit union
Turner Security Systems	271	Burglar/fire alarm monitoring

Source: The Business Journal – 2005 Book of Lists.
(1) Total employment reflects full-time employees in 2003.

The following table presents the largest public sector employers in the County, their product or service and the number of employees.

TABLE 22
FRESNO COUNTY
Major Public Sector Employers
2004[1]

Employer	Employment	Product/Services
Fresno Unified School District	7,418	Education (K-12)
County of Fresno	7,050	Local government
Clovis Unified School District	4,800	Public education
State Center Community College District	1,060	Higher education
Central Unified School District	1,023	School district
California State University, Fresno	1,621	Higher education
VA Central California Health Care System	710	Health care
Selma Unified School District	450	Education (pre-school - adult)

Source: The Business Journal – 2005 Book of Lists.
(1) Total employment reflects number of local full-time employees in 2003.

Industry Description

The largest industries in the County, in terms of the percentage of employment in each respective industry, are as follows:

TABLE 23
EMPLOYMENT BY INDUSTRY
COUNTY OF FRESNO
2004 Annual Averages

Industry	Percentage of County Employment
Government	20.0%
Agriculture	13.7
Educational and Health Services	10.7
Retail Trade	10.2
Manufacturing	8.3
Professional and Business Services	8.3
Leisure and Hospitality	7.2
Construction, Natural Resources and Mining	6.1
Finance, Insurance & Real Estate	4.2
Wholesale Trade	3.7
Transportation, Warehousing and Utilities	2.9

Source: State of California Employment Development Department.

Labor Force

In 2004, the County's labor force was 406,400, an increase of 7.8% from 1999. The unemployment rate in 2004 declined to 10.5% from 14.2% in 2003. The following table shows employment by industry group and labor force figures for the County as well as employment and the unemployment rate in the County from 1999 to 2004:

TABLE 24
FRESNO COUNTY
EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES
1999 through 2004
(in thousands)

Industry Wage and Salary Employment	1999	2000	2001	2002	2003	2004
Agriculture	56.3	55.6	48.7	46.6	46.2	45.3
Construction, Natural Resources and Mining	15.1	15.5	16.2	17.2	18.3	20.2
Manufacturing	27.2	27.6	27.2	26.9	27.1	27.4
Transportation, Warehousing and Utilities	8.7	9.1	9.2	9.4	9.6	9.7
Wholesale Trade	12.1	12.1	12.0	12.5	12.5	12.3
Retail Trade	31.2	32.1	32.6	32.9	33.8	33.9
Finance, Insurance and Real Estate	13.2	13.4	14.1	14.1	13.7	13.8
Professional, Business, Educational, Health, Leisure and Hospitality Services	77.8	80.4	80.5	83.9	84.9	86.9
Government	61.8	65.1	67.6	69.8	67.6	66.4
Total Wage and Salary Employment	318.4	326.2	324.6	329.2	328.8	331.1
Civilian Labor Force	377.0	389.0	384.0	395.0	399.0	406.4
Civilian Employment	326.0	333.0	331.0	338.0	342.3	363.7
Unemployment	51.0	56.0	53.2	57.0	57.0	42.7
Unemployment Rate	14.0%	14.4%	14.0%	14.4%	14.2%	10.5%

Source: State of California Employment Development Department.
Note: Columns may not add to totals due to rounding.

Personal Income

The following table summarizes the total effective buying income and the median household effective buying income for the County, the State and the United States between 1999 and 2003.

TABLE 25
PERSONAL INCOME
1999 through 2003
(in thousands)

Year and Area	Total Effective Buying Income	Median Household Effective Buying Income
1999		
Fresno County	$ 11,152,602	$28,392
California	590,376,663	39,492
United States	4,877,786,658	37,233
2000		
Fresno County	$ 12,180,990	$31,069
California	652,190,282	44,464
United States	5,230,824,904	39,129
2001		
Fresno County	$ 11,375,150	$30,535
California	650,521,407	43,532
United States	5,303,481,498	38,365
2002		
Fresno County	$ 10,537,593	$32,149
California	647,879,427	42,484
United States	5,340,682,818	38,035
2003		
Fresno County	$ 10,980,583	$32,564
California	647,721,020	42,924
United States	5,466,880,008	N/A

Source: Sales and Marketing Management Survey of Buying Power.

Commercial Activity

Commercial activity is an important contributor to Fresno County's economy. The following table shows a history of taxable sales in the County for 1999 through 2003.

TABLE 26
COUNTY OF FRESNO
Trade Outlets and Taxable Sales
1999 through 2003
(in thousands)

	1999	2000	2001	2002	2003[1]
Retail Stores:					
Apparel Stores	$ 188,452	$ 200,729	$ 213,158	$ 232,408	$ 243,329
General Merchandise	929,727	1,002,603	1,054,231	1,147,277	1,224,412
Specialty Stores	630,766	682,655	707,895	740,543	785,219
Eating & Drinking	553,710	597,307	633,672	680,561	725,137
Building Materials	380,526	405,528	452,627	500,506	573,101
Automotive	1,566,243	1,775,942	1,885,713	1,997,653	2,134,493
Other Retail	1,089,007	1,193,077	1,163,594	1,214,813	557,749
Total Retail Stores	$5,338,431	$5,857,841	$6,110,890	$6,513,761	$3,335,951
Business & Personal Services	$ 342,945	$ 346,718	339,460	$ 365,665	$ 389,093
All Other Outlets	2,089,908	2,267,496	2,142,225	2,159,299	2,305,048
Total All Outlets	$7,771,284	$8,472,055	$8,592,575	$9,038,725	$9,742,637

Source: California State Board of Equalization.

(1) Total includes food stores and household groups.

Construction Activity

The total valuation of building permits issued in the County amounted to $1,284,105 in 2003. The following table provides a building permit valuation summary for the County for 2000 through 2004.

TABLE 27
COUNTY OF FRESNO
Building Permit Valuations
2000 through 2004
(in thousands)

	2000	2001	2002	2003	2004
Valuations:					
Residential	$454,377	$595,930	$625,513	$932,004	$1,162,707
Nonresidential	322,726	251,909	314,157	358,106	310,352
Total	$777,103	$847,839	$939,670	$1,284,105	$1,473,059
New Dwelling Units:					
Single Family	2,988	3,558	3,605	4,479	5,380
Multiple Family	208	405	197	1,520	1,578
Total	3,196	3,963	3,802	5,999	6,958

Sources: Construction Industry Research Board.

Agricultural Production

The County's economy is based on agriculture, and the County for many years has led the nation in the value of annual agricultural production. The County's agricultural diversity is reflected by the fact that it is the number one County in dollar value of commercially produced crops in the State. Agriculture is a significant industry and a major employer in the County. Additional information regarding the State's agricultural production may be obtained on the California Department of Food and Agriculture's website, www.cdfa.ca.gov, which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Any information on such website is not incorporated by reference.

The City of Fresno is the major agri-business, crop processing and shipping center for the eight county San Joaquin Valley, which routinely accounts for about one-half of California's total agricultural production. Agricultural production for the County totaled $4,691,224,200 in 2004. The following tables provide an indication of the growth of Fresno County agriculture by gross production value over a twenty-one (21) year period and a six-year comparison of gross production value in Fresno County.

TABLE 28
FRESNO COUNTY
Gross Production Value of Agricultural Products
1984 through 2004

1984	$1,922,407,840	1995	$3,142,878,300
1985	2,054,060,400	1996	3,324,885,800
1986	2,125,721,200	1997	3,436,443,500
1987	2,264,044,000	1998	3,257,712,600
1988	2,444,732,600	1999	3,570,027,600
1989	2,607,648,800	2000	3,281,285,400
1990	2,949,484,000	2001	3,220,101,800
1991	2,552,305,040	2002	3,440,926,400
1992	2,635,447,400	2003	4,073,338,500
1993	3,022,311,100	2004	4,691,224,200
1994	3,084,870,800		

Source: Fresno County Agricultural Commissioner.

TABLE 29
FRESNO COUNTY
Comparison of Gross Production Value
1999 through 2004

CROPS	1999	2000	2001	2002	2003	2004
Field	$ 485,640,000	$ 507,952,000	$ 515,807,000	$ 514,089,000	$ 499,694,000	$594,728,000
Seed	43,332,000	60,916,000	42,880,000	61,005,000	37,423,000	18,972,000
Vegetable	882,648,000	791,607,000	737,992,000	865,452,000	1,226,164,000	1,273,871,000
Fruit & Nut	1,191,094,000	1,093,432,800	1,069,231,000	1,235,426,000	1,491,636,000	1,809,010,000
Nursery	32,530,600	28,904,600	32,013,900	32,406,000	32,724,700	35,067,000
Livestock	917,722 ,000	780,324,000	805,333,000	712,273,000	768,675,000	941,680,000
Apiary	10,874,000	9,209,000	9,798,900	11,179,400	11,063,800	11,603,200
Industrial	6,187,000	8,940,000	7,046,000	9,096,000	5,958,000	6,293,000
TOTAL	$3,570,027,600	$3,281,285,400	$3,220,101,800	$3,440,926,400	$4,073,338,500	$4,691,224,200

Source: Fresno County Agricultural Commissioner.

Transportation

Two major railroads, a modern system of highways and a growing airport complex have contributed to the industrial, commercial and residential growth of Fresno County. Santa Fe and Southern Pacific provide main line rail freight service to the area. Amtrak has passenger service daily. Fresno Air Terminal in the City of Fresno provides regularly scheduled passenger and freight service to major metropolitan centers in the nation. Fresno-Chandler Downtown Airport, also in the City of Fresno, can accommodate approximately 297 general aircraft with approximately 231 currently based at the facility.

Freeway 99 is a north-south artery that passes through the heart of Fresno County and the San Joaquin Valley, connecting many of the Valley's major cities. Interstate Highway 5 runs in a north-south direction through the western part of Fresno County and the San Joaquin Valley. Both Freeway 99 and Interstate Highway 5 are major north-south routes between Los Angeles, San Francisco and Sacramento. Freeway 41, Freeways 168 and 180 serve the Fresno metropolitan area and connect it to the eastern and western parts of the County. The deepwater Port of Stockton is located 122 miles north of Fresno on Freeway 99.

The expansion of Freeway 41 to improve access to the Children's Hospital of Central California directly north of the border between the County and Madera County and the expansion of Freeway 168 have been completed. It is anticipated that the expansion will have a major impact on the growth of the City of Fresno and the joint economic futures of the Counties of Fresno and Madera. Freeway 180 is being extended in both easterly and westerly directions within the County.

Port of Entry

The City of Fresno is an inland United States Port of Entry. At a port of entry, imported goods may be cleared locally by the Fresno Customs Director. This permits the importation of goods from foreign countries directly to the Fresno metropolitan area, permitting straight-through direct shipment from point of origin outside the United States to a final destination of Fresno.

Utilities

In the City of Fresno and throughout most of the County, electricity, natural gas, and telephone service are supplied by Pacific Gas and Electric Company and SBC California. Southern California Edison Co. also provided utility service in parts of the County. Other utilities servicing various geographical areas of the County are Verizon, Ponderosa Telephone Company, Continental Telephone Company and Southern California Gas Company.

Education

The largest public education systems in the County are the Fresno Unified School District and the Clovis Unified School District. The Fresno County Superintendent of Schools also maintains special schools at various locations in the County. There are also a variety of private schools in the County.

Post-secondary public instruction is available at five community colleges, which offer both academic and vocational courses in a two-year curriculum. Fresno City College, the oldest two-year college in California, is administered by the State Center Community College District, which also oversees Kings River College at Reedley. West Hills College in Coalinga is administered by the West Hills Community College District.

California State University Fresno occupies a 1,410 acre campus in north Fresno. In addition, Fresno Pacific University is central California's only private church-related senior college of the liberal arts and sciences. Undergraduate programs are offered in liberal arts, biblical and theological studies, teacher education, business administration, and community/social services. A Master's program in Education is also offered. Other private institutions located in Fresno County are the Mennonite Brethren Biblical Seminary, San Joaquin College of Law, and Alliant International University.

Community Services and Recreation

There are a total of eleven general hospitals in the cities of Fresno, Clovis, Coalinga, Kingsburg, Sanger and Selma. Complete medical, surgical, pediatric, and special services are available in the metropolitan area.

The Fresno County Library System maintains a Central Headquarters library in the City of Fresno and 35 branches in the County. The County System is supplemented by municipal libraries in various communities throughout the County.

The Fresno Bee is published daily in the City of Fresno. San Francisco and Los Angeles newspapers are available daily. There are numerous television and radio stations located in the Fresno area.

The City of Fresno operates 160-acre Roeding Park, which has the third largest zoo in California, and 240-acre Woodward Park. The City of Fresno operates three 18-hole golf courses, seven swimming pools, and a campground in the High Sierra. The County of Fresno has Kearney Park, adjacent to Fresno, and operates recreational areas at Lost Lake and Avocado Lake in the Sierra foothills.

The Fresno Arts Center, Philharmonic Orchestra, Community Theater, Civic Ballet Opera Company and several museums contribute to the cultural and social attractiveness of the Fresno metropolitan area. California State University Fresno, Fresno City College, Kings River College, and West Hills College regularly schedule special events.

The City of Fresno, focal point of routes leading to recreational areas on the western slopes of the Sierra Nevada, is less than two hour's drive from three national parks - Yosemite, Kings Canyon and Sequoia - and from the John Muir wilderness area, the largest wilderness area in California. Complete recreational facilities for boating, sailing, hunting, fishing, skiing, hiking, backpacking, camping and picnicking are available on the western slope of the Sierra Nevada. The foothills contain numerous lakes and reservoirs for water sports. Among these are Lake Millerton, Huntington Lake, Shaver Lake and the Pine Flat Reservoir. Snow skiing is available at Badger Pass, Sierra Summit and Wolverton Ski Bowl, all within or adjacent to the County. The valley and foothill areas of the County offer golfing and game bird and deer hunting.

The City of Fresno features various sports and recreational venues at Grizzlies Stadium and Save Mart Center. Grizzlies Stadium is the home of the Fresno Grizzlies, a minor league affiliate of the San Francisco Giants, and provides for special events and concerts. Located in downtown Fresno, the stadium contains 12,500 seats. Save Mart Center is a sports and entertainment complex and the home of the Fresno State Bulldogs basketball team. The center contains a 16,500 seat arena for basketball that can be expanded to 18,000 seats for special events.

Conventions and other special events are held at Selland Arena and Exhibit Hall. Selland Arena contains 11,300 seats and hosts many concerts and family shows. The arena was built in 1966 and has had more than ten million patrons attend its facilities. Exhibit Hall is a convention center that contains 67,000 square feet of uninterrupted exhibit space with an additional 10,000 square feet of available exhibit space in its first and second floor lobbies. The hall has hosted numerous events including tradeshows, conventions, conferences, political rallies, dinner banquets and wedding receptions.

APPENDIX B

FRESNO COUNTY
CASH FLOW STATEMENTS

COUNTY OF FRESNO
FY ACTUAL CASH FLOWS
2003-2004

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
BEGINNING CASH BALANCE	61,003,922	14,648,558	20,324,854	21,851,961	13,738,975	10,541,458
RECEIPTS:						
PROPERTY TAXES	807,332	4,114,274	37,147	25,079	7,355	22,871,944
OTHER TAXES	1,404,047	1,589,113	2,268,336	1,328,443	1,600,050	1,668,777
LICENSES, PERMITS AND FRANCHISES	611,191	360,344	393,510	356,157	395,229	299,155
FINES, FORFEITS, AND PENALTIES	501,451	537,298	487,237	433,398	450,525	347,982
USE OF MONEY AND PROPERTY	760,693	552,469	1,094,277	633,661	453,144	1,463,784
INTERGOVERNMENTAL REVENUES	33,479,589	23,558,016	47,713,468	66,912,473	43,156,185	49,903,339
CHARGES FOR SERVICES	8,161,466	11,376,589	9,879,602	9,454,762	6,215,921	8,215,304
OTHER REVENUES	10,148,135	4,589,976	4,739,151	7,574,588	6,422,330	8,677,859
INTRAFUND TRANSFERS	2,188,922	1,438,916	6,047,943	4,417,155	4,488,869	3,204,955
ADVANCE REPAYMENTS	0	0	0	0	0	411,446
TRANS PROCEEDS	0	24,965,142	11,983,332	12,340,107	6,152,911	1,558,509
DEBT SERVICE (POB)	1,021,321	538,163	675,203	682,714	673,779	1,037,472
TOTAL RECEIPTS	59,084,147	73,620,300	85,319,206	104,158,537	70,016,298	99,660,526
DISBURSEMENTS:						
SALARIES AND BENEFITS	45,920,645	30,348,506	30,506,224	63,919,157	27,506,196	43,393,573
SERVICES AND SUPPLIES	16,158,761	8,005,667	19,983,336	17,705,722	14,411,825	18,959,059
OTHER CHARGES(NET OF TRANS INT)	26,707,430	25,706,393	28,699,839	27,076,860	26,558,634	28,598,262
FIXED ASSETS	454,781	283,945	724,421	237,749	289,961	149,401
OTHER FINANCING USES	5,623,847	1,890,463	3,535,792	3,270,906	4,290,935	4,512,802
RESIDUAL EQUITY TRANSFERS	456,831	1,120,195	342,487	49,222	156,264	194,589
ADVANCES TO OTHER FUNDS	0	588,835	0	11,907	0	0
TRANS REPAYMENTS(INCL INT)	0	0	0	0	0	0
DEBT SERVICE (POB)	10,117,216	0	0	0	0	0
TOTAL DISBURSEMENTS	105,439,511	67,944,004	83,792,099	112,271,523	73,213,815	95,807,686
ENDING CASH BAL.	14,648,558	20,324,854	21,851,961	13,738,975	10,541,458	14,394,298

COUNTY OF FRESNO
FY ACTUAL CASH FLOWS
2003-2004

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE	14,394,298	43,154,027	31,073,116	42,960,352	48,912,419	36,746,789	61,003,922
RECEIPTS:							
PROPERTY TAXES	1,605,643	126,357	8,439,816	21,808,907	246,074	3,407,307	63,497,235
OTHER TAXES	1,334,284	3,295,328	3,163,309	1,555,178	4,727,893	3,579,214	27,513,972
LICENSES, PERMITS AND FRANCHISES	443,215	572,825	3,486,501	812,789	468,709	411,234	8,610,859
FINES, FORFEITS, AND PENALTIES	508,414	510,564	577,697	625,948	1,944,094	1,761,320	8,685,928
USE OF MONEY AND PROPERTY	534,419	457,266	794,986	515,279	623,427	911,453	8,794,858
INTERGOVERNMENTAL REVENUES	73,489,478	32,619,570	51,854,983	63,312,090	54,754,232	62,731,789	603,485,212
CHARGES FOR SERVICES	7,278,378	8,544,490	10,203,360	3,917,358	7,792,699	14,795,202	105,835,131
OTHER REVENUES	34,778,303	6,598,889	14,648,585	11,492,691	10,000,364	17,805,148	137,476,019
INTRAFUND TRANSFERS	3,403,497	5,316,489	3,318,326	5,667,473	2,775,970	4,455,567	46,724,082
ADVANCE REPAYMENTS	0	0	0	189,296	0	0	600,742
TRANS PROCEEDS	0	0	0	0	0	0	57,000,001
DEBT SERVICE (POB)	693,557	692,576	121,573	679,154	657,306	809,723	8,282,541
TOTAL RECEIPTS	124,069,188	58,734,354	96,609,136	110,576,163	83,990,768	110,667,957	1,076,506,580
DISBURSEMENTS:							
SALARIES AND BENEFITS	28,336,416	28,413,401	28,552,185	28,603,051	26,868,130	44,066,004	426,433,488
SERVICES AND SUPPLIES	18,006,431	14,443,453	17,173,104	18,281,112	14,803,618	19,876,948	197,809,036
OTHER CHARGES(NET OF TRANS INT)	26,736,362	25,919,380	30,572,839	32,411,143	27,981,366	23,097,024	330,065,532
FIXED ASSETS	238,637	493,319	853,890	974,846	657,594	469,989	5,828,533
OTHER FINANCING USES	4,677,797	1,366,318	6,983,038	1,365,287	7,603,894	6,827,506	51,948,585
RESIDUAL EQUITY TRANSFERS	213,976	179,394	586,844	188,657	4,963	560,986	4,054,408
ADVANCES TO OTHER FUNDS	(160)	0	0	0	0	10,001,743	10,602,325
TRANS REPAYMENTS(INCL INT)	17,100,000	0	0	22,800,000	18,236,833	0	58,136,833
DEBT SERVICE (POB)	0	0	0	0	0	0	10,117,216
TOTAL DISBURSEMENTS	95,309,459	70,815,265	84,721,900	104,624,096	96,156,398	104,900,200	1,094,995,956
ENDING CASH BAL.	43,154,027	31,073,116	42,960,352	48,912,419	36,746,789	42,514,546	42,514,546

COUNTY OF FRESNO
FY 2004-2005 CASH FLOWS
10 Months Actual - 2 Months Estimate

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
BEGINNING CASH BALANCE	42,514,546	9,553,344	11,040,945	13,424,899	27,487,965	12,766,396
RECEIPTS:						
PROPERTY TAXES	-	21,321	51,818	25,016	14,299	26,272,797
OTHER TAXES	1,520,849	1,883,245	2,082,154	2,819,930	1,116,818	31,059,973
LICENSES, PERMITS AND FRANCHISES	636,843	409,536	462,886	399,102	477,200	345,678
FINES, FORFEITS, AND PENALTIES	520,112	996,470	753,126	542,466	494,112	1,129,376
USE OF MONEY AND PROPERTY	1,705,677	322,500	984,038	383,632	1,429,355	539,181
INTERGOVERNMENTAL REVENUES	43,470,628	41,729,116	47,348,528	74,653,429	35,561,404	57,502,388
CHARGES FOR SERVICES	4,240,285	9,636,763	5,979,733	9,471,851	7,283,893	8,354,356
OTHER REVENUES	8,475,389	4,447,480	6,070,792	4,732,013	27,763,599	37,591,787
INTRAFUND TRANSFERS	2,560,940	1,688,161	2,975,299	4,916,212	2,886,707	5,653,408
ADVANCE REPAYMENTS	-	-	-	-	-	298,006
TRANS PROCEEDS	1,156,898	18,369,045	54,554,796	-	5,919,261	-
DEBT SERVICE (POB)	2,924,225	1,418,319	1,413,352	1,399,108	1,397,629	2,136,170
TOTAL RECEIPTS	67,211,846	80,921,956	122,676,522	99,342,759	84,344,277	170,883,120
DISBURSEMENTS:						
SALARIES AND BENEFITS	30,896,937	32,259,700	58,187,795	32,336,393	44,105,662	43,696,337
SERVICES AND SUPPLIES	17,268,590	20,129,493	16,887,500	18,403,372	17,368,549	15,683,732
OTHER CHARGES(NET OF TRANS INT)	29,005,473	21,062,472	39,304,596	29,068,224	26,997,749	30,713,782
FIXED ASSETS	942,150	325,098	442,645	649,553	996,353	1,332,992
OTHER FINANCING USES	1,131,400	5,639,990	5,458,855	4,775,151	9,436,896	19,000,000
RESIDUAL EQUITY TRANSFERS	227,585	17,602	11,177	35,119	160,637	-
ADVANCES TO OTHER FUNDS	286,125	-	-	11,881	-	-
TRANS REPAYMENTS(INCL INT)	-	-	-	-	-	-
DEBT SERVICE (POB)	20,414,788	-	-	-	-	-
TOTAL DISBURSEMENTS	100,173,048	79,434,355	120,292,568	85,279,693	99,065,846	110,426,843
ENDING CASH BAL.	9,553,344	11,040,945	13,424,899	27,487,965	12,766,396	73,222,673

COUNTY OF FRESNO
FY 2004-2005 CASH FLOWS
10 Months Actual - 2 Months Estimate

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE	73,222,673	66,134,928	42,890,623	45,558,101	76,713,780	55,604,729	42,514,546
RECEIPTS:							
PROPERTY TAXES	275,545	131,988	207,417	23,023,336	3,828,648	2,409,188	56,261,373
OTHER TAXES	1,206,787	2,422,125	926,330	36,931,614	1,444,088	2,410,947	85,824,860
LICENSES, PERMITS AND FRANCHISES	722,504	450,474	3,366,299	364,257	212,812	235,477	8,083,068
FINES, FORFEITS, AND PENALTIES	691,181	247,686	1,402,754	691,983	707,467	2,727,051	10,903,784
USE OF MONEY AND PROPERTY	685,903	243,739	400,298	1,775,776	234,707	427,711	9,132,517
INTERGOVERNMENTAL REVENUES	60,632,772	46,774,828	55,303,185	64,445,953	57,665,430	44,056,360	629,144,021
CHARGES FOR SERVICES	7,802,845	6,490,872	9,171,288	12,976,290	13,985,460	15,777,101	111,170,737
OTHER REVENUES	15,129,894	23,585,793	13,231,492	13,330,327	7,212,005	7,986,325	169,556,896
INTRAFUND TRANSFERS	3,943,390	2,090,808	3,662,948	4,005,870	7,434,720	10,204,516	52,022,979
ADVANCE REPAYMENTS	-	-	-	-	-	265,910	563,916
TRANS PROCEEDS	-	-	-	-	-	-	80,000,000
DEBT SERVICE (POB)	1,465,222	1,452,226	1,456,953	1,462,773	1,451,934	1,454,934	19,432,845
TOTAL RECEIPTS	92,556,043	83,890,539	89,128,964	159,008,178	94,177,271	87,955,520	1,232,096,995
DISBURSEMENTS:							
SALARIES AND BENEFITS	31,096,801	32,477,788	30,933,312	34,548,770	32,264,168	32,264,168	435,067,831
SERVICES AND SUPPLIES	22,697,350	15,348,323	18,534,737	20,930,282	20,643,631	24,094,436	227,989,995
OTHER CHARGES(NET OF TRANS INT)	27,581,974	25,840,410	31,053,838	32,450,971	27,847,066	28,863,545	349,790,100
FIXED ASSETS	661,456	700,019	538,262	676,407	800,000	800,000	8,864,935
OTHER FINANCING USES	17,288,044	8,740,767	5,389,522	7,246,069	7,337,941	2,639,547	94,084,182
RESIDUAL EQUITY TRANSFERS	62,039	17,751	11,815	-	183	1,039	544,947
ADVANCES TO OTHER FUNDS	256,124	9,786	-	-	-	10,663,799	11,227,715
TRANS REPAYMENTS(INCL INT)	-	24,000,000	-	32,000,000	26,393,333	-	82,393,333
DEBT SERVICE (POB)	-	-	-	-	-	-	20,414,788
TOTAL DISBURSEMENTS	99,643,788	107,134,844	86,461,486	127,852,499	115,286,322	99,326,534	1,230,377,826
ENDING CASH BAL.	66,134,928	42,890,623	45,558,101	76,713,780	55,604,729	44,233,715	44,233,715

COUNTY OF FRESNO
FY 2005-2006 CASH FLOWS
PROJECTED

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
BEGINNING CASH BALANCE	44,233,715	91,084,733	31,080,355	11,827,758	42,741,754	23,658,748
RECEIPTS:						
PROPERTY TAXES	-	22,186	53,920	7,805,448	14,879	27,279,775
OTHER TAXES	1,472,521	1,823,401	2,015,989	2,730,321	1,081,329	30,072,980
LICENSES, PERMITS AND FRANCHISES	722,692	464,743	525,285	452,903	541,529	392,277
FINES, FORFEITS, AND PENALTIES	481,363	922,231	697,017	502,051	457,300	1,045,236
USE OF MONEY AND PROPERTY	1,122,689	212,272	647,701	252,509	940,812	354,893
INTERGOVERNMENTAL REVENUES	45,418,160	43,598,626	49,469,794	77,997,984	37,154,594	60,078,558
CHARGES FOR SERVICES	4,380,889	9,956,310	6,178,016	9,785,930	7,525,421	8,631,379
OTHER REVENUES	13,291,277	9,432,931	10,987,907	9,705,486	13,567,355	5,356,390
INTRAFUND TRANSFERS	2,147,961	1,415,927	2,495,500	4,123,420	2,421,194	9,270,926
ADVANCE REPAYMENTS	-	-	-	-	-	-
TRANS PROCEEDS	91,279,755	-	-	-	-	-
DEBT SERVICE (POB)	2,182,401	1,454,934	1,454,934	1,454,934	1,454,934	2,182,401
TOTAL RECEIPTS	162,499,708	69,303,561	74,526,063	114,810,986	65,159,347	144,664,815
DISBURSEMENTS:						
SALARIES AND BENEFITS	46,329,681	82,421,721	30,886,454	30,886,454	30,886,454	46,329,681
SERVICES AND SUPPLIES	17,300,215	20,166,357	16,918,427	18,437,075	17,400,357	15,712,454
OTHER CHARGES(NET OF TRANS INT)	30,831,180	22,388,219	41,778,566	30,897,881	28,697,083	32,647,016
FIXED ASSETS	20,118	6,942	9,452	13,870	21,276	28,464
OTHER FINANCING USES	867,521	4,324,560	4,185,672	3,661,430	7,235,904	-
RESIDUAL EQUITY TRANSFERS	1,813	140	89	280	1,279	-
ADVANCES TO OTHER FUNDS	-	-	-	-	-	-
TRANS REPAYMENTS(INCL INT)	-	-	-	-	-	-
DEBT SERVICE (POB)	20,298,162	-	-	-	-	-
TOTAL DISBURSEMENTS	115,648,690	129,307,939	93,778,660	83,896,990	84,242,353	94,717,615
ENDING CASH BAL.	91,084,733	31,080,355	11,827,758	42,741,754	23,658,748	73,605,948

COUNTY OF FRESNO
FY 2005-2006 CASH FLOWS
PROJECTED

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE	73,605,948	71,424,334	48,738,666	57,173,557	90,110,632	63,719,361	44,233,715
RECEIPTS:							
PROPERTY TAXES	286,722	137,342	4,305,982	24,551,798	-	2,727,977	67,186,029
OTHER TAXES	1,168,439	2,345,157	896,894	35,758,037	1,398,199	2,334,334	83,097,601
LICENSES, PERMITS AND FRANCHISES	819,901	511,200	3,820,091	413,360	241,500	267,220	9,172,701
FINES, FORFEITS, AND PENALTIES	639,687	229,233	1,298,246	640,429	654,759	2,523,882	10,091,434
USE OF MONEY AND PROPERTY	451,466	160,431	263,479	1,168,828	154,486	281,523	6,011,089
INTERGOVERNMENTAL REVENUES	63,349,186	48,870,391	57,780,828	67,333,202	60,248,904	46,030,133	657,330,360
CHARGES FOR SERVICES	8,061,581	6,706,104	9,475,400	13,406,573	14,449,206	16,300,256	114,857,065
OTHER REVENUES	14,492,971	22,592,903	12,674,486	12,769,161	6,908,402	7,650,126	139,429,395
INTRAFUND TRANSFERS	3,307,476	1,753,643	3,072,258	3,359,880	5,564,800	7,887,936	46,820,921
ADVANCE REPAYMENTS	-	-	-	-	-	-	-
TRANS PROCEEDS	-	-	-	-	-	-	91,279,755
DEBT SERVICE (POB)	1,454,934	1,454,934	1,454,934	1,454,934	1,454,934	2,182,401	19,641,609
TOTAL RECEIPTS	94,032,363	84,761,338	95,042,598	160,856,202	91,075,190	88,185,788	1,244,917,959
DISBURSEMENTS:							
SALARIES AND BENEFITS	30,886,454	30,886,454	30,886,454	30,886,454	30,886,454	46,329,681	468,502,396
SERVICES AND SUPPLIES	22,738,917	15,376,431	18,568,680	20,968,613	20,681,437	24,138,560	228,407,523
OTHER CHARGES(NET OF TRANS INT)	29,318,081	27,466,897	33,008,476	34,493,550	29,599,859	30,680,319	371,807,127
FIXED ASSETS	14,124	14,948	11,494	14,444	82,217	82,219	319,568
OTHER FINANCING USES	13,255,907	6,702,135	4,132,509	5,556,049	5,626,493	2,023,919	57,572,099
RESIDUAL EQUITY TRANSFERS	494	141	94	17	1	8	4,356
ADVANCES TO OTHER FUNDS	-	-	-	-	-	10,700,000	10,700,000
TRANS REPAYMENTS(INCL INT)	-	27,000,000	-	36,000,000	30,590,000	-	93,590,000
DEBT SERVICE (POB)	-	-	-	-	-	-	20,298,162
TOTAL DISBURSEMENTS	96,213,977	107,447,006	86,607,707	127,919,127	117,466,461	113,954,706	1,251,201,231
ENDING CASH BAL.	71,424,334	48,738,666	57,173,557	90,110,632	63,719,361	37,950,443	37,950,443

APPENDIX C

FRESNO COUNTY
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2004

COUNTY OF FRESNO
STATE OF CALIFORNIA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended
June 30, 2004

Vicki Crow, C.P.A.
Auditor-Controller/Treasurer-Tax Collector

County of Fresno
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INTRODUCTORY SECTION

- Letter of Transmittal
- Certificate of Achievement – Government Finance Officers Association
- Organization Chart
- List of Principal Officials

County of Fresno
VICKI CROW, C.P.A.
AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR

February 15, 2005

The Honorable Board of Supervisors
County of Fresno
Fresno, California

Members of the Board:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of Fresno (County) for the fiscal year ended June 30, 2004. The CAFR was prepared by the Auditor-Controller/Treasurer-Tax Collector's Department, which is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the County as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

This is the third year the County has prepared the CAFR using the new financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This new GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). 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 report of the independent auditors.

Our CAFR is divided into three sections:

The Introductory Section includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, the County's organizational chart, and a list of principal officials.

The Financial Section is prepared in accordance with the GASB 34 requirements by including the MD&A, the Basic Financial Statements, including notes, and Required Supplemental Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the entire County's financial operations and the fund financial statements that present the financial information of the County's one major fund, as well as non-major governmental, fiduciary, and other funds. Next, combining and individual fund statements present each of the separate funds of the County. Schedules provide certain other information and details of information contained in the basic financial statements and their notes. Also, included in the beginning of this section is the Independent Auditor's Report on the basic financial statements and notes.

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The Statistical Section includes tables containing historical financial data, debt statistics, assessed values, and miscellaneous data regarding the County that may be of interest to the users. The data includes ten-year revenues by source and expenditures by function information for the General and Special Revenue Funds.

THE REPORTING ENTITY

The County was created from parts of Merced, Tulare and Mariposa counties in 1856. It is a political subdivision chartered by the State. The County's powers are exercised through an elected Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including public protection, road construction and public facilities maintenance, health and social services, elections and records, planning and tax collection.

The government reporting entity consists of the County (Primary Government) and its component units. This report includes all funds of the County and its related entities and their funds, as appropriate. For example, the Fresno County Employees' Retirement Association, a component unit, is reported as a Pension Trust Fund in the basic financial statements while the Friant Community Redevelopment Agency is reported as a Special Revenue Fund because the Board of Directors of the Redevelopment Agency is the Board. The Fresno County Financing Authority was formed to finance the disposal site bonds but now it is being used for a variety of other bond fundings.

The Investment Trust Fund includes numerous self-governed schools, special districts, and the Fresno County Transportation Authority, whose cash and investments are held by the County in its fiduciary capacity. The Agency Funds include several funds such as Property Tax Collection and Public Administrator-Guardian. The County's financial reporting of these entities is limited to reporting only the total cash and investments and the related liability of the County to disburse these monies on demand. The Discretely Presented Component Unit includes the Children and Family First Commission.

GENERAL OVERVIEW

The County is located in the approximate center of the San Joaquin Valley, about equidistant between the San Francisco and Los Angeles metropolitan areas. Fresno is the fifth largest county in the State in terms of area, covering 6,018 square miles including 334 square miles of water, and is the largest county in the San Joaquin Valley. There are 15 cities in the County with a total population of approximately 862,600 as of January 1, 2004. The City of Fresno, the County seat, voted an "All America City" in 2000, has approximately 456,100 residents, and is the sixth largest city in California.

Fresno County serves as a financial, trade, commercial and educational center for central California. The County is one of eight counties in the valley that routinely accounts for one-half of California's agricultural production. In addition to an extensive highway and road system, several motor freight carriers and a railway network, the County is also home to Fresno Yosemite International Airport, which provides both passenger and cargo services.

In 2003, the County remained the leading agricultural county in the state and nation. Total gross production in 2003 increased by 18% to $4 billion. While agriculture accounts for 14% of wage and salary employment, other important sources of employment are services 27%, government 21%, wholesale and retail trade 14% and manufacturing 8%. In recent years, agriculture jobs have declined due to increased efficiencies, farm consolidations and farm land retirements. Industrial growth has remained steady to the extent that there are now numerous manufacturing firms.

located in the County producing many items including steel, concrete and glass products, canned foods, paper and clothing goods, and commercial and scientific equipment. Commercial activity is also an important contributor to the County of Fresno's economy. Taxable sales in 2003 increased by 7.8% to over $9.7 billion.

Both external and internal forces will drive the County's economy during the coming years. External forces, which will support the economy, include the expanding foreign and U.S. markets for farm products and various outside buyers for manufactured goods ranging from apparel to video equipment. Internal factors propelling the economy involve continued population gains and reductions in the home mortgage interest rates which have helped home construction, wholesale and retail trade, and various business and personal service firms.

MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Year

The County's economy has continued to stabilize during the year with growth in both property and sales tax revenues. While, the County's chronic high unemployment rate continues to persist, the rate decreased by 1% over the last year to 12.5% in 2004.

The County is participating in the Fresno Regional Jobs Initiative (RJI), along with other governmental entities and organizations. The objective of the RJI is to generate long-term, sustainable economic development in the Fresno Region by diversifying the industrial and economic base of the area to combat chronic double-digit unemployment. One goal of the RJI is to create 30,000 additional jobs over the next five years.

The 2003-2004 Road Fund adopted budget totaled $57.3 million, which reflects a decrease of less than 1% from the prior year's adopted budget. The budget decrease was predominantly due to the State's continued funding reductions. Also, several projects were completed including a multi-year environmental process for the programming of construction for Academy Avenue and State Route 180 to Shaw Avenue. Preventative road maintenance activities and rehabilitation of the County's roads are the highest priorities. Approximately 75 miles of chip seal projects and 49 miles of asphalt concrete overlay projects were recommended.

Implementation of the Long-Range Capital Projects Plan continued in the fiscal year 2003-2004. The construction of the Juvenile Justice Campus project continues to progress as planned and is scheduled for completion in the next fiscal year. The funding for the Juvenile Justice Campus consists of $75.7 million from tobacco tax bond, a grant award of $24.1 million from the State Board of Corrections and $26 million from the issuance of Lease Revenue Bonds. The Juvenile Justice Campus is a state-of-the-art complex designed to house and rehabilitate juveniles.

In addition to the $26 million Lease Revenue Bonds issued February 18, 2004, the County issued $402 million in Pension Obligation Bonds (POB) on March 10, 2004. The POBs were issued to fund a portion of the Unfunded Accrued Actuarial Liability (UAAL). In addition to securing low interest rates (4.94% true interest cost), the issuance included a groundbreaking achievement in becoming the first POB to include a call feature on one of its fixed rate maturities. Additionally, the POB issuance included $75 million in auction rate bonds (variable interest rate bonds that can be retired early).

For the Future

By far the most pressing problem the County faces in the upcoming years is the continued deterioration of the State's fiscal budget. The State's adopted budget for fiscal year 2004-2005 is balanced in part by issuing Economic Relief Bonds and negotiating reduced funding to local governments of $1.3 billion. The State's budget continues to have a structural deficit of approximately $10 billion. The State adopted its budget on July 31, 2004. Fresno County has anticipated reduced state revenues in the 2004-2005 budget.

The 2004-2005 adopted budget was $45 million higher and added back approximately 50 positions of the 200 eliminated in the previous year. The increase in funding sources is generated by anticipated growth in sales tax revenue and property assessed values.

The County's Long Range Capital Projects Plan will continue in fiscal year 2004-2005 with the completion of the Juvenile Justice Campus project. Construction progress continues as planned and under budget. It is anticipated that the facility will be occupied in March 2006.

The Human Services System was restructured by eliminating the administrative division. These administrative services were reassigned to already existing County departments (personnel functions to Personnel, accounting and finance to Auditor/Controller-Treasurer-Tax Collector, etc.) and a number of top administrative positions were eliminated. The program specific functions (e.g. mental health) were decentralized to the appropriate health department. This reorganization resulted in a reduction of over $900,000 in costs

FINANCIAL INFORMATION

Management of the County is responsible for establishing and maintaining internal control designed to provide reasonable assurance that the assets of the County are protected from loss, theft or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the cost benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The County maintains budgetary controls with the objective of ensuring compliance with legal provisions embodied in the annual appropriated budget approved by the County's Board. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for capital improvements. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained on the object level for all budgetary units except for fixed assets which are controlled on the sub-object level.

Pension Trust Fund Operations

The County participates in and contributes to a defined benefit plan covering all full-time employees. Contributions are made to the Fresno County Employees' Retirement Association (FCERA) by both the County and employees as recommended by the actuary and approved by the Board of Retirement and the Board. The FCERA is reported as a Pension Trust Fund in these statements; however, a complete financial report is available from the FCERA.

Cash Management

There are primarily two separate pools of funds, subject to quite different cash management practices, based upon the uses for each. These are the Treasury Investment Pool (Pool) and the FCERA.

The Pool is comprised of all County and agency funds that are deposited in the County Treasury for operating purposes. A formal investment policy is administered by staff to ensure that investments satisfy legal guidelines, provide liquidity to meet the daily demands upon the Treasury, and provide the highest interest earnings within these constraints. A Treasury Oversight Committee is responsible for regulatory oversight. Investments authorized under this policy include U.S. Treasury and agency obligations, bankers' acceptances, commercial paper, certificates of deposit, repurchase agreements, medium-term notes, the State's Local Agency Investment Fund (LAIF), mutual funds, and mortgage-backed securities. The policy further restricts investments such that the average weighted maturity of the Pool cannot exceed 550 days or 1½ years.

During the year, the Pool earned an average yield of 2.00 percent. This compares favorably with the average yield of .96 percent for 90 day Treasury Bills but unfavorably with the Consumer Price Index of 3.26 percent. In this fiscal year, the General and Special Revenue Funds earned interest of $8,396,000 and $1,051,000, respectively.

The FCERA's Pension Trust Fund is governed by the Board of Retirement and asset management advisory firms administer investments. The Board has adopted an investment policy intended to provide sufficient benefits to plan participants within an investment structure that minimizes risk and maximizes investment return. Investments include common stocks, short-term corporate and government debt instruments, mortgage backed pass-through certificates and private market investments which includes real estate and alternative investments. For fiscal year 2003-2004, the return on these investments averaged 16.6%, with net investment income totaling $238,877,000.

Risk Management

The County maintains a comprehensive risk management program administered by a full-time professional risk manager and staff. The County is self-insured for workers' compensation, public liability, medical malpractice, unemployment and property damage. The County records estimated liabilities for such claims filed or expected to be filed for incidents that have occurred. The self-insurance for workers' compensation and public liability are supplemented with insurance policies. County officials believe that assets of the Risk Management Fund, together with funds to be provided in the future, will be adequate to meet all self-insured claims for workers' compensation, general liability, medical malpractice, unemployment and property damage claims as they come due.

Independent Audit

Since fiscal year 1975-76, the County has maintained a policy of requiring an annual audit by an independent Certified Public Accountant selected by the Audit Committee. The Audit Committee is comprised of two members of the Board, the County Administrative Officer, County Counsel, and the Chairman of the Department Heads Council. The accounting firm of M. Green and Company CPAs was selected by the Audit Committee to perform the 2003-2004 audit. The auditor's report on our current financial statements is included in the financial section of the CAFR.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2003. This was the twenty-fifth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County is required to publish an easily readable and efficiently organized CAFR that satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the Government Finance Officers Association to determine its eligibility for another certificate.

Acknowledgments

I wish to express my appreciation to the staff of the Auditor-Controller/Treasurer-Tax Collector's Office, whose hard work, professionalism and dedication are responsible for the timely preparation of this report, and to M. Green and Company for their professional assistance. Finally, I would like to thank the Board and members of the Audit Committee for their continued efforts in planning and conducting the County's financial operations in a responsible and progressive manner.

Respectfully submitted,

Vicki Crow

Vicki Crow, C.P.A.
Auditor-Controller/Treasurer-Tax Collector

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Fresno, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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

COUNTY OF FRESNO ORGANIZATIONAL CHART

BOARD OF SUPERVISORS

COUNTY COUNSEL

COUNTY ADMINISTRATIVE OFFICE

DEPARTMENTS WITH ELECTED DEPARTMENT HEADS

-ASSESSOR-RECORDER
-AUDITOR-CONTROLLER/ TREASURER-TAX COLLECTOR
-COUNTY CLERK/REGISTRAR OF VOTERS
-DISTRICT ATTORNEY
-CORONER/PUBLIC ADMINISTRATOR/ GUARDIAN
-SHERIFF

DEPARTMENTS WITH CAO APPOINTED DEPARTMENT HEADS

-AGRICULTURE
-INFORMATION TECHNOLOGY SERVICES
-COUNTY LIBRARY
-GENERAL SERVICES
-HUMAN SERVICES SYSTEM
-LOCAL AGENCY FORMATION COMMISSION
-PUBLIC DEFENDER
-PUBLIC WORKS
-PLANNING & RESOURCE MANAGEMENT
-VETERANS SERVICES

DEPARTMENTS WITH DEPARTMENT HEADS APPOINTED BY OTHER ENTITIES

-COOPERATIVE EXTENSION - UC
-PROBATION - JUDICIAL

County of Fresno
List of Principal Officials
June 30, 2004

ELECTED OFFICIALS

Board of Supervisors:	
Supervisor, District 1	Phil Larson
Supervisor, District 3	Juan Arambula
Supervisor, District 4	Judy Case
Supervisor, District 5	Bob Waterston
Chairman, District 2	Susan Anderson
Assessor-Recorder	Robert C. Werner
Auditor-Controller/Treasurer-Tax Collector	Vicki Crow, C.P.A.
County Clerk/Registrar of Voters	Victor E. Salazar
Coroner-Public Administrator/Guardian	Loralee Cervantes
District Attorney	Elizabeth Egan
Sheriff	Richard Pierce

APPOINTED OFFICIALS

County Administrative Officer	Bart Bohn
County Counsel	Phillip S. Cronin

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FINANCIAL SECTION

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Fianancial Statements
- Required Supplementary Information

M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Board of Supervisors
County of Fresno
Fresno, California

INDEPENDENT AUDITORS' 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 County of Fresno, California, (the County), as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fresno County Employees' Retirement Association (Agency), which represents 72% and 78% of the assets and additions of the Statement of Fiduciary Net Assets – Fiduciary Funds and the Statement of Changes in Fiduciary Net Assets – Fiduciary Funds, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Agency, is based solely on the report of the other auditors.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 County, as of June 30, 2004, and respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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E-mail: visalia@mgreencpas.com • Web Site: www.mgreencpas.com

The Management's Discussion and Analysis (MD&A) and the required supplementary information other than MD&A, are not a required part of the basic financial statements but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquires 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 County's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and statistical sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

M. Green and Company LLP

February 15, 2005
Visalia, California

Management's Discussion and Analysis

This section of the County of Fresno's (County) comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the 2003-2004 fiscal year by $66,564, which is referred to as net assets. A deficit of $440,303 in unrestricted net assets was incurred. The restricted net assets of $257,481 are limited for specific purposes, and $249,386 is invested in capital assets, net of related debt.

- The government's total net assets decreased by $498,014. Approximately 93.4% of this decrease is attributable to the transfer of pension obligation bond proceeds $398,193 to the Employees Retirement Association and a $77,015 prior period adjustment for the inclusion of the Tobacco Tax blended component unit during the fiscal year.

- As of June 30, 2004, the County governmental funds reported combined fund balances of $311,745, which is a decrease of $4,580 from last year's fund balance. 35.0% of the combined fund balances, $109,190, is available to meet the County's current and future needs (*unreserved fund balance)*.

- At the end of the fiscal year, unreserved fund balance for the general fund was $89,534, or approximately 10% of total general fund expenditures. This entire amount is budgeted to be spent in the next fiscal year.

- The County's total long-term debt increased significantly due to the issuance of $402,441 in pension obligation bonds, $89,994 tobacco tax bonds, and $25,830 in revenue lease bonds. This brings the total long-term debt to $781,322.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of the County finances, in a manner similar to a private-sector business. Therefore, the statements are reported using the accrual basis of accounting. Please refer to Note 2, section (B) on page 37 for further information on the accrual basis of accounting.

The *statement of net assets* presents information on all County 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 the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how 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 result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by intergovernmental revenues and property and sales taxes (*governmental activities)* from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities)*. The governmental activities of the County include general government; public protection; public ways and facilities; health, sanitation and public assistance; education and culture and recreation. The business-type activities of the County are the Fresno County Solid Waste Enterprise (Landfill) and the County Service Areas (CSAs).

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. Two examples of the County's blended component units are the Fresno County Financing Authority and the Fresno Employees' Retirement Association (FCERA). The Children and Families First Commission (the Commission) is reported as a discretely presented component unit because there is some financial accountability by the Commission to the Board.

The government-wide financial statements can he found on pages 12-13 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The fund financial statements are reported using the modified accrual basis of accounting, which was designed to reflect budgetary processes used by governments. See Note 2, section (B) on page 38, which explains the modified accrual basis of accounting. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

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 County's General Fund budgetary statement is presented immediately following the reconciliation of the changes in net assets to the changes in fund balances. The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is thus provided for the General Fund to demonstrate compliance with this budget.

The County reports thirteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for the special revenue funds' portion of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The debt service and capital projects funds are reported as non-major funds

The governmental funds financial statements can be found on pages 14-17 of this report

Proprietary funds are generally used to account for services provided by the County in which the revenues come from predominately different sources. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Landfill and CSAs operations whose revenues are from external user fees. Internal service funds are used to report activities that provide supplies and services for certain County programs and activities. The County uses internal service funds to account for its fleet, information technology, warehouse, central printing, risk management and communications functions. Therefore, substantially all of the revenues for the County's internal service funds come from other internal County departments. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail with the inclusion of cash flow statements. The Landfill and CSAs operations are considered to be major funds of the County. The County's six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary funds financial statements can be found on pages 28-31 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are **not** reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds except for agency funds.

The fiduciary fund financial statements can be found on pages 32-33 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 35-62 of this report.

Required Supplementary Information is presented for FCERA to present its progress in funding its obligation to provide pension benefits to County employees. Required supplementary information can be found on page 64 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds, internal service and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 68-99 of this report.

Infrastructure Assets

The County has fully implemented the initial infrastructure provisions of GASB Statement #34. The County is using the modified approach for the pavement subsystem of its roadway network. The County is in the process of determining the value of pavement infrastructure acquired before fiscal year 2001-02, which is not required until fiscal year 2005-06 under GASB Statement #34. In addition, the County is upgrading its pavement asset management system required under the modified approach and will have the necessary pavement condition index in fiscal year 2004-05. Therefore, information regarding the County's use of the modified approach is not included in the required supplementary information in this report. The costs incurred for unfinished pavement in fiscal 2003-04 has been capitalized as infrastructure in progress.

The remaining network of subsystems uses the straight-line depreciation method of reporting capital assets. The County capitalized and depreciated the value the bridges and right of way acquired during fiscal year 2003-04. Refer to the Capital Assets and Debt Administration section on page 10 for further information on the County's capitalization of infrastructure costs acquired during the fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This fiscal year is the third accounting period in which the County has applied Governmental Accounting Standards Board (GASB) Statement No. 34. The County has provided the prior period for purposes of providing the comparative data for the Management's Discussion and Analysis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $65,564 at the close of the most recent fiscal year.

Management's Discussion and Analysis (Continued)

Statement of Net Assets
June 30, 2004

	Governmental Activities		Business-type Activities		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Assets:						
Current and other assets	$ 507,392	$ 620,946	$ 117,470	$ 112,154	$ 624,862	$ 733,100
Capital assets	310,457	278,444	43,048	42,776	353,505	321,220
Total assets	$ 817,849	$ 899,390	$ 160,518	$ 154,930	$ 978,367	$ 1,054,320
Liabilities:						
Other liabilities	$ 128,614	$ 223,437	$ 1,867	$ 2,135	$ 130,481	$ 225,572
Long-term liabilities	748,355	231,267	32,967	32,903	781,322	264,170
Total liabilities	$ 876,969	$ 454,704	$ 34,834	$ 35,038	$ 911,803	$ 489,742
Net Assets:						
Invested in capital assets, net of related debt	$ 222,948	$ 193,715	$ 26,438	$ 24,927	$ 249,386	$ 218,642
Restricted	233,687	162,292	23,794	22,228	257,481	184,520
Unrestricted	(515,755)	88,679	75,452	72,737	(440,303)	161,416
Total net assets	$ (59,120)	$ 444,686	$ 125,684	$ 119,892	$ 66,564	$ 564,578

The largest portion of the County's net assets, $249,386, or nearly 428.1%, represents its investment in capital assets (e.g. land, land improvements, buildings, equipment, infrastructure and construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens and to internal county departments. Consequently, these assets are not available for future spending. Although the County'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.

Another portion of the County's net assets, $257,481, represents resources that are subject to external restrictions on how they may be used.

The remaining balance of the County's net assets is unrestricted net assets in the amount of ($440,303), arose from the County's issuance of debt including $402,441 in pension obligation bonds which was transferred to Retirement to meet funding requirements.

At the end of the current fiscal year, the overall County reported positive balances in two categories of net assets and one negative balance for net assets in the governmental activities. The negative balance is due to the issuance of debt. For business-type activities, the County reported positive balances in all three categories. The positive balances are due primarily to revenues exceeding expenses.

Management's Discussion and Analysis (Continued)

Governmental activities. Governmental activities decreased County's net assets by ($426,791), when compared to prior year, which accounts for the majority of the total decline in net assets of the County.

The following table indicates the changes in net assets for governmental and business-type activities:

Statement of Activities
For the Year Ended June 30, 2004

	Governmental Activities		Business-type Activities		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Revenues:						
Program revenues:						
Charges for services	$ 152,013	$ 133,621	$ 19,056	$ 17,205	$ 171,069	$ 150,826
Operating grants and cont.	466,445	493,916			466,445	493,916
Capital grants and cont.	4,565	3,247			4,565	3,247
General Revenues						
Property taxes	77,089	75,347			77,089	75,347
Sales taxes	148,203	136,737			148,203	136,737
Motor vehicle in lieu taxes	84,526	93,043			84,526	93,043
Other	(416,298)	21,531	(1,587)	934	(417,885)	22,465
Investment earnings	5,818	6,052	-	2,678	5,818	8,730
Miscellaneous	15,265	14,289			15,265	14,289
Total revenues	537,626	977,783	17,469	20,817	555,095	998,600
Expenses:						
General government	36,094	45,921			36,094	45,921
Public protection	223,953	238,428			223,953	238,428
Public ways and facilities	19,143	7,104			19,143	7,104
Health, sanit. & public assist.	636,898	613,313			636,898	613,313
Education	26,134	18,384			26,134	18,384
Culture and recreation	2,083	2,574			2,083	2,574
Interest on long-term debt	19,992	9,989			19,992	9,989
Landfill			8,639	9,304	8,639	9,304
County service areas, other			3,158	4,465	3,158	4,465
Total expenses	964,297	935,713	11,797	13,769	976,094	949,482
Change in net assets before extraordinary item:	(426,671)	42,070	5,672	7,048	(420,999)	49,118
Extraordinary item:						
Sale of tobacco bonds	-	75,723	-	-	-	75,723
Change in net assets before transfers	(426,671)	117,793	5,672	7,048	(420,999)	124,841
Transfers	(120)	(6)	120	6	-	-
Change in net assets	(426,791)	117,787	5,792	7,054	(420,999)	124,841
Net assets beginning of year	444,686	326,899	119,892	112,838	564,578	439,737
Prior Period Adjustment	(77,015)	-	-	-	(77,015)	-
Net assets end of year	$ (59,120)	$ 444,686	$ 125,684	$ 119,892	$ 66,564	$ 564,578

Management's Discussion and Analysis (Continued)

A significant portion of the decrease in net assets of ($426,791) relates to the bond proceed transfers of the pension obligation bonds. Another key element to keep in mind when analyzing the increase/decreases above is the application of the accrual basis of accounting for the County's governmental activities. Governmental activities budget and subsequently issue fund financial statements that reflect their budgeting practices under the modified accrual approach. Under this approach, capital asset purchases and debt principal payments are expensed. Further, revenues are accrued if measurable and available within the County's availability period established at 90 days. Conversely, the statement of changes in net assets is reported under the accrual basis of accounting, which capitalizes capital asset purchases, reduces liabilities by principal payments and recognizes revenues regardless if they are not available within the 90-day period. The effect of capitalizing capital asset purchases less overall depreciation and the write down of assets decreased net assets by $(5,447). See the reconciliation on page 17 which further explains the difference between changes in the County's fund balance under the modified accrual basis and the changes in net assets under the accrual basis of accounting.

Another key element of governmental activities is the inclusion of a blended component unit, the Tobacco Tax Revenue Corporation into the financial statements. This reduced the County's net assets by $77,015. The County sold its rights to the tobacco tax revenue stream to fund the Juvenile Justice Campus.

Expenditures for most functional categories funded by the County's general revenue reflected increases to parallel inflation and growth in the demand for services. Overall, expenditures for governmental activities decreased mainly due to an approximate $(398,193) transfer to retirement to fulfill funding obligations along with the write-down of fixed assets in the amount of $(33,257).

Business-type activities. Business-type activities increased the County's net assets by $5,792 or approximately 1.3% of the total decrease in net assets. The entire increase in net assets from business-type activities is attributable to the Landfill and it reflects the Landfill's improved operational efficiencies that allow it to increase the reserves for landfill expansion and potential closure/post closure costs. In addition, funds from reserves have been used to purchase equipment.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses ***fund accounting*** to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County'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.

At June 30, 2004, the County's governmental funds reported combined fund balances of $311,745, a decrease of $(4,580) in comparison with the prior fiscal year's balance of $316,325. Approximately 35% of the combined fund balances, or $109,190, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed: 1) to pay debt service - $42,860; 2) to reflect inventories and imprest cash balances that are long-term in nature and thus do not represent available spendable resources-$3,566; 3) to liquidate contractual commitments of the period-$127,291 and 4) to reflect HARP and CDBG loans receivable in which the County acts as a conduit for intergovernmental loans to entities within the County-$28,838.

The general fund is the chief operating fund of the County. At June 30, 2004, unreserved fund balance of the general fund was $89,534 while total fund balance decreased to $151,801. 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 10.0% of total fund expenditures less transfers, while total fund balance represents 17.0% of that same amount.

Revenues for governmental functions totaled $971,243 in fiscal year 2003-2004, which represents a decrease of .2% from fiscal year 2002-2003. State aid decreased by 5.2% and charges for services increased by 12.5%, along with a decrease in of 17.0% increase in fines and forfietures.

Expenditures for government functions totaled $1,009,240 in fiscal year 2003-2004, which represents an increase of 4.5% from fiscal year 2002-03. The largest increases occurred in capital outlays which increased by 116.3%, public ways and facilities which increased by 26.5% and education by 17.0%. The largest decrease (4.9%) was in the County's general government.

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

The Solid Waste Enterprise (Landfill) has $104,837 in net assets at June 30, 2004 and $20,859 for the CSAs. The Landfill's and CSAs unrestricted net assets amount to $70,469 and $4,995 or 56.1% and 4.0%, respectively of the total proprietary funds' net assets. Overall net assets increased by $6,627 for the Landfill despite a slight decrease in operating revenues of $1,420. The CSAs net assets decreased by $1,079 despite operating revenues increasing by $185.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in a $55,424 increase in appropriations and can be briefly summarized as follows:

- The major part of the increase, $26,747 can be attributed to increases in the Capital Improvements Budget. Of this amount $21,440 came from the issuance of Lease Revenue Bonds with the funding to be used to build the new Juvenile Justice Campus. Of the remaining differences, $3,000 was transferred from the Blue Hills Hazardous Waste Disposal Site Postclosure Activities to the Disposal Site Closure/Postclosure Activities for the closure of the Mendota Disposal Site. The remainder of the differences can be attributed to budgetary transfers of unexpended commitments from other capital projects.

- The Sheriff's Department budget increased by $7,038 during the 2003-2004 fiscal year. Of this increase, $5,115 was for the upgrade of the Computer Aided Dispatch (CAD), Records Management System (RMS), and the Corrections Management System (CMS). Additionally, $1,358 was for the second of three lease payments for the purchase of new patrol vehicles.

- The Employment and Temporary Assistance budget increased by $4,240. Of this increase, $3,498 was to add staff, support costs, additional computer equipment and software for the County's Medi-Cal program. An additional $411 was to fund the relocation of Employment and Temporary Assistance employees from their current building which was demolished as part of the Americans with Disabilities Act (ADA) improvement.

- The Dependent Child and Family budget increased by $4,700 as a result of a State approved cost-of-living adjustment in the Categorical Aid Budget-CalWORKs.

- The Department of Community Health's budget increased $2,246 for the purchase of equipment, training, planning, exercise and administrative needs of first responders as established by the State Office of Homeland Security.

- The County Clerk budget increased $1,481. Of this amount, $1,192 was to fund the State of California Special Election.

- The Facilities Services budget had an increase of $1,220 primarily for the replacement of furniture due to loss during a fire at one of their locations.

The majority of the overall increase in the County's appropriations was budgeted from grants and contributions from other governments. A small portion was budgeted from normal operating revenues and other financing sources.

During the year, actual revenues were less than budgetary estimates by $32,120. A majority of this amount, $26,009, represents budgeted other revenues. The remaining difference is predominately due to reduced intergovernmental revenues in the County's Human Service System and charges for services.

Actual expenditures were less than budgetary estimates by $58,420. This difference is attributable to below budget expenditures in general government, public protection and health, sanitation and public assistance. The County also appropriated $879 for contingencies and departmental reserves as part of the County reserve policy.

Management's Discussion and Analysis (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The County's investment in capital assets, net of related debt, for its governmental and business-type activities as of June 30, 2004, amounted to $249,386. This investment in capital assets includes infrastructure, infrastructure in progress, land, buildings and improvements, equipment and construction in progress. The total increase in the County's investment in capital assets for the current period was 9.1%.

Major capital asset events during the current fiscal year included the following:

- Construction in progress increased by $31,748 due mainly to the preliminary work done on the Juvenile Justice Campus. Transfers of completed projects of $883 reduced construction in progress and increased buildings and improvements.
- Infrastructure in progress of $33,938 was reported. Infrastructure in progress represents expenditures for reconstructed and overlayed roads, which are a part of the pavement subsystem of the County's road network.
- There were no significant sales of capital assets during the fiscal year.
- For government-wide financial statement presentation, all depreciable capital assets except land, infrastructure in progress and construction in progress, were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	% of Change
Infrastructure	$ 9,319	$ 9,312			$ 9,319	$ 9,312	0.1%
Infrastructure in progress	33,938	21,692			33,938	21,692	56.5%
Land	11,103	11,103	$ 26,810	$ 26,655	37,913	37,758	0.4%
Land improvements	11,128		3,522	2,221	14,650	2,221	559.6%
Building and improvements	200,592	179,097	19,529	20,239	220,121	199,336	10.4%
Equipment	167,355	207,549	19,022	18,253	186,377	225,802	-17.5%
Construction in progress	99,620	68,367	5,315	4,820	104,935	73,187	43.4%
Total	$ 533,055	$ 497,120	$ 74,198	$ 72,188	$ 607,253	$ 569,308	6.7%

Management's Discussion and Analysis (Continued)

Long-term debt

At June 30, 2004, the County had total long-term debt outstanding of $781,322, compared to $264,170 for the prior fiscal year. This amount was comprised of $546,064 of pension obligation bonds, $89,994 in tobacco tax bonds, $46,113 in liability for self-insurance, $33,393 in earned compensated absences, $42,789 in revenue bonds, $15,951 in landfill closure/post closure, $6,868 in capital lease obligations and $150 in estimated claims and judgements. Please refer to Note 9 on page 46 for further information on the County's long-term debt.

Economic Factors and Next Year's Budget and Rates

- The County currently faces a less than favorable economic environment from the market decline in some farm commodities such as raisins. Due to the County being heavily dependent on agriculture, it experiences chronically high unemployment, which puts pressure on the County to provide social and medical services.

- The County's general revenues, sometimes referred to as discretionary revenues, continue to experience little to no growth. At the same time, the portion of the County's budget that rely on these revenues continues to experience increased costs due to cost of living, medical insurance increases, workers compensation, and retirement.

- The State's fiscal crisis and increases in debt, has created a structural state budget deficit. The State has historically reduced city and county revenues in order to help balance their own budget. This budget crisis is expected to last at least two to three years, if not longer.

- Sales tax revenue is expected to increase due to an increase in consumer confidence caused by the growing economy.

- The state issuance of debt to solve the current budget crises may have an impact on County revenues in the future.

All of these factors were considered in preparing the County's budget for fiscal year 2004-05.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Auditor-Controller/Treasurer-Tax Collector, 2281 Tulare Street, Fresno, CA 93721.

Questions concerning any of the information provided in this report regarding the discretely presented component unit, Children and Families First Commission, or requests for additional information should be addressed to the Executive Director, 550 E. Shaw, Suite 215, Fresno, CA 93710.

County of Fresno
Statement of Net Assets
June 30, 2004
(amounts expressed in thousands)

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Children and Families Commission
ASSETS				
Cash and investments	$ 329,631	$ 71,893	$ 401,524	$ 46,486
Restricted cash and investments	5,170	42,247	47,417	-
Receivables				
Accounts (net of allowances for uncollectibles)	76,852	2,397	79,249	-
Taxes	32,556	-	32,556	-
Interest	1,343	512	1,855	24
Loans	28,838	-	28,838	-
Internal balances	201	(201)	-	-
Due from other governmental units	21,682	35	21,717	2,169
Inventories of supplies	4,134	9	4,143	-
Deposits and other assets	-	19	19	42
Deferred bond issuance charges	6,985	559	7,544	-
Capital assets (net of accumulated depreciation):				
Land	11,103	6,857	17,960	-
Land improvements	1,127	7,399	8,526	-
Building and improvements	93,147	12,679	105,826	-
Equipment	62,569	10,798	73,367	-
Construction in progress	99,620	5,315	104,935	-
Infrastructure	8,953	-	8,953	-
Infrastructure in progress	33,938	-	33,938	-
Total assets	817,849	160,518	978,367	48,721
LIABILITIES				
Warrants payable	36,176	-	36,176	-
Accounts payable	41,526	1,628	43,154	5,155
Salaries and benefits payable	13,729	38	13,767	35
Interest payable	5,424	-	5,424	-
Due to other governmental units	17,594	201	17,795	-
Deferred revenue	14,165	-	14,165	-
Noncurrent liabilities:				
Due within one year	37,971	1,146	39,117	-
Due beyond one year	710,384	31,821	742,205	-
Total liabilities	876,969	34,834	911,803	5,190
NET ASSETS				
Investment in capital assets, net of related debt	222,948	26,438	249,386	-
Restricted for :				
Public ways and facilities	39,252	23,794	63,046	-
Health, sanitation and public assistance	9,622	-	9,622	-
Education	23,034	-	23,034	-
Capital projects	111,641	-	111,641	-
Debt service	50,138	-	50,138	-
Unrestricted	(515,755)	75,452	(440,303)	43,531
Total net assets	$ (59,120)	$ 125,684	$ 66,564	$ 43,531

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

County of Fresno
Statement of Activities
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Function/Program								
Primary government:								
Governmental activities								
General government	$ 36,094	$ 26,813	$ 5,185	$ -	$ (4,096)	$ -	$ (4,096)	$ -
Public protection	223,953	58,726	30,258	300	(134,669)	-	(134,669)	-
Public ways and facilities	19,143	3,188	2,211	4,265	(9,479)	-	(9,479)	-
Health, sanitation, and public assistance	636,898	58,369	427,530	-	(150,999)	-	(150,999)	-
Education	26,134	4,221	1,261	-	(20,652)	-	(20,652)	-
Culture and recreation	2,083	696	-	-	(1,387)	-	(1,387)	-
Interest and fiscal charges	19,993	-	-	-	(19,992)	-	(19,992)	-
Total governmental activities	964,297	152,013	466,445	4,565	(341,274)	-	(341,274)	-
Business activities								
Water and sewer	3,158	3,049	-	-	-	(109)	(109)	-
Landfill	8,639	16,007	-	-	-	7,368	7,368	-
Total business-type activities	11,797	19,056	-	-	-	7,259	7,259	-
Total primary government	$ 976,094	$ 171,069	$ 466,445	$ 4,565	$ (341,274)	$ 7,259	$ (334,015)	$ -
Component Unit:								
Children and families commission	$ 18,738	$ -	$ 13,819	$ -	-	-	-	(4,919)
Total component units	$ 18,738	$ -	$ 13,819	$ -	-	-	-	(4,919)
General revenues								
Property tax					77,089	-	77,089	-
Sales tax					148,203	-	148,203	-
Franchise tax					4,224	-	4,224	-
Motor vehicle in-lieu taxes					84,526	-	84,526	-
Road use tax					13,810	-	13,810	-
Tobacco settlement proceeds					10,913	-	10,913	-
Other					1,455	(1,587)	(132)	-
Unrestricted investment earnings					5,818	-	5,818	1,320
Bond proceeds transfers					(398,193)	-	(398,193)	-
Gain on sales of fixed assets					15	-	15	-
Transfers in (out)					(120)	120	-	-
Total general revenues and transfers					(52,260)	(1,467)	(53,727)	1,320
Extraordinary item:								
Loss: fixed asset write-down					(33,257)	-	(33,257)	-
Change in net assets					(426,791)	5,792	(420,999)	(3,599)
Net assets - beginning					444,686	119,892	564,578	47,199
Prior period adjustment					(77,015)	-	(77,015)	(69)
Net assets - ending					$ (59,120)	$ 125,684	$ 66,564	$ 43,531

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

County of Fresno
Balance Sheet
Governmental Funds
June 30, 2004
(amounts expressed in thousands)

	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and investments	$ 125,671	$ 163,464	$ 289,135
Receivables:			
Accounts (net of allowance for uncollectibles)	54,273	12,898	67,171
Taxes	31,915	641	32,556
Interest	545	588	1,133
Loans	28,838	-	28,838
Due from other funds	12,937	1,453	14,390
Due from other governmental units	17,753	36	17,789
Inventory of supplies	2,187	1,086	3,273
Total assets	274,119	180,166	454,285
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	36,175	-	36,175
Accounts payable	21,716	8,601	30,317
Salaries and benefits payable	11,730	706	12,436
Due to other governmental units	17,594	117	17,711
Due to other funds	4,456	7,373	11,829
Deferred revenue	30,647	3,425	34,072
Total liabilities	122,318	20,222	142,540
Fund balances:			
Reserved for encumbrances	30,953	96,338	127,291
Reserve for imprest and postage funds	289	4	293
Reserved for inventory	2,187	1,086	3,273
Reserved for loans	28,838	-	28,838
Reserved for debt service	-	42,860	42,860
Unreserved, reported in:			
General fund	89,534	-	89,534
Special revenue funds	-	43,753	43,753
Capital projects funds	-	(24,097)	(24,097)
Total fund balances	151,801	159,944	311,745
Total liabilities and fund balances	$ 274,119	$ 180,166	$ 454,285

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

County of Fresno
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2004
(amounts expressed in thousands)

Fund balances - total governmental funds	$	311,745
Amounts reported for governmental activities of the net assets are different because:		
Capital assets not recorded in governmental fund types but recorded in government-wide statement to conform with GAAP requirements. This amount is net of internal service fund activity.		271,197
Bond issue costs are not financial resources and, therefore, are not reported in the funds.		6,985
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. This amount is net of internal service fund activity.		(695,683)
Unmatured interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due. This amount is net of internal service fund activity.		(6,561)
Because the focus of governmental funds is not short-term financing, some assets will not be available to pay current period expenditures. Those assets are offset by deferred revenues, and other assets and liabilities. This amount is net of internal service fund activity.		21,303
Internal service funds are used by management to charge the cost of fleet services, information systems, printing and mailing services, central warehouse, risk management and communications to individual funds. The assets and liabilities of the internal services funds are included in the statement of net assets.		31,894
Net assets of governmental activities	$	(59,120)

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

County of Fresno
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	General Fund	Other Governmental Funds	Total
REVENUES:			
Taxes	$ 78,467	$ 24,235	$ 102,702
Licenses and permits	8,617	205	8,822
Fines, forfeitures and penalties	8,520	1,357	9,877
Use of money and property	8,396	2,779	11,175
Aid from other governmental agencies:			
State	405,359	94,737	500,096
Federal	200,427	2,903	203,330
Other	3,508	-	3,508
Charges for current services	99,292	7,846	107,138
Other revenues	22,364	2,231	24,595
Total revenues	834,950	136,293	971,243
EXPENDITURES:			
General government	46,881	-	46,881
Public ways and facilities	-	47,623	47,623
Public protection	221,752	-	221,752
Public assistance, health and sanitation	622,546	2,680	625,226
Education	596	25,076	25,672
Culture and recreation	2,493	-	2,493
Capital outlay	-	27,528	27,528
Debt service:			
Principal	-	1,250	1,250
Interest	1,137	9,678	10,815
Total expenditures	895,405	113,835	1,009,240
Excess (deficiency) of revenues over (under) expenditures	(60,455)	22,458	(37,997)
OTHER FINANCING SOURCES (USES):			
Bond proceed transfers	-	(398,192)	(398,192)
Bon proceeds	-	423,461	423,461
Transfers in	126,774	65,894	192,668
Transfers out	(68,551)	(125,355)	(193,906)
Total other financing sources (uses)	58,223	(34,192)	24,031
Net change in fund balances	(2,232)	(11,734)	(13,966)
Fund balance - beginning	154,033	162,292	316,325
Prior period adjustment	-	9,386	9,386.00
Fund balance - ending	$ 151,801	159,944	$ 311,745

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

County of Fresno
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2004
(amounts expressed in thousands)

Net change in fund balances - total governmental funds	$ (13,966)
Amounts reported for governmental activities in the statement of activities are different because:	
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. This is the amount by which capital outlays exceeded depreciation in the current period. This amount is net of internal service fund activity.	65,153
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount is net of internal service fund activity.	5,870
Certain revenues that are deferred because they are not available within the County's 90 day availability period are recognized in the government-wide financial statements from the beginning of the fiscal year netted with the end of the fiscal year. This amount is net of internal service fund activity.	(17,980)
Bond issue costs and interest are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which the current year issuance costs and interest costs exceeded amortization expense and interest expense.	(3,094)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. This amount is net of internal service fund activity.	(423,461)
Internal service funds are used by management to charge the cost of fleet services, information systems, printing and mailing services, central warehouse, risk management and communications to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities.	(48,698)
Addition to net assets due to inclusion of tobacco tax funding corporation as additional blended component unit	9,385
Change in net assets of governmental activities	$ (426,791)

County of Fresno
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary balances, July 1	$ 86,389	$ 104,925	$ 119,765	$ 14,840
Resources (inflows):				
Taxes	71,299	71,299	79,135	7,836
Licenses and permits	6,941	6,979	8,666	1,687
Fines, forfeitures and penalties	9,605	10,166	9,127	(1,039)
Use of money and property	8,365	8,365	8,534	169
Aid from other governmental agencies:				
State	391,670	388,979	377,037	(11,942)
Federal	215,357	222,025	210,757	(11,268)
Other	3,455	3,886	3,620	(266)
Charges for current services	112,781	117,381	106,583	(10,798)
Other revenues	70,104	95,475	69,466	(26,009)
Transfers	113,559	115,469	120,133	4,664
Total resources	$ 1,089,525	$ 1,144,949	$ 1,112,823	$ (32,126)
Charges to appropriations (outflows):				
General government:				
Board of supervisors				
Salaries and benefits	$ 1,154	$ 1,113	$ 1,113	$ -
Services and supplies	282	278	191	87
Fixed Assets	-	32	32	-
Total	1,436	1,423	1,336	87
County administrative office				
Salaries and benefits	1,221	1,205	977	228
Services and supplies	154	154	139	15
Total	1,375	1,359	1,116	243
County administrative office - grants				
Salaries and benefits	126	126	126	-
Services and supplies	20	30	8	22
Total	146	156	134	22
County administrative office - economic development				
Salaries and benefits	361	361	358	3
Services and supplies	28	28	19	9
Total	389	389	377	12
General services				
Salaries and benefits	3,082	3,217	3,260	(43)
Services and supplies	480	517	482	35
Fixed assets	18	18	18	-
Residual equity transfers	-	-	2	(2)
Total	3,580	3,752	3,762	(10)

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

County of Fresno
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Facility Services				
Salaries and benefits	7,122	7,082	6,839	243
Services and supplies	12,485	12,441	12,140	301
Fixed assets	205	1,509	1,475	34
Residual equity transfers	9	9	9	-
Total	19,821	21,041	20,463	578
Auditor-controller/treasurer-tax collector				
Salaries and benefits	6,030	5,985	5,524	461
Services and supplies	5,666	5,652	5,323	329
Fixed assets	4	4	4	-
Residual equity transfers	90	90	90	-
Total	11,790	11,731	10,941	790
Assessor-recorder				
Salaries and benefits	9,433	9,433	9,043	390
Services and supplies	2,031	2,066	1,985	81
Fixed Assets	95	95	95	-
Residual equity transfers	38	38	16	22
Total	11,597	11,632	11,139	493
Purchasing				
Salaries and benefits	699	699	702	(3)
Services and supplies	110	110	105	5
Total	809	809	807	2
County counsel				
Salaries and benefits	3,595	3,575	3,486	89
Services and supplies	333	508	440	68
Total	3,928	4,083	3,926	157
Personnel management division				
Salaries and benefits	1,842	2,023	1,813	210
Services and supplies	1,363	1,601	860	741
Total	3,205	3,624	2,673	951
Capital improvements				
Services and supplies	2,869	3,388	3,017	371
Fixed assets	4,068	8,580	4,493	4,087
Operating transfers	-	21,716	21,716	-
Total	6,937	33,684	29,226	4,458
Capital improvements - grants				
Fixed assets	5,245	5,645	4,347	1,298
Operating transfers	24,120	24,120	24,120	-
Total	29,365	29,765	28,467	1,298

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

County of Fresno
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Advertising county resources				
Other charges	423	433	433	-
Total	423	433	433	-
Miscellaneous expenditures				
Services and supplies	2,159	1,974	1,974	-
Other charges	2,386	3,917	3,917	-
Operating transfers	923	923	923	-
Expenditures Total	5,468	6,814	6,814	-
Total general government	100,269	130,695	121,614	9,081
Public protection:				
Court ancillary services				
Services and supplies	647	647	647	-
Other charges	18,875	19,278	17,266	2,012
Total	19,522	19,925	17,913	2,012
County clerk-recorder				
Salaries and benefits	1,670	1,929	1,828	101
Services and supplies	2,366	3,588	2,591	997
Fixed assets	21	21	19	2
Residual equity transfer	55	55	10	45
Total	4,112	5,593	4,448	1,145
District attorney				
Salaries and benefits	15,922	15,872	15,036	836
Services and supplies	2,604	2,728	2,602	126
Fixed assets	-	8	7	1
Total	18,526	18,608	17,645	963
District attorney - grants				
Salaries and benefits	2,123	2,457	2,110	347
Services and supplies	589	635	381	254
Fixed assets	-	27	17	10
Total	2,712	3,119	2,508	611
District attorney - special remedies				
Salaries and benefits	3,062	3,070	2,731	339
Services and supplies	901	893	569	324
Other charges	152	152	135	17
Total	4,115	4,115	3,435	680

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

County of Fresno
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Grand jury				
Services and supplies	59	59	48	11
Total	59	59	48	11
Alternate indegent defense				
Services and supplies	3,184	3,184	3,184	-
Total	3,184	3,184	3,184	-
Public defender				
Salaries and benefits	8,651	8,486	8,382	104
Services and supplies	705	772	668	104
Fixed Assets	13	39	39	-
Residual equity transfers	1	1	1	-
Total	9,370	9,298	9,090	208
Sheriff				
Salaries and benefits	40,019	40,638	40,494	144
Services and supplies	12,295	10,926	8,650	2,276
Other charges	-	1,358	1,358	-
Fixed assets	67	6,497	6,435	62
Residual equity transfers	93	93	-	93
Total	52,474	59,512	56,937	2,575
Sheriff - grants				
Salaries and benefits	15,502	15,061	13,538	1,523
Services and supplies	4,826	4,594	2,631	1,963
Other charges	164	164	22	142
Fixed assets	652	2,314	2,252	62
Residual equity transfers	707	707	9	698
Total	21,851	22,840	18,452	4,388
Detention facility				
Salaries and benefits	32,985	33,346	33,852	(506)
Services and supplies	6,565	6,573	6,540	33
Other charges	10	10	2	8
Fixed assets	5	5	-	5
Residual equity transfers	32	32	-	32
Total	39,597	39,966	40,394	(428)
Probation				
Salaries and benefits	14,666	14,873	14,735	138
Services and supplies	8,389	8,401	7,979	422
Other charges	3,517	3,517	3,362	155
Fixed assets	2	2	2	-
Residual equity transfers	6	25	23	2
Total	26,580	26,818	26,101	717

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

County of Fresno
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Probation - grants				
Salaries and benefits	1,140	1,140	1,058	82
Services and supplies	382	382	203	179
Fixed assets	4	4	4	-
Residual equity transfers	-	21	-	21
Grants Total	1,526	1,547	1,265	282
Probation - juvenile hall				
Salaries and benefits	14,049	14,049	13,996	53
Services and supplies	2,844	2,844	2,471	373
Residual equity transfers	3	3	3	-
Total	16,896	16,896	16,470	426
Probation - juvenile camp				
Salaries and benefits	4,723	4,723	4,706	17
Services and supplies	1,653	1,653	1,280	373
Total	6,376	6,376	5,986	390
Department of agriculture				
Salaries and benefits	6,487	6,577	6,255	322
Services and bupplies	1,562	1,618	1,538	80
Fixed assets	12	57	34	23
Residual equity transfers	-	1	1	-
Total	8,061	8,253	7,828	425
Public administrator - coroner				
Salaries and benefits	2,648	2,639	2,622	17
Services and supplies	877	898	853	45
Fixed assets	11	107	107	-
Residual equity transfers	1	7	7	-
Total	3,537	3,651	3,589	62
Public works and development services				
Salaries and benefits	9,937	9,949	9,706	243
Services and supplies	4,032	4,156	3,706	450
Other charges	33	33	5	28
Fixed Assets	31	31	29	2
Operating transfers	4,768	4,768	3,939	829
Residual equity transfers	33	33	28	5
Total	18,834	18,970	17,413	1,557
Local agency formation committee - support				
Salaries and benefits	238	238	207	31
Other charges	110	110	110	-
Total	348	348	317	31

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

County of Fresno
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Transit services				
Services and supplies	2,109	2,324	2,234	90
Services Total	2,109	2,324	2,234	90
Total public protection	259,789	271,402	255,257	16,145
Public assistance, health and sanitation:				
Child Support				
Salaries and benefits	17,633	17,697	17,242	455
Services and supplies	5,734	5,741	5,091	650
Fixed assets	105	201	188	13
Total	23,472	23,639	22,521	1,118
County medical services				
Services and supplies	16,869	16,869	16,869	-
Other charges	415	415	298	117
Operating transfers	47,455	47,455	47,437	18
Total	64,739	64,739	64,604	135
Public works - grants				
Services and supplies	6,955	7,655	2,319	5,336
Other charges	380	380	78	302
Fixed assets	13	13	-	13
Total	7,348	8,048	2,397	5,651
Human services administration				
Salaries and benefits	11,976	11,487	10,636	851
Services and supplies	6,473	6,537	5,782	755
Fixed assets	-	29	25	4
Residual equity transfers	80	81	5	76
Total	18,529	18,134	16,448	1,686
Mental health managed care				
Salaries and benefits	2,083	2,083	1,986	97
Services and supplies	11,210	11,135	10,361	774
Other charges	250	325	321	4
Total	13,543	13,543	12,668	875
Substance abuse services				
Salaries and benefits	1,507	1,507	1,299	208
Services and supplies	18,865	18,909	15,523	3,386
Other charges	427	427	373	54
Total	20,799	20,843	17,195	3,648

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

County of Fresno
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Community based organizations				
Salaries and benefits	316	348	334	14
Services and supplies	2,921	3,064	2,443	621
Other charges	100	85	67	18
Total	3,337	3,497	2,844	653
Employment and temporary assistance				
Salaries and benefits	56,904	58,820	57,815	1,005
Services and supplies	26,954	29,067	28,039	1,028
Other charges	49,954	49,277	43,914	5,363
Fixed assets	45	45	40	5
Residual equity transfers	3,793	4,681	4,655	26
Total	137,650	141,890	134,463	7,427
Community health				
Salaries and benefits	40,350	40,451	38,941	1,510
Services and supplies	18,026	19,936	15,612	4,324
Other charges	1,614	1,557	1,557	-
Fixed assets	230	467	419	48
Residual equity transfers	150	205	144	61
Total	60,370	62,616	56,673	5,943
Adult services				
Salaries and benefits	40,484	38,549	38,617	(68)
Services and supplies	22,952	27,278	27,256	22
Other charges	4,663	3,571	3,571	-
Fixed assets	30	30	30	-
Residual equity transfers	76	83	43	40
Total	68,205	69,511	69,517	(6)
Environmental health				
Salaries and benefits	40,951	39,329	39,742	(413)
Services and supplies	8,693	10,239	10,238	1
Other charges	8,213	8,621	8,621	-
Fixed assets	21	21	19	2
Residual equity transfers	57	57	51	6
Total	57,935	58,267	58,671	(404)
Valley medical center transition				
Services and supplies	400	400	356	44
Total	400	400	356	44
Social services dependent children - family group				
Other charges	102,147	144,243	144,194	49
Total	102,147	144,243	144,194	49

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

County of Fresno
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Social services dependent children unemployed parent				
Other charges	37,396	-	-	-
Total	37,396	-	-	-
Social services foster care				
Other charges	56,240	56,240	56,210	30
Total	56,240	56,240	56,210	30
Social services adoptions				
Other charges	11,661	11,661	11,176	485
Total	11,661	11,661	11,176	485
Social services in home support services				
Other charges	25,442	25,442	25,442	-
Total	25,442	25,442	25,442	-
Social services refugees				
Other charges	102	102	73	29
Total	102	102	73	29
Social services general relief				
Other charges	4,201	4,201	3,630	571
Total	4,201	4,201	3,630	571
Veteran's service office				
Salaries and benefits	206	206	198	8
Services and supplies	17	17	17	-
Total	223	223	215	8
Community development block grant				
Salaries and benefits	1,504	1,504	1,326	178
Services and supplies	2,276	2,276	1,557	719
Other charges	7,320	7,320	4,084	3,236
Fixed assets	12	12	-	12
Total	11,112	11,112	6,967	4,145
Total public assistance, health and sanitation	724,851	738,351	706,264	32,087

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

County of Fresno
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Education:				
Fresno county - librarian				
Salaries and benefits	177	184	153	31
Services and supplies	3	3	3	-
Operating transfers	102	102	102	-
Total	282	289	258	31
Farm and home advisors				
Salaries and benefits	314	314	293	21
Services and supplies	169	169	167	2
Residual equity transfers	1	1	1	-
Total	484	484	461	23
Total education	766	773	719	54
Cultural and recreation:				
Parks and recreation				
Salaries and benefits	1,784	1,780	1,653	127
Services and supplies	1,065	1,065	1,018	47
Other charges	1	1	1	-
Fixed assets	-	3	3	-
Total	2,850	2,849	2,675	174
Total cultural and recreation	2,850	2,849	2,675	174
Contigencies	1,000	879	-	(879)
Total charges to appropriations	1,089,525	1,144,949	1,086,529	56,662
Budgetary fund balance	$ -	$ -	$ 26,294	$ (88,788)

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

County of Fresno
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

Explanation of differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule not including fund balance	$ 993,058
Differences - budget to GAAP:	
Transfers from other funds inflows of budgetary resources but are not revenues for financial reporting purposes	(126,774)
Receipts from sub-funds reclassified from County Agency Funds, not budgeted	23,506
Modified accrual basis of accounting to budgetary basis of accounting	(54,840)
Total revenue reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	$ 834,950
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary schedule not including fund balance	$ 1,086,529
Differences - budget to GAAP:	
Transfers to other funds inflows of budgetary resources but are not expenditures for financial reporting purposes	(68,551)
Encumbrances for purchases ordered prior to the close of fiscal year but not received until the next fiscal year	(80,175)
Receipts from sub-funds reclassified from County Agency Funds, not budgeted	1,385
Modified accrual basis of accounting to budgetary basis of accounting	(43,783)
Total expenditures reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	$ 895,405

County of Fresno
Statement of Net Assets
Proprietary Funds
June 30, 2004
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Enterprise	County Service Areas, Other	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	$ 66,673	$ 5,220	$ 71,893	$ 40,496
Restricted cash and investments	40,687	1,560	42,247	5,170
Accounts receivable (net of allowances for uncollectibles)	2,208	201	2,409	9,679
Interest receivable	486	26	512	255
Due from other funds	32	3	35	5,246
Inventory of supplies	9	-	9	861
Deferred bond issuance costs	329	230	559	-
Other assets	-	19	19	37
Total current assets	110,424	7,259	117,683	61,744
Noncurrent assets:				
Capital assets:				
Nondepreciable:				
Land	6,259	598	6,857	406
Construction in progress	5,159	156	5,315	100
Depreciable:				
Land improvements	19,953	3,522	23,475	-
Buildings	1,944	17,585	19,529	3,201
Equipment	10,067	8,955	19,022	103,776
Less accumulated depreciation	(20,164)	(10,986)	(31,150)	(68,223)
Total noncurrent assets	23,218	19,830	43,048	39,260
Total assets	$ 133,642	$ 27,089	$ 160,731	$ 101,004
LIABILITIES				
Current liabilities:				
Accounts payable	$ 640	$ 987	$ 1,627	$ 11,210
Salaries and benefits payable	38	-	38	1,400
Due to other funds	233	-	233	3,689
Due to other governmental units	166	3	169	-
Liability for self-insurance	-	-	-	46,114
Deferred revenue	-	-	-	151
Compensated leave and absences	14	-	14	333
Revenue bonds payable	980	-	980	-
General obligation bonds payable	-	135	135	-
Capital lease obligations	17	-	17	2,308
Total current liabilities	2,088	1,125	3,213	65,205
Noncurrent liabilities				
Compensated leave and absences	26	-	26	680
Revenue bonds payable	10,739	-	10,739	-
General obligation bonds payable	-	5,105	5,105	-
Accrued closure/postclosure liability	15,952	-	15,952	-
Capital lease obligations	-	-	-	3,237
Total noncurrent liabilities	26,717	5,105	31,822	3,917
Total liabilities	28,805	6,230	35,035	69,122
NET ASSETS				
Invested in capital assets, net of related debt	11,599	14,839	26,438	33,715
Restricted	22,769	1,025	23,794	-
Unrestricted	70,469	4,995	75,464	(1,833)
Total net assets	$ 104,837	$ 20,859	125,696	$ 31,882
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(12)	
Net assets of business-type activities			$ 125,684	

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

County of Fresno
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Enterprise	County Service Areas, Other	Total	Internal Service Funds
Operating revenues:				
Charges for services pledged for security of bonds	$ 13,245	$ -	$ 13,245	$ -
Charges for services	560	1,914	2,474	117,662
Other operating revenues	165	754	919	2,829
Total operating revenues	13,970	2,668	16,638	120,491
Operating expenses:				
Salaries and benefits	1,167	-	1,167	18,488
Insurance	15	28	43	66,270
Telephone services	-	5	5	-
Professional services	1,558	1,301	2,859	2,996
Special departmental	2,670	61	2,731	14,894
General and administrative	187	115	302	8,897
Repairs and maintenance	1,242	393	1,635	3,103
Rents and leases	290	-	290	1,350
Parts and supplies	1	1	2	10,196
Utilities	42	402	444	721
Depreciation	1,467	852	2,319	5,056
Total operating expenses	8,639	3,158	11,797	131,971
Operating income (loss)	5,331	(490)	4,841	(11,480)
Non-operating revenues (expenses):				
Loss on sale of equipment	-	-	-	(6,296)
Interest income	2,185	125	2,310	1,311
Interest expense	(862)	(349)	(1,211)	
Amortization bond issuance cost	(54)	(10)	(64)	-
Tax revenues	-	832	832	-
Closure/postclosure expense	(146)	-	(146)	-
Donation of assets	-	(1,188)	(1,188)	-
Grant and other revenues	201	1	202	-
Total non-operating revenues	1,324	(589)	735	(4,985)
Net income (loss) before transfers	6,655	(1,079)	5,576	(16,465)
Transfers in (out):				
Transfers in	-	13	13	3,221
Transfers out	(28)	(13)	(41)	(1,954)
Total transfers in (out)	(28)	-	(28)	1,267
Change in net assets before extraordinary item	6,627	(1,079)	5,548	(15,198)
Extraordinary Item				
Loss: fixed asset write down	-	-	-	(33,257)
Change in net assets	6,627	(1,079)	5,548	(48,455)
Net assets - beginning	98,210	21,938		80,337
Net assets - ending	$ 104,837	$ 20,859		$ 31,882
Adjustment to reflect the consolidation of internal service fund related to enterprise funds.			(12)	
Change in net assets of business-type activities			$ 5,536	

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

County of Fresno
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Enterprise	County Service Areas, Other	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from users	$ 13,552	$ 2,211	$ 15,763	$ 109,939
Cash paid to suppliers	(5,330)	(2,486)	(7,816)	(87,619)
Cash paid to employees	(1,208)	-	(1,208)	(19,298)
Cash paid for claims	-	-	-	(14,515)
Net cash provided by (used) operating activities	7,014	(275)	6,739	(11,493)
Cash flows from non-capital financing activities:				
Tax revenues	-	408	408	-
Cash received from other activities	25	-	25	-
Transfers in	-	15	15	-
Transfers out	(28)	(44)	(72)	(1,952)
Cash from closure/postclosure liability	(116)	-	(116)	-
Net cash provided by (used in) non-capital financing activities	(119)	379	260	(1,952)
Cash flows from capital and related financing activities:				
Proceeds from sale of equipment	(7)	426	419	(235)
Acquisition of capital assets	(1,942)	(790)	(2,732)	12,634
Principal paid on bonds	(935)	(130)	(1,065)	-
Interest paid on bonds	(778)	(364)	(1,142)	-
Principal paid on capital lease obligations	(17)	-	(17)	(380)
Contributed capital	-	(2)	(2)	(20,579)
Net cash (used in) provided by capital and related Financing activities	(3,679)	(860)	(4,539)	(8,560)
Cash flows from investing activities:				
Interest on investments	2,180	130	2,310	1,280
Net cash provided by investing activities	2,180	130	2,310	1,280
Net increase in cash and cash equivalents	5,396	(626)	4,770	(20,725)
Cash and cash equivalents - beginning	101,964	7,406	109,370	66,391
Cash and cash equivalents - ending	$ 107,360	$ 6,780	$ 114,140	$ 45,666
Reconciliation of cash and cash equivalents to the balance sheet:				
Cash and cash equivalents in cash and investments	$ 66,673	$ 5,220	$ 71,893	$ 40,496
Cash and cash equivalents in restricted cash and investments	40,687	1,560	42,247	5,170
Total	$ 107,360	$ 6,780	$ 114,140	$ 45,666

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

County of Fresno
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Solid Waste Enterprise	County Service Areas, Other	Total	Governmental Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 5,331	$ (490)	$ 4,841	$ (11,480)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	1,467	854	2,321	5,056
Decrease in accounts receivable	(408)	(466)	(874)	(6,792)
(Increase) decrease in interest receivable	(6)	9	3	-
Decrease in due from other funds	(10)	-	(10)	(2,901)
Decrease in inventory	3	-	3	325
(Increase) decrease in deposits and other assets	(4)	(8)	(12)	101
(Decrease) in accounts payable	(404)	(174)	(578)	1,504
(Decrease) in salaries and benefits payable	(37)	-	(37)	(810)
(Decrease) in deferred revenue	-	-	-	(828)
Increase (decrease) in due to other funds	(116)	-	(116)	3,374
Increase in due to other government units	(19)	-	(19)	-
Increase in closure/postclosure liability	1,217	-	1,217	-
Increase in liability for self-insurance	-	-	-	958
Total adjustments	1,683	215	1,898	(13)
Net cash provided by (used in) operating activities	$ 7,014	$ (275)	$ 6,739	$ (11,493)

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

County of Fresno
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004
(amounts expressed in thousands)

	Employees' Retirement Association	Investment Trust	Agency
ASSETS			
Cash and investments	$ 2,463,836	$ 912,652	$ 122,543
Taxes receivable	-	-	3,892
Accounts receivable	230,952	-	2,987
Due from other funds	-	351	1,443
Deposits and other assets	2,886	-	-
Property held by public administrator	-	-	3,438
Total assets	$ 2,697,674	$ 913,003	$ 134,303
LIABILITIES			
Accounts payable	$ 556,962	$ -	$ 31,832
Due to other funds	-	3,652	2,062
Due to other taxing units	-	-	43,585
Due to other governmental units	-	2,850	9,582
Fiduciary liabilities	-	-	47,242
Total liabilities	556,962	6,502	134,303
NET ASSETS			
Held in trust for pension benefits	2,140,712	-	-
Held in trust for pool participants	-	906,501	-
Total net assets	$ 2,140,712	$ 906,501	$ -

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

County of Fresno
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004
(amounts expressed in thousands)

	Employees' Retirement Association	Investment
ADDITIONS:		
Contributions:		
Employer	$ 442,949	$ -
Member	18,240	-
Contributions of pooled investments	-	165,402
Total contributions	461,189	165,402
Investment income		
From investment activities:		
Net depreciation in fair value of investments	184,760	-
Interest	20,614	31,825
Dividends	18,770	-
Private markets	20,268	-
Net income from investment activities	244,412	31,825
From securities lending activities:		
Securities lending income	3,851	-
Borrower rebate expenses	(2,939)	-
Security lending management fees	(228)	-
Net income from securities lending activities	684	-
Miscellaneous income	418	-
Investment expense	(6,637)	-
Net investment income	238,877	31,825
Total additions	700,066	197,227
DEDUCTIONS:		
Benefits and refunds paid to participants	107,993	-
Disbursements on behalf of participants	-	390,652
Administrative expense	2,001	-
Total deductions	109,994	390,652
Net increase (decrease)	590,072	(193,425)
Net assets - beginning	1,550,640	1,099,926
Net assets held in trust - ending	$ 2,140,712	$ 906,501

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

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NOTE 1 - The Financial Reporting Entity

The County of Fresno (County) is a political subdivision chartered by the State of California (State) and, as such, can exercise the powers specified by the Constitution and laws of the State. The County operates under its Charter and is governed by an elected five member Board of Supervisors (Board). The Board is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including law and justice, education, detention, social, health, road construction, road maintenance, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

The governmental reporting entity consists of the County (Primary Government) and it component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and 1) either the County's ability to impose its will on the organization or 2) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the County's Board. The financial statements of the individual component units may be obtained by writing to the County of Fresno, Auditor-Controller/Treasurer-Tax Collector's Office, 2281 Tulare Street, Room 105, Fresno, California 93721.

Blended Component Units: The following organizations are included in the County's financial statements as blended components.

Fresno County Employees' Retirement Association (FCERA) is reported as a Pension Trust Fund in the financial statements because it is an integral part of the County. A separate financial report can be reviewed at the Auditor-Controller/Treasurer-Tax Collector's office.

County Service Areas, Other (CSA's) which includes County Service Areas, Lighting and Maintenance Districts and Waterworks Districts, are blended as Special Revenue funds and Enterprise funds because they are an integral part of the County and their governing bodies are comprised of the Board.

The Friant Community Redevelopment Agency is reported as a Special Revenue fund in the financial statements because the Board of Directors of the Redevelopment Agency is the Board.

The Fresno County Financing Authority (FCFA) was formed to finance the construction, installation and equipping of the Solid Waste Enterprise activities. The bonds issued by the FCFA are recorded in the Solid Waste Major Enterprise fund. The FCFA and the County have a financial and operational relationship, which requires the FCFA's financial statements be blended into the County's financial statements. The FCFA's policies are determined by a five-member board appointed by the Board.

Fresno County Tobacco Funding Corporation is reported as a Special Revenue fund in the financial statements because it is an integral part of the County. A separate financial report can be reviewed at the Auditor-Controller/Treasurer-Tax Collector's office.

Discretely Presented Component Unit: The Children and Families Commission is governed by a nine-member board whose members are appointed by the Board and can remove members at will. The commission was created under the California Children and Families First Act of 1998. Revenue is derived from state surtax on cigarettes and tobacco products. The revenue is used to create and implement a comprehensive, collaborative, and integrated system of information and services to promote, support, and optimize early childhood development. The commission is a discretely presented component unit as the Commission's governing body is not substantially the same as that of the County and the commission doesn't provide services entirely to the County. A separate financial report can be reviewed at the Children and Families Commission office headed at 550 E. Shaw Avenue, Suite 215, Fresno, California 93710.

NOTE 2 - Summary of Significant Accounting Policies.

(A) Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Proprietary funds distinguish *operating* revenues, such as charges for services, which result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports only one major governmental fund:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation activities.

The County reports both of its enterprise activities by function as major proprietary funds:

- The *Solid Waste Enterprise Fund* is used to account for the County's operation on one transfer station and three disposal sites located in various areas of the County.
- The *County Service Areas, Other Fund* is used to account for special districts, governed by the Board, which include County service areas and Waterworks districts. They were established to provide water and sewer services within specific areas of the County.

The County reports the following additional fund types:

Internal Service Funds account for the financing of goods or services provided by one County department to another County department on a cost reimbursement basis. Internal service funds account for the activities of the fleet maintenance, centralized warehouse, centralized printing and mailing, centralized telecommunications, and information services. In addition, the County's Risk Management accounts for the County's s self-insurance programs - worker's compensation, long-term disability, employee benefits, and personal injury and property damage, on a cost-reimbursement basis. The *Pension Trust Fund* accumulates contributions from the County, its employees and other participating employers, and earnings from the fund's investments. Disbursements are made from the fund or for retirement, disability and death benefits (based on a defined benefit formula), and administrative expenses. This fund includes all assets of the FCERA.

The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.

The *Agency Funds* account for assets held by the County as an agent for various local governments. These funds do not have a measurement focus and use the accrual basis of accounting.

(B) Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes are accrued when their receipt is within sixty days after the end of the accounting period so as to be both measurable and available. Sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within ninety days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

For its business-type activities and enterprise funds, the County has elected, under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(C) Budgeting

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts, a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, the appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget (County Budget) is available for review in the Auditor-Controller/Treasurer-Tax Collector's office.

An operating balanced budget is adopted each fiscal year for the General and Special Revenue funds on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Budgets are not adopted for Capital Projects and Debt Service funds. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the department level in both the General and Special Revenue funds. Some Special Revenue funds have multiple departments, while most operate under a single department. The legal level of control is at the object level except for fixed assets, which are controlled at the sub-object level. All amendments, expenditures that exceed appropriations, and transfers of appropriations between levels within the same department or between departments within any fund are authorized by the County Administrative Office and must be approved by the Board. The Board must also approve supplemental appropriations financed by unanticipated revenues.

Individual fund budgetary comparisons are not presented at the detail object level due to their excessive length. A separate publication and other information presenting this detail are available in the Auditor-Controller/Treasurer-Tax Collector's office. Expenditures, except for fixed assets, are controlled at the object level for all budgets within the County. Fixed assets are controlled at the sub-object level. See the General fund budget statement on pages 18 through 26 and Special Revenue budget statements on pages 76 through 86.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the General, Special Revenue, and Capital Project funds. Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures.

(D) Investments

Statues authorize the County to invest its surplus cash (excluding FCERA) in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds rate P-1 by Standard & Poor's Corporation or A-1 by Moody's Investor Service, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Gains and losses are recognized based upon the specific identification method. All pooled investments are reported at book value. FCERA investments are made subject to guidelines of the investment plan approved by the Retirement Board (see note 11).

(E) Inventories

Inventories are valued at cost, which is determined on a first-in, first-out basis. Inventory in the General and Special Revenue funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual items are purchased.

(F) Capital Assets

Capital assets (including infrastructure) are recorded at historical or at estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements, including pavements in progress, bridges, and right of way. The County defines capital assets as assets with an initial, individual cost of more than $500, or deemed sensitive in nature, and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lessor of the capital lease period or other estimated lives in the government-wide statements and proprietary funds.

(amounts expressed in thousands)

GASB Statement No. 34 requires the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year, which for the County was fiscal year 2001-02. Pursuant to GASB Statement No. 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets acquired before the implementation date. Infrastructure prior to implementation of GASB Statement No. 34 will be reported in FY 04-05. This category is likely to be the largest asset class of the County and has historically not been reflected nor a measure of its consumption charged.

The County has one overall Roadway network for its infrastructure assets. The Roadway network is comprised of the following four subsystems: pavement; curb, gutter, and sidewalks; bridges; traffic signals and right of way. Activity for the current year relating to pavement is reported as infrastructure in progress. Information for the current year is reported for bridges and right of way with related depreciation but it is not available for curb, gutter, and sidewalks along with traffic signals.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Type of Asset	Estimated Useful Life in Years
Land improvements	20
Buildings and improvments	40-50
Equipment	3-15
Infrastructure (except for the maintained pavement system)	40

(G) Liability for Earned Compensated Absences

The County reports a liability for compensated absences that is attributable to services already rendered as of the balance sheet date and that are not contingent on a specific event that is outside the control of the employer, such as employee illness. This liability is based on the probability that the County will eventually compensate the employees for the benefits through paid time off or some other means, such as annual leave cash-outs or cash payments at termination or retirement. The liability is calculated based on pay or salary rates in effect at the balance sheet date in addition to those salary-related payments that are directly and incrementally associated with payments made for compensated absences on termination, such as Social Security and Medicare taxes. The County has included the liability within the government-wide financial statements and the proprietary fund financial statements.

(H) Bond Issuance Costs and Discounts

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities; business-type activities, or proprietary fund statement of net assets. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, government fund types recognize bond discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

(I) Unbilled Service Receivables

The County does not record unbilled service receivables from the Enterprise Funds because they are insignificant.

(J) Special Assessments

Total special assessments debt aggregated $664 at June 30, 2004. The County is not liable for such debt; rather, it acts solely as an agent for the property owners who are liable for the debt in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate. Accordingly, this liability is not reflected in these financial statements.

(K) Cash and Cash Equivalents

Cash and cash equivalents are reported in the Combined Statement of Cash Flows consist of cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and have an original maturity of three months or less.

(L) Use of Estimates

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

NOTE 3 - Property Taxes

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as of September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31. Property taxes are accounted for in the Property Tax Collection fund, and Agency fund, until apportionment and disbursement to taxing jurisdictions.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article XIIIA (known as Proposition 13) of the State of California Constitution, the County is permitted to levy a maximum tax of 1 percent of full cash value. For fiscal year 2003-04, the County received $77,089 in property taxes that were used to finance general governmental services.

(amounts expressed in thousands)

Teeter Plan - The County elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County, through the Property Tax Collection fund, purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the Property Tax Collection fund records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including the County, special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the Property Tax Collection fund. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. Funding for the buyout has been incorporated into the County's Tax and Revenue Anticipation Notes.

NOTE 4 - Receivables

Taxes and accounts receivable balances of the General, Non-major, Internal Service, and Proprietary funds are stated net of allowances for uncollectibles. The following is a schedule of receivables and allowances for uncollectibles applicable to each individual fund at June 30, 2004.

Receivables - Governmental activities	General Fund	Non-major Funds	Internal Service Funds	Total Governmental Activities
Taxes	$ 31,915	$ 641	$ -	$ 32,556
Accounts	55,381	12,898	9,679	77,958
Interest	545	587	255	1,387
Loans	30,316	-	-	30,316
Gross receivables	118,157	14,126	9,934	142,217
Less: allowance for uncollectibles	(2,586)	-	-	(2,586)
Total	$ 115,571	$ 14,126	$ 9,934	$ 139,631

Receivables - Business-type activities	Solid Waste Enterprise	County Service Areas, Other	Total Business- Type Activities
Accounts	$ 2,208	$ 201	$ 2,409
Interest	486	26	512
Gross receivables	2,694	227	2,921
Less: allowance for uncollectibles	-	-	-
Total	$ 2,694	$ 227	$ 2,921

(amounts expressed in thousands)

NOTE 5 - Interfund Transactions and Balances

The composition of interfund balances as of June 30, 2004 were as follows:

Short-term interfund transactions between funds which are not reimbursed by the receiving fund are reported as "due to and due from other funds."

	Due from Other Funds	Due to Other Funds
General fund	$ 12,937	$ 4,456
Non-major governmental funds	1,453	7,373
Proprietary funds	35	233
Internal service funds	5,246	3,689
Investment trust fund	351	3,652
Agency funds	1,443	2,062
Total	$ 21,465	$ 21,465

During the course of normal operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Transfers are comprised principally of transfers between the General and Special Revenue funds related to the State/Local Program Realignment (AB 1288), Vehicle License Fees, and debt service transfers to pay principal and interest payments on pension obligation bonds. All interfund transfers between individual government funds have been eliminated on the government-wide statements. The following schedule briefly summarizes the County's transfer activity for the fiscal year ended June 30, 2004:

	Transfers In	Transfers Out
General Fund	$ 126,774	$ 68,551
Non-major governmental funds	65,894	125,356
Proprietary funds	13	41
Internal service funds	3,221	1,954
Total	$ 195,902	$ 195,902

County of Fresno
Notes to the Basic Financial Statements
June 30, 2004
(amounts expressed in thousands)

NOTE 6 - Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Retirements	Adjustments	Balance June 30, 2004
Government activities					
Capital assets, not being depreciated					
Land	$ 11,103	$ -	$ -	$ -	$ 11,103
Construction in progress	68,367	32,136	(883)	-	99,620
Infrastructure in progress	21,692	12,246	-	-	33,938
Total capital assets, not being depreciated	101,162	44,382	(883)	-	144,661
Captial assets, being depreciated					
Land Improvements	-	-	-	11,128	11,128
Buildings and improvements	179,097	11,086	-	10,409	200,592
Equipment	207,549	56,761	(94,269)	(2,686)	167,355
Infrastructure	9,312	7	-	-	9,319
Total capital assets, being depreciated	395,958	67,854	(94,269)	18,851	388,394
Less accumulated depreciation for:					
Land Improvements	-	(1)		(10,000)	(10,001)
Buildings and improvements	(98,175)	(2,763)	-	(6,507)	(107,445)
Equipment	(120,313)	(12,910)	59,550	(31,113)	(104,786)
Infrastructure	(188)	(178)	-	-	(366)
Total accumulated depreciation	(218,676)	(15,852)	59,550	(47,620)	(222,598)
Total capital assets, being depreciated, net	177,282	52,002	(34,719)	(28,769)	165,796
Governemnt activities capital assets, net	$ 278,444	$ 96,384	$ (35,602)	$ (28,769)	$ 310,457
Business-type activities					
Capital assets, not being depreciated					
Land	$ 6,698	$ 159	$ -	$ -	$ 6,857
Construction in progress	4,820	496	-	(1)	5,315
Total capital assets, not being depreciated	11,518	655	-	(1)	12,172
Captial assets, being depreciated					
Land	19,957	1	(5)	(19,953)	-
Land improvements	2,221	1,301	-	19,953	23,475
Buildings and improvements	20,239	732	(1,434)	(8)	19,529
Equipment	18,253	2,577	(1,808)	-	19,022
Total capital assets, being depreciated	60,670	4,611	(3,247)	(8)	62,026
Less accumulated depreciation for:					
Land	(13,605)	(775)	-	14,380	-
Land improvements	(1,366)	(461)	-	(14,249)	(16,076)
Buildings and improvements	(6,723)	(646)	379	140	(6,850)
Equipment	(7,718)	(437)	599	(668)	(8,224)
Total accumulated depreciation	(29,412)	(2,319)	978	(397)	(31,150)
Total capital assets being depreciated, net	31,258	2,292	(2,269)	(405)	30,876
Business-type activities captial assets, net	$ 42,776	$ 2,947	$ (2,269)	$ (406)	$ 43,048

(amounts expressed in thousands)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	$	3,204
Public protection		5,462
Public ways and facilities		183
Health, sanitation, and public assistance		1,523
Education		409
Culture and recreation		16
Depreciation on capital assets held by the County's internal service fund is charged to the various functions based on their usage of the assets		5,055
Total depreciation expense - governmental functions	$	15,852

Depreciation expense was charged to business-type functions as follows:

Solid waste enterprise	$	1,467
County service areas, other		852
Total depreciation expense - business-type functions	$	2,319

Construction in progress

Construction in progress for governmental activities represents work being performed on the Plaza Remodel and a number of smaller projects. Construction in progress in the business-type activities represents ongoing work at the American Avenue landfill. The two largest construction in progress commitments at June 30, 2004 are for the Juvenile Justice Campus in the amount of $27,821 and the ADA Restroom modification in the amount of $1,874.

NOTE 7 - Short-Term Borrowing

Each fiscal year the County issues Tax and Revenue Anticipation Notes (TRANs) to provide financing of seasonal cash flow requirements for the General fund's current year expenditures and to discharge its obligations and indebtedness during this period. The principal of the notes and the interest thereon are paid from pledged property taxes and revenues the County expects to receive during the fiscal year.

Short-term debt activity for the year ended June 30, 2004 was as follows:

	Beginning Balance July 1, 2003	Draws	Repayment	Ending Balance June 30, 2004
TRANS	$ 55,000	$ -	$ (55,000)	$ -

(amounts expressed in thousands)

NOTE 8 - Capital Leases

The County has entered into certain capital lease agreements under which the related equipment will become the property of the County when all terms of the lease agreements are met. Equipment under capital leases includes the following (see Note 9):

	Governmental Activities		Business-type Activities
	Information Technology Services	Sheriff	Solid Waste Enterprise
Equipment	$ 1,632	$ 1,358	$ 85
Less: accumulated depreciation	(2,173)	(2,612)	(71)
Net	$ (541)	$ (1,254)	$ 14

NOTE 9 - Long-Term Debt

The following is a schedule of long-term liabilities for Governmental activities for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Amounts due within one year
Earned compensated absences	$ 35,162	$ -	$ 1,809	$ 33,353	$ 15,084
Capital lease obligations (Note 8)	5,925	2,937	2,011	6,851	3,666
Claims and judgements	150	-	-	150	-
Liability for self-insurance (Note 12)	45,157	16,482	15,525	46,114	14,271
Pension obligation bonds	144,873	402,441	1,250	546,064	2,465
Tobacco tax bonds	-	89,994	-	89,994	2,485
Lease revenue bonds	-	25,830	-	25,830	-
General long-term debt payable	$ 231,267	$ 537,684	$ 20,595	$ 748,356	$ 37,971

In March 2002, the County issued $117,055 in Taxable Pension Obligation Bonds, Refunding Series 2002 to advance refund a portion of the County's Taxable Pension Obligation Bonds, Series 1998. The 1998 Series bonds were originally issued in March 1998 in the amount of $184,910. The proceeds of the new issue were used to purchase U.S. Government Securities and to provide cash, which was placed into an irrevocable escrow account with a trustee bank. The purpose of the escrow account is to provide resources to service a portion of the 1998 Series when the respective bonds come due between August 2002 and August 2008. As a result, the refunded bonds are considered defeased and the liability is not reported in the government activities column of the statement of net assets. This advance refunding was undertaken to reduce the debt service requirements for the next six fiscal years by extending the overall payments by eleven years and resulted in an economic loss of $7,704.

(amounts expressed in thousands)

The portion of the County's taxable Pension Obligation Bonds, Series 1998 that were not refunded have various maturity dates between 2002 and 2008. The interest rates range from 6.01% to 6.26%. The County's taxable Pension Obligation Bonds, Refunding Series 2002 include both serial and term bonds. The serial bonds have various maturity dates between 2009 and 2014 with interest rates ranging between 6.06% and 6.45%. The term bonds have various maturity dates between 2015 and 2018 with an interest rate of 6.67%. For the fiscal year ended June 30, 2004 1998 Series Bond principal payment of $1,250 was made along with interest payments in the amount of $9,678.

In March 2004 the County issued Series 2004 A and B Pension Obligation Bonds for $328,000 and $75,000, respectively. These were issued to fund the County's retirement obligation. The debt matures between 2005 and 2033. In February 2004 the county issued $26,000 in Lease Revenue Bonds for the Juvenile Justice Campus. The debt matures between 2006 and 2024. In July 2002 the County issued through the Fresno County Tobacco Funding Corporation $9,925 in Series 2002 asset backed serial maturity bonds and $83,030 in Series 2002 asset backed term bonds. These bonds mature between 2005 and 2021. The interest rate for the asset backed serial maturity bonds range from 3% to 5%. The interest rate for the asset backed term bonds range from 5.625% to 6.125%.

Fiscal Year Ended June 30	Principal	Interest	Total Payment
2005	$ 4,950	$ 25,315	$ 30,265
2006	6,790	25,229	32,019
2007	11,310	24,778	36,088
2008	16,050	24,099	40,149
2009	20,620	23,162	43,782
2010-2014	119,775	99,561	219,336
2015-2019	201,485	57,709	259,194
2020-2034	290,048	36,230	326,278
Sub-total	671,028	316,083	987,111
Less: Unamortized deferred			
Charges for defeasance	(5,623)	-	(5,623)
Original issue discount	(3,517)	-	(3,517)
Total	$ 661,888	$ 316,083	$ 977,971

The following is a schedule of long-term liabilities for business-type activities for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Due within one year
Bonds	$ 17,913	$ -	$ 954	$ 16,959	$ 1,115
Captial leases	34	-	17	$ 17	17
Closure and post-closure	14,909	1,217	175	$ 15,951	-
Earned compensated absences	47	-	7	$ 40	14
Totals	$ 32,903	$ 1,217	$ 1,153	$ 32,967	$ 1,146

(amounts expressed in thousands)

One June 1, 1995, the Fresno County Financing Authority issued $19,685 solid waste revenue bonds reported in the Solid Waste Enterprise fund with an average interest rate of 5.91% payable semi-annually to advance refund the 1991 bonds. The proceeds in excess of the amount needed to defease the old bonds are being used to fund construction of module 3 and 4 at the American Avenue Landfill. The principal payments in amounts from $980 to $1,377 are due annually through 2014. At June 30, 2004, bonds outstanding amount to $11,719, net of $776 and $255 for unamortized deferred and original issue discount, respectively.

In 1995, the Solid Waste Enterprise fund defeased 1991 bonds by placing a portion of proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. The defeased bonds were paid off in the fiscal year 2002-03.

On September 2, 1997 the Fresno County Financing Authority issued $5,392 limited obligation improvement bonds reported in the County Service Areas, Other fund with an average interest rate of 5.92% payable semi-annually to purchase infrastructure improvements for a planned community. The bonds are payable from assessments on the property owners within the district and are not payable from any funds of the County. The principal payments in amounts from $95 to $395 are due annually through 2027. At June 30, 2004, bonds outstanding amount to $4,990.

The Debt Service fund is utilized to pay for pension obligation bonds. Payments for pension obligation bonds for the current year are shown as transfers out in the General and Special Revenue funds and as transfers-in in the Debt Service fund.

Compensated absences typically have been liquidated in the general, other governmental, proprietary, and internal service funds. Claims liabilities typically have been liquidated in the General fund.

Additionally, bonds outstanding at June 30, 2004 in the amount of $250 were previously issued for various water and sewer construction and operating activities of County Service Areas, Other Enterprise fund.

The following is a schedule of future debt service requirements for business-type activities bonds:

Fiscal Year Ended June 30	Principal	Interest	Total Payment
2005	$ 1,115	$ 1,078	$ 2,193
2006	1,185	1,017	2,202
2007	1,250	948	2,198
2008	1,315	874	2,189
2009	1,405	797	2,202
2010-2014	7,970	2,700	10,670
2015-2019	970	1,135	2,105
2020-2024	1,345	763	2,108
2025-2028	1,435	248	1,683
Sub-total	17,990	9,560	27,550
Less: Unamortized deferred			
Charges for defeasance	(776)	-	(776)
Original issue discount	(255)	-	(255)
Total	$ 16,959	$ 9,560	$ 26,519

(amounts expressed in thousands)

Landfill closure and post-closure costs - The County accounts for all solid waste landfill closure and post-closure costs based on the provisions of GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs." State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure costs is an operating expense and liability in each period based on landfill capacity used as of each balance sheet date.

The County owns two solid waste landfills which are currently operating including American Avenue Disposal Site and Coalinga Disposal Site, as well as one landfill which ceased accepting waste in fiscal year 1991, Southeast Regional Disposal Site. Southeast Regional completed its closure activities during fiscal year 1998-99 and began post-closure activities which are still ongoing as of June 30, 2004.

The $15,951 reported as landfill closure and post-closure care liability at June 30, 2004, represents the cumulative amount reported to date based on the landfill capacity used to date. The County will recognize the remaining estimated cost of closure and post-closure care of $52,109 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all remaining closure and post-closure care as of June 30, 2004. Actual costs may be higher when the respective landfills close due to inflation, changes in technology, or changes in regulations.

The percentage of landfill capacity used to date, the estimated remaining landfill life, the liability for closure and post-closure care at the balance sheet date, and the estimated remaining local closure and post-closure costs to be recognized for the three landfills are as follows:

Landfill	Capacity used at June 30, 2004	Estimated Years Remaining	Liability June 30, 2004	Remaining to be Recognized June 30, 2004
American Avenue	27.19%	33	$ 13,351	$ 49,100
Coalinga	41.26%	30	2,173	3,009
Southeast Regional	100.00%		427	-
Totals			$ 15,951	$ 52,109

The increase from 2002-03 in the closure and post-closure care liability for American Avenue and Coalinga is reported as an operating expense in 2003-04. Closure and post-closure costs for Southeast Regional are reported as non-operating expenses. The County is required by state and federal laws to finance closure and post-closure care. Amounts collected from current users for these costs are reported in restricted cash and investments and as reserved retained earnings. Reserved retained earnings also include certain accounts receivable and amounts due from other funds restricted for closure and post-closure care costs. Regarding the American Avenue and Coalinga Disposal Sites, the County expects that future user fees and interest earnings over the remaining landfill lives will fund the closure and post-closure liabilities. Regarding Southeast Regional, the County expects any on-going costs to be funded from interest earnings and from quarterly payments from waste haulers and cities by agreement.

(amounts expressed in thousands)

Additionally, Title XX of the California Code of Regulations requires that counties finance certain closure and post-closure maintenance and monitoring activities for their hazardous waste disposal sites. Post-closure activities are required for a minimum of 30 years after closure. The County's site, Blue Hills Hazardous Waste Disposal Site, closed in the fiscal year 1992-93. The County accounts for the closure and post-closure activities of this site in the General fund, which has designated $365 of its fund balance for these estimated costs (see Note 13).

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds, and at June 30, 2004 does not expect to incur a liability.

Lease Purchase Agreements

The County acquired certain equipment through lease purchase agreements at June 30, 2004. Schedules of future minimum lease payments for contracts and capital leases are as follows.

	Total Payments	Imputed Interest	Present Value of Net Minimum Lease Payments
Governmental activities			
Fiscal year ended June 30			
2005	$ 4,065	$ 451	$ 3,614
2006	2,442	192	2,250
2007	879	46	833
2008	158	4	154
Totals	7,544	693	6,851
Business-type activities			
Fiscal year ended June 30			
2005	19	2	17
Totals	19	2	17
Grand Totals	$ 7,563	$ 695	$ 6,868

(amounts expressed in thousands)

NOTE 10 - Joint Powers Agreements

The Solid Waste Enterprise fund consists of various disposal sites within the County. Several municipal governments have entered into joint powers agreements with the County to acquire, develop, maintain, and operate disposal sites and related solid waste processing facilities. The County, by and through the Board, administers the operations subject to the terms and conditions provided in such agreements and the authority set forth in the California Government Code Section 6508.

The disposal sites are primarily financed through user charges for services provided to the public and other public agencies within their service areas. The operating results of these disposal sites are accounted for by the County as an Enterprise fund and are reflected in the accompanying financial statements.

NOTE 11 - Fresno County Employees' Retirement Association (FCERA)

Plan Description - The FCERA is governed by the Board of Retirement under the 1937 County Employees Retirement Law (1937 Act). Members should refer to the 1937 Act for more compete information. The FCERA is a contributory defined benefit plan initially organized under the provisions of the 1937 Act on January 1, 1945. It provides retirement, death, and disability benefits to members. The FCERA is a cost-sharing, multiple-employer plan that includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County, Clovis Memorial District, Fresno Mosquito and Vector Control District, North Central Fire Protection District, Fresno/Madera Area Agency on Aging, and certain employees of the Fresno County Office of Education (collectively, the "Employers"). An employee becomes eligible for membership commencing with the pay period following the date of employment in a permanent position. The FCERA issues a stand alone financial report that can be reviewed at the Auditor-Controller/Treasurer-Tax Collector's office.

Funding Policy - Contributions are made by the members and the employers at rates recommended by the FCERA's independent actuary and approved by the Board of Retirement and the Board. Employee contribution rates vary according to age and classification (safety or general), and are designed to provide funding for approximately one-fourth of the regular retirement benefits and one-half of all cost of living benefits. Members are required to contribute between 2% and 5% of their annual covered salary. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act and are designed to provide funding for the remaining regular retirement and cost of living benefits, as well as all regular disability and survivor's benefits.

The following table shows the County's annual required contributions and the percentage contributed, for the current year and each of the two preceding years:

Fiscal Year	Annual Required Contributions (ARC)	Percentage of ARC Contributed
6/30/2002	7,780	100%
6/30/2003	33,583	100%
6/30/2004	44,939	985%

California Supreme Court Decision - On August 14, 1997, the Supreme Court of the State of California issued a decision in a case entitled Ventura County Deputy Sheriff's Association vs. Board of Retirement of Ventura County Employees' Retirement Association Case No. S055682. On October 1, 1997, the decision of the California Supreme Court became final. The Supreme Court held that a county retirement system, operating under the provisions of the 1937 Act, must include certain types of cash incentive payments and additional pay elements received by an employee, within the employee's "compensation earned" and "final compensation" when calculating the employee's retirement benefits.

NOTE 12 - Risk Management

The County 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 County has established a Risk Management fund (an Internal Service fund) to account for and finance its uninsured risks of loss. The fund is also used to account for the unemployment benefits program and for employee medical coverage provided through contracts with various health maintenance organizations.

The Risk Management fund provides coverage of the general liability, workers' compensation, medical malpractice, and damaged vehicle loss programs. General liability coverage is self-insured up to a maximum of $750 per claim. Excess coverage from $750 to $10,000 per claim is provided through a risk pool agreement with the California State Association of Counties (CSAC) Excess Insurance Authority. This risk pool is reinsured through commercial companies from $2,000 to $10,000 per claim.

Workers' compensation claims are self-insured up to a maximum of $500 per claim. Excess coverage from $500 to the statutory limit is provided through a risk pool agreement with CSAC Excess Insurance Authority. The County is entirely self-insured for medical malpractice claims.

Fire and extended coverage is self-insured up to a maximum of $25 per claim. Coverage between $25 and $50 is provided through a risk pool agreement with CSAC Excess Insurance Authority. Coverage in excess of $50 is provided by excess insurance purchased through CSAC Excess Insurance Authority.

Boiler and bond insurance coverage is self-insured up to a maximum of $5 per claim. Coverage in excess of $5 is provided through CSAC Excess Insurance Authority.

Settled claims for all programs have not exceeded the commercial coverage in any of the past three fiscal years.

County departmental contributions to the workers' compensation and general liability programs are based on actuarial recommendations. The reported actuarial liabilities for workers compensation and general liability assume a long-term annual rate of return between 6 and 6.5 percent. The undiscounted actuarial liability for these programs is $42,928. Reserves for self-insurance for these programs include estimated liability amounts for claims filed against the County for their programs, as well as the estimated amount of claims incurred but not reported, as computed by the actuary. Contributions to the property damage, unemployment, vehicle damage, and medical malpractice programs are based on actual historical claim loss experience.

(amounts expressed in thousands)

The claims liability of $46,114 reported in the Risk Management fund at June 30, 2004 is based on the requirement that 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. The claims liability includes all allocated loss adjustment expenses. While the ultimate amount of claims is dependent on future developments, management is of the opinion that the claims liability at June 30, 2004 is adequate to cover such claims. Changes in the Risk Management fund's claims liability amount during the last two fiscal years were as follows:

	June 30, 2004	June 30, 2003
Beginning of fiscal year liability	$ 45,157	$ 40,430
Current year claims provision and changes in estimates	16,482	19,013
Claim payments	(15,525)	(14,286)
Balance at fiscal year end	$ 46,114	$ 45,157

NOTE 13 - Designated Fund Balances

The County's Governmental Funds' Balance Sheet includes in its Unreserved Fund balance various designations. These designations reflect unreserved fund balance that has been tentatively allocated for financial resource utilization in future fiscal years. The amounts and purpose of these designations are as follows:

	General Fund	Special Revenue Funds
1. The Board of Supervisors has established a general designation of fund balance in the General fund and in the County Service Areas, Other, to provide additional financial stability.	$ 6,000	$ -
2. A designation for incentive funds received from the State of California to administer the Child Support Enforcement Program in accordance with Welfare and Institutions Code 15200.1.	1,555	-
3. This designation represents the estimated post-closure costs to the County for the closed Blue Hills Hazardous Waste Disposal Site.	365	-
4. This designation represents residual equity from the closure of Valley Medical Center unbudgeted at year end.	1,584	-
5. This designation is for accrued current year Compensated Absences (annual leave) liability.	13,372	964
6. This designation was established for the purchase of computer equipment in the County's three Special Revenue Library Funds.	-	5,523
7. This designation was established for the potential buyout of the delinquent tax roll for those taxing agencies within the County that have not yet opted into the Teeter Plan.	1,000	-
8. This designation was established to fund future employment and assistance programs.	6,000	-
9. A designation for low/moderate income housing required of the Friant Community Redevelopment Agency.	-	83
10. Unbudgeted revenues reclassified from Agency funds according to GASB 34.	46,640	950
	$ 76,516	$ 7,520

(amounts expressed in thousands)

NOTE 14 - Net Assets for Business-type Activities

Individual Net Assets balances at June 30, 2004 are as follows:

Solid waste enterprise	
Net assets	
Invested in capital assets, net of depreciation	$ 11,599
Restricted:	
American Avenue rate stabalization	3,697
American Avenue bond repayment/construction	3,579
American Avenue closure/post-closure	13,878
Coalinga closure/post-closure	1,615
Subtotal	22,769
Unrestricted	70,469
Total	104,837
County Service Areas, others	
Net assets	
Invested in capital assets, net of depreciation	14,839
Restricted:	
Bond repayment/construction	1,025
Subtotal	1,025
Unrestricted	4,995
Total	20,859
Total net assets for business-type activities	$ 125,696

(amounts expressed in thousands)

NOTE 15 - Restricted Cash

Restricted Cash is restricted for various purposes in the Governmental Funds and Proprietary Funds. Restricted Cash consists of the following:

Governmental funds:	
Internal service funds	
Information technology services	$ 5,170
Subtotal	5,170
Enterprise funds:	
Solid waste enterprise	
American Avenue landfill expansion	18,225
American Avenue rate stabilization	3,680
American Avenue closure and post-closure	13,744
American Avenue bond repayment	3,439
Coalinga closure and post-closure	1,599
Subtotal	40,687
County service areas, other:	
Fixed assets replacement	1,023
Bond repayment/construction	537
Subtotal	1,560
Total	$ 47,417

NOTE 16 - Contingent Liabilities and Commitments

There are various lawsuits and claims filed against the County which, in the opinion of management and the County Counsel, will be resolved with no material adverse effect on the County's financial condition or results of operations.

The County is the guarantor of a lease payable by American Ambulance (a County contracted ambulance service). The total of the outstanding lease payable at June 30, 2004 is $2,320.

The County participates in many state and federal assisted grant programs, which are subject to program compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the County expects such amounts, if any, will not be material to its financial statements.

The FCERA committed to invest in, and has partially funded, various private market investment funds. At June 30, 2004, the remaining commitments totaled $67,975.

On November 5, 1996, California voters approved Proposition 218 which provides certain limitations over the ability of local governments within the State of California to impose, increase and extend taxes, assessments and fees. This Proposition applies to all taxes, assessments, fees, and charges enacted or increased on or after January 1, 1995. The Board resolved to set forth initial procedures for bringing existing and new assessments, fees or charges into conformity with requirements of Proposition 218. The full impact of Proposition 218 on local government finances is difficult to assess and may be resolved only when the legislature enacts implementing statutes or a court ruling becomes available. Accordingly, no adjustments have been made to these financial statements for Proposition 218.

On August 27, 1996, the Board approved a master agreement with Community Hospitals of Central California (CHCC) to provide medical services for the indigent and inmate populations effective October 7, 1996. Valley Medical Center ceased operations as a County hospital on October 6, 1996 and its name changed to University Medical Center. The annual payment to CHCC for such services will be $14,900 adjusted for inflation.

NOTE 17 - Cash and Investments

The County maintains a Cash and Investment Pool (Pool) that is available for use by all funds. The Pension Trust participates in the Pool, but the majority of their cash and investments are held separately from other County funds. The fair value of investments in the Pool is determined quarterly based upon quoted market prices. The Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code 27143. The value of the Pool shares in the County Treasurer's Investment pool that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the entity's position in the Pool. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2004 to support the value of chares in the Pool. However, management believes that the investments in the Pool are of high quality and that the risk of participation in the Pool is negligible.

County of Fresno
Notes to the Basic Financial Statements
June 30, 2004
(amounts expressed in thousands)

The Pool values participants' shares on an amortized cost basis. Specifically, the Pool distributes income to participants quarterly based on their relative participation during the quarter which is calculated based on: 1) realized investment gains and losses computed on an amortized cost basis, 2) interest income based on stated rates (both paid and accrued), 3) amortization of discounts and premiums on a straight-line basis, and 4) investment and administrative expenses. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the Pool's investments. Investment income related to investments reported in certain funds is assigned to other funds based upon legal or contractual provisions.

Certain agencies outside of the County reporting entity participate in the Pool on a voluntary and involuntary basis. Involuntary participation by agencies is externally mandated. Totals for voluntary and involuntary participants are $906,501 as of June 30, 2004. The participants reported under the Investment Trust fund are School and Special Districts and Special Assessment Districts.

A summary of the investments and cash held in the Pool is as follows:

Investments	Fair Value	Principal	Interest Range	Maturity Range
Commercial paper	$ 54,972	$ 55,000	1.048 - 1.106	07/01/04 - 09/01/04
Repurchase agreements	11,000	11,000	1.25 - 1.269	07/01/04
Medium-term notes	293,710	282,222	1.637 - 5.35	07/01/04 - 01/15/09
Mutual funds	13,414	13,414	1.2 - 5.544	N/A
Asset backed securities	7,294	7,069	1.738 - 6.117	09/06/04 - 01/01/08
Government backed securities	1,006,030	1,005,188	1.316 - 4.282	07/01/04 - 02/25/09
LAIF	40,000	40,000	5.742	N/A
Treasury notes	18,244	18,080	2.029 - 3.619	09/30/05 - 02/15/07
Total investments	1,444,664	1,431,973		
Asset sweep	791	791	.042 - .085	N/A
Bank accounts	20,391	20,669	0.952	N/A
Total cash	21,182	21,460		
	$ 1,465,846	$ 1,453,433		

Deposits - Deposits are placed with various financial institutions and are carried at cost. Risk classifications for bank balances are as follows:

Category 1	Insured or collateralized with securities held by the County or its agent in the County's name.
Category 2	Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.
Category 3	Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the County's name.

(amounts expressed in thousands)

In accordance with California Government Codes, a multiple financial institution collateral pool maintained at a minimum of 110% of the uninsured deposits with the pledging institution's agent considered to be the County's name covers uninsured funds.

The following represents a condensed statement of net assets and changes in net assets for the Pool as of June 30, 2004:

Statement of Net Assets

Cash and investments	$ 1,465,846
Less: warrants payable	71,405
Net assets held in trust for pool participants	$ 1,537,251

Equity of internal pool participants	$ 630,750
Equity of external pool participants (voluntary and involuntary)	906,501
	$ 1,537,251

Statement of Changes in Net Assets

Net assets at July 1, 2003	$ 1,821,726
Net change in investments by pool participants	(284,475)
Net assets held in trust for pool participants at June 30, 2004	$ 1,537,251

County of Fresno
Notes to the Basic Financial Statements
June 30, 2004
(amounts expressed in thousands)

Investments - Investments under the County's investment policy include U.S. Treasury and agency obligations, bankers' acceptances, commercial paper, certificates of deposit, repurchase agreements, medium term notes, the State of California's Local Agency Investment Fund (LAIF), mutual funds, asset backed securities, and mortgage backed securities up to a specified percentage permitted by law. The policy further restricts investments such that the weighted-average maturity of the Pool cannot exceed one year.

The Pension Trust Fund's investment activity is governed by the prudent person standard and Board of Retirement policy which provides for investing that places limits on the compositional mix of cash securities and real estate investments held.

The County's investments are categorized as to custodial credit risk in the following manner:

Category 1	Insured or registered, or securities held by the County or its agent on the County's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department or agent, but not in the County's name.

The LAIF - The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with LAIF are secured by the full faith and credit of the State of California. The yield of LAIF during the quarter ended on June 30, 2004 was 1.44%. The carrying value and estimated fair value of the LAIF pool at June 30, 2004 was $57,600,699 and $57,637,501, respectively. The County's share of the Pool at June 30, 2004 was approximately $40,000. Included in LAIF's investment portfolio are certain mortgage-backed securities totaling $389,461. LAIF's and the County's exposure to risk (credit, market, or legal) are not currently available. The State Treasurer has regulatory oversight over the pool.

Total County cash and investments are reported as follows:

Primary government	$ 401,524
Component unit	46,486
Pension trust	2,463,836
Investment trust fund	912,652
Agency funds	122,543
Total cash and investments	$ 3,947,041

(amounts expressed in thousands)

In the following schedule, bank deposits are reported based upon balances as of the end of the fiscal year and investments are reported at the County's book balance.

	Custodial Credit Risk Category			
	1	2	Non-categorized	Fair Value
Investments:				
Commercial paper	$ 118,870	$ -	$ -	$ 118,870
Domestic bonds	463,469	-	-	463,469
U.S. government securities	1,274,413	-	-	1,274,413
International bonds	1,179	-	-	1,179
Global bond index fund	-	-	48,803	48,803
Domestic equity index fund	-	-	137,235	137,235
Domestic bond index fund	-	-	96,622	96,622
Mortgages	3,057	-	2,459	5,516
Asset backed pass-through certificates	4,237	-	-	4,237
Domestic stocks	615,514	-	-	615,514
International stocks	325,625	-	-	325,625
Private markets	-	-	189,796	189,796
Mutual funds	-	-	13,414	13,414
Asset sweep accounts	791	-	-	791
Securities on loan, collateralized with cash	-	-	234,368	234,368
Short-term investments with fiscal agent	72,586	-	-	72,586
Securities lending short-term investment pool	-	-	241,768	241,768
Repurchase agreements	-	11,000	-	11,000
LAIF	-	-	40,000	40,000
Investments subtotal	2,879,740	11,000	1,004,465	3,895,205
Deposits:				
Cash in bank:				
Insured and collateralized	19,905	-	-	19,905
On deposit with fiscal agents	78,472	-	-	78,472
Total cash in bank	98,377	-	-	98,377
Deposits subtotal	98,377	-	-	98,377
Investments and deposits subtotal	2,978,117	11,000	1,004,465	3,993,582
Item to reconcile carrying amounts:				
Cash in vault	-	-	487	487
Imprest cash and postage	-	-	390	390
Less: restricted cash and investments	(47,417)	-	-	(47,417)
Total cash and investments	$ 2,930,700	$ 11,000	$ 1,005,341	$ 3,947,041

Derivatives - The FCERA, through its external investment managers, enters into forward foreign currency contracts to hedge against changes in the fair values of foreign bonds and equity securities, primarily denominated in European and Asian currencies. It is possible that, due to foreign exchange fluctuations, the FCERA may be exposed to a potential loss. At June 30, 2004, the FCERA had approximately $28 million of its $342 million foreign equity portfolio hedged through the use of such forward currency contracts.

The FCERA could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The FCERA anticipates that counter-parties will be able to satisfy their obligations under the contracts. The FCERA's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures, including requirements for collateral at certain defined levels.

The FCERA also holds certain variable rate notes and collateralized mortgage obligations. At June 30, 2004, the FCERA has approximately $15,139 and $12,076 in these investments respectively.

Securities Lending - The FCERA, through its custodian bank, enters into securities lending transactions, whereby securities owned by the FCERA are loaned on a short-term basis to various banks and brokers. Securities on loan at June 30, 2004 include stocks and bonds of $122,259 and $112,109 respectively. Securities on loan must be collateralized at 102% of the market value of loaned securities. Collateral may take the form of cash, commercial paper, certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements, obligations issued or guaranteed as to interest and principal by the United States Government (or agencies or instrumentalities thereof), bank time deposits, variable rate demand notes, Marshall & Ilsley Trust Company's money market mutual fund, and any common trust fund maintained by a bank or other financial institution or any commingled or pooled trust. The lending agreement places no restriction on the amount of loans that can be made. The FCERA's lending agent is authorized to invest and reinvest cash collateral, but it is not expressly permitted to pledge or sell securities collateral without borrower default. Cash collateral is invested in the lending agent's short-term Investment Pool. The relationship between the maturities of the Pool and the FCERA's loans is affected by the securities loans of other entities that use the agent's pool; which the FCERA cannot determine. The accounts payable of the FCERA as reported on the Combined Balance Sheet includes $241,768 in cash collateral payable for securities lending. At year end, the FCERA has no credit risk exposure to borrowers as the amounts the FCERA owes the borrowers exceed the amounts the amounts the borrowers owe the FCERA. Furthermore, the lending agreement custodian requires the custodian to indemnify the FCERA if the borrower fails to return the securities. There were no losses associated with securities lending transactions during the year ending June 30, 2004.

NOTE 18 - Subsequent Events

On July 2, 2004, the County issued Tax and Revenue Anticipation Notes (TRANs) totaling $80,000 due on July 1, 2005 at an interest rate of 3.0%. The proceeds of the TRANs are intended to provide financing of seasonal cash flow requirements for the County's General fund expenditures during the fiscal year ended June 30, 2005. A pledge of property taxes, income, revenue and other monies of the County allocable solely to fiscal year 2004-05 and legally available secure the TRANs.

On October 14, 2004, the County issued Lease Revenue Bonds, Series 2004B totaling $14,375 with maturities ranging from August 1, 2006 to August 2, 2019 at an interest rate ranging from 2.25% to 4.0%. The proceeds of the Lease Revenue Bonds were issued to fund an energy project with includes a 1 mega-watt natural-gas co-generation plant and the purchase of energy-efficient equipment. The bonds will be repaid from savings and rebates earned on the energy project.

NOTE 19 - Extraordinary Item

The County of Fresno incurred a write-off of fixed assets at its Information Technology Services Department (ITSD). Fixed assets of $33,257 were written-off due to complications in ITSD's surplusing methodology. This methodology has subsequently been corrected to alleviate any future occurrences.

NOTE 20 - Prior Period Adjustment

Fresno County formed the Fresno County Tobacco Funding Corporation in June 13, 2002. This entity issued $92,955 in bonds on July 11, 2002. In April 2004, the Governmental Accounting Standards Board issued Technical Bulletin No. 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues. The standard indicated that the funding corporation be brought into the reporting entity as a blended component unit. For Fiscal Year 2003-04, the Fresno County Tobacco Funding Corporation is included as a special revenue fund in the governmental fund types. The current portion of the Fresno County Tobacco Funding Corporation fund balance of $9,386 is included as a prior period adjustment to the beginning fund balance for the County of Fresno. The long-term portion of the Fresno County Tobacco Funding Corporation fund balance of $77,015 is included as a prior period adjustment to the government-wide statements for the County of Fresno.

Required Supplementary Information -
(Other than MD & A)

County of Fresno
Required Supplementary Information
For the Year Ended June 30, 2004
Employees' Retirement Association
Analysis of Funding Progress
(amounts in thousands)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded (Overfunded) AAL (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(5) Unfunded (Overfunded) AAL Percentage of Covered Payroll (3) / (5)
6/30/94	$ 795,748	$ 1,008,658	$ 212,910	78.9%	$ 217,439	97.9%
6/30/96	1,296,256	1,470,331	174,075	88.2%	191,114	91.1%
6/30/98	1,647,935	1,549,166	(98,769)	106.4%	219,398	(45.0%)
6/30/00	1,698,282	1,719,905	21,623	98.7%	273,426	7.9%
6/30/02	1,674,900	1,932,300	257,400	86.7%	326,975	78.7%
6/30/04	1,922,149	1,953,490	31,341	98.4%	341,981	9.2%

APPENDIX D

FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes, Hawkins Delafield & Wood LLP, Bond Counsel to the County, proposes to issue an approving opinion in substantially the following form:

Board of Supervisors of the
County of Fresno
Fresno, California

Ladies and Gentlemen:

We have acted as bond counsel to the County of Fresno, California (the "County") in connection with the issuance of its $90,000,000 aggregate principal amount of 2005-06 Tax and Revenue Anticipation Notes (the "Notes") issued pursuant to and by authority of a resolution of the Board of Supervisors of the County duly passed and adopted on May 17, 2005 (the "Resolution"), and under and by the authority of Article 7.6 chapter 4, part 1, Division 2, Title 5 of the California Government Code.

In such connection, we have examined the Resolution, certain estimates, expectations and assumptions made by or on behalf of the County, originals, or copies identified to our satisfaction as being true copies, of such records and proceedings of the County and such other documents, including a certificate of the County relating to certain federal income tax matters (the "Tax Certificate"), and other matters deemed necessary to render the opinions set forth herein.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes not be included in gross income for federal income tax purposes under Section 103 of the Code. Non-compliance with such requirements may cause interest on the Notes to be included in gross income of the owners thereof for federal income tax purposes retroactive to the date of issue irrespective of the date on which such non-compliance occurs or is ascertained. We have examined the Tax Certificate delivered concurrently with the delivery of the Notes, which, in our opinion, establishes procedures under which, if followed, the requirements of the Code can be met.

Based on the foregoing, we are of the opinion that:

1. The Notes constitute the valid and binding obligations of the County. The principal of and interest on the Notes are payable from the taxes, income, revenue, cash receipts and other moneys received or accrued by the County for the General Fund of the County during the Fiscal Year 2005-06 that are lawfully available for payment of the Notes and the interest thereon (the "Unrestricted Revenues"), and to the extent of any deficiency, from Unrestricted Revenues not previously deposited in the Note Repayment Fund, as described in the Resolution.

2. Under existing statutes and court decisions, interest with respect to the Notes is not included for federal income tax purposes in gross income pursuant to Section 103 of the Code and is not treated as a preference item in calculating the alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. Under the Code, however, such interest is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations.

In rendering the opinions in paragraph 2 hereof, we have relied upon and assumed the material accuracy of the County's representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate, and continuing compliance by the County of the procedures and covenants set forth in the Tax Certificate as to such tax matters.

3. Interest on the Notes is exempt from State of California personal income tax.

The foregoing opinions are qualified to the extent that the enforceability of the Notes and the Resolution may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

Except as expressly set forth in paragraphs (2) and (3) above, we express no opinion regarding other tax consequences arising with respect to the Notes.

Very truly yours,